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Tuesday, 6 December 2022

To: Members of the MCA - Business Recovery and Growth Board and Appropriate Officers

You are hereby invited to a meeting of the South Yorkshire Mayoral Combined Authority to be held at **South Yorkshire MCA, 11 Broad Street West, Sheffield, S1 2BQ**, on: **Thursday, 15 December 2022 at 2.00 pm** for the purpose of transacting the business set out in the agenda.

A handwritten signature in black ink that reads 'Martin Swales'.

Martin Swales
Chief Executive and Head of Paid Service

Member Distribution

Mayor Ros Jones CBE (Co-Chair)
Neil MacDonald (Co-Chair)

Councillor Glyn Jones
Councillor Chris Lamb
Councillor Denise Lelliott
Councillor Martin Smith
Sharon Kemp
Richard Stubbs

Jim Dillon

Doncaster MBC
Private Sector LEP Board
Member
Doncaster MBC
Barnsley MBC
Rotherham MBC
Sheffield City Council
Rotherham MBC
Private Sector LEP Board
Member
SYMCA Executive Team

MCA - Business Recovery and Growth Board

Thursday, 15 December 2022 at 2.00 pm

Venue: South Yorkshire MCA, 11 Broad Street West, Sheffield, S1 2BQ

SOUTH YORKSHIRE
SYMCA



MAYORAL
COMBINED
AUTHORITY

Agenda

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2.	Declarations of Interest by individual Members in relation to any item of business on the agenda.	Chair	
3.	Urgent items / Announcements	Chair	
4.	Public Questions of Key Decisions	Chair	
5.	Minutes of the Previous Meeting	Chair	5 - 16
6.	Matters Arising / Action Log	Chair	17 - 20
7.	Development: Overview of SYMCA Assurance Process	Clare Monaghan	Verbal
8.	SYMCA Support for Access to Finance for Business	Rachel Clark	21 - 26
9.	Business Investment Pipeline	David Moore	27 - 32
10.	Project Mandate Approval	Joseph Quinn	33 - 50
11.	Any Other Business	Chair	

Date of next meeting: Thursday, 9 February 2023 at 2.00 pm
At: South Yorkshire MCA, 11 Broad Street West, Sheffield, S1 2BQ

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MCA - BUSINESS RECOVERY AND GROWTH BOARD

MINUTES OF THE MEETING HELD ON:

THURSDAY, 27 OCTOBER 2022 AT 2.00 PM

**SOUTH YORKSHIRE MCA, 11 BROAD STREET WEST,
SHEFFIELD, S1 2BQ**



PRESENT:

Mayor Ros Jones CBE (Co-Chair)	Doncaster MBC
Neil MacDonald (Co-Chair)	Private Sector LEP Board Member
Councillor Glyn Jones	Doncaster MBC
Councillor Chris Lamb	Barnsley MBC
Councillor Martin Smith	Sheffield City Council
Sharon Kemp	Rotherham MBC
Richard Stubbs	Private Sector LEP Board Member
Jim Dillon	SYMCA Executive Team

IN ATTENDANCE:

Stephen Burrows	Senior Business Development Manager	SYMCA Executive Team
Rachel Clark	Assistant Director Trade & Investment	SYMCA Executive Team
Felix Kumi-Ampofo	Director of Corporate Policy	SYMCA Executive Team
Joseph Quinn	Innovation Project Director	SYMCA Executive Team
Sue Sykes	Assistant Director - Procurement, Contracts and Programme Controls	SYMCA Executive Team
Sarah Pugh	(Minute Taker)	

APOLOGIES:

Councillor Denise Lelliott	Rotherham MBC
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39 Welcome and Apologies

Neil MacDonald, in the Chair, welcomed attendees to the meeting.

Apologies for absence were noted as above.

40 Declarations of Interest by individual Members in relation to any item of business on the agenda.

None.

41 **Urgent items / Announcements**

None.

42 **Public Questions of Key Decisions**

None.

43 **Minutes of the Previous Meeting**

RESOLVED: That the minutes of the meeting held on 1st September 2022 be agreed as a true record.

44 **Matters Arising / Action Log**

It was noted that the latest South Yorkshire UK Shared Prosperity Fund (UKSPF) Investment Plan had been shared by email with the Board. The MCA was yet to hear back from Government, but external support was being provided to deliver this work. An internal reorganisation of support provision had also been undertaken.

It was confirmed that, once the first year's allocation had been received from Government, and LA Delivery Plans have been agreed with the LCA as Lead Authority, funds would be passed on to Local Authorities.

The Board requested an update on the establishment of the Innovation Board, including an expected timeline for completion.

ACTION: Innovation Project Director to provide an up-to-date timeline for the establishment of the Innovation Board to the next meeting.

RESOLVED: to note the Action Log and updates, and clear completed actions from the log.

45 **Business Development Projects - Status Update**

A Status Update on Business Development Projects was presented to the Board. It stated that there were 67 active enquiries at that time, covering a range of industries.

It was noted that two projects previously undertaking the assurance process had withdrawn. Both were attributed to the poor economic climate at the time.

A discussion was had on a recent hosting of an overseas delegation looking in to investing in technical capabilities in the region. Feedback on the visit had been very good, and several follow up enquiries had been passed on to local partners. Insights gained had also been passed on to the AMRC and Sheffield Universities to enhance engagement in the region.

The Board welcomed ongoing work to create an International Strategy which

would provide a framework for future international visits and encouraged the involvement of all Authorities in any international investment.

The Board asked for more transparency on the Business Investment Pipeline, how businesses are engaged in the MCA's business support offer, and how it is agreed whether grants or loans are offered.

ACTION: Business Growth Advisor to attend the December Board meeting to give an overview of enquiries made and how decisions are made to allocate grants and loans, or any enquiries which are signposted elsewhere.

RESOLVED: To note the Business Development Projects Status Update.

46 **Programme Approvals**

A Programme Approvals Report was presented to the Board for approval. It included one programme which sought progression from a Strategic Business Case (SBC) to and Outline Business Case (OBC).

The proposal sought to create a world-leading green aerospace cluster in Doncaster. It was confirmed that the project was not reliant on an active airfield, nor Doncaster Sheffield Airport's operation, to go ahead.

Due to the requested amount to be funded, a loan of £7m, approval would also be required from the MCA Board.

RESOLVED: To approve the progression of "D0049" project to the MCA board for approval to progress from SBC to OBC subject to the conditions in the Assurance Panel Summary attached at Appendix A.

47 **Programme Performance Update**

An update on performance of programmes was presented to the Board, which provided a summary of projects within the Board's remit.

It was noted that most funding was allocated through the South Yorkshire Renewal Fund, a combination of different funds which includes Gainshare. The MCA Board in March 2022 agreed to notionally allocate Gainshare funding according to the population of each Local Authority, with a 20% top slice for MCA-led interventions.

Board Members requested more information on how funding was allocated equitably. A response was given that each enquiry is decided on its own merits.

The Board recommended the development of a framework for allocating funding which ensures appropriate projects are funded at the right time, and members expressed frustration with the assurance process and lack of role for Board members in the decision-making process.

It was noted that the BGRB co-chair, also Chairs the MCA Assurance Panel, which assesses investment projects and makes recommendations to the

relevant Board in line with the Assurance Framework which is agreed by the LEP and MCA Boards each year.

It was asked what happens to any underspend of funds. It was confirmed that only the Made Smarter funding had restrictions on how and when it is spent.

ACTION: Executive Director Finance & Investment to work with Director Business & Skills and Sharon Kemp to develop a clear picture of where funds come from, and present to the December Board meeting.

ACTION: Board to meet before December Board meeting to receive an overview of the funding allocation decision making process.

RESOLVED: To note the Programme Performance Update.

48 **Project Mandate: South Yorkshire Co-Investment Fund**

A Project Mandate: South Yorkshire Co-Investment Fund was presented to the Board for approval.

It was noted that, if approved by the Board here, the project would progress through the assurance process, and depending on the amount of funding to be allocated, progress to the MCA Board or this Board for approval. It was confirmed that a Full Business Case was already being developed for this project in anticipation of the next steps in the process.

The Board noted that it would be preferable for this project to begin work within the next 6 months, and frustration was expressed by the Board regarding the length of the assurance process, and how it can inhibit the success of projects such as this.

Board members gave their willingness to support this project however they could, including their willingness for Delegated Authority to be used to allocate funding if the assurance panel confirms that all required outcomes have been met.

The Board requested fuller detail going forward in the covering reports for projects seeking approval, such as how particular companies are chosen as partners.

RESOLVED: To accept the Mandate and allow it to progress further through SYMCA's assurance process

49 **Project Mandate: Tech South Yorkshire Proposal**

A Project Mandate: Tech South Yorkshire Proposal was presented to the Board for approval.

The proposal was seeking to create a better environment and framework of support for the development of technological innovation in the region. It was stated that the region was currently missing out on funding opportunities because of a lack of clarity on this topic.

It was noted that lots of tech innovation took place in Barnsley, but that this was a regional proposal which would be led by a regional steering group. The Board asked that all Local Authorities are fully included in the progression of the project.

ACTION: Innovation Project Director to share the opportunity for membership on steering group to all LAs.

ACTION: Innovation Project Director to work with Board members outside of Board meetings to ensure equitable coverage of all Local Authorities in the project.

Collaboration had been undertaken with partners in Finland who had successfully established similar projects, and useful intelligence had been gained. The Board encouraged this approach.

A communications strategy was also underway to reach stakeholders and investors.

ACTION: Innovation Project Director to provide an update on the Tech SY communications strategy.

RESOLVED: To accept the Mandate and allow it to progress further through SYMCA's assurance process

50 **Any Other Business**

A question was asked on Investment Zones, and if the MCA was successful in its bid, proposals relating to this would be brought to this Board. It was confirmed that they would, although no response had been received from government yet.

In accordance with Combined Authority's Constitution/Terms of Reference for the Board, Board decisions need to be ratified by the Head of Paid Services (or their nominee) in consultation with the Chair of the Board. Accordingly, the undersigned has consulted with the Chair and hereby ratifies the decisions set out in the above minutes.

Signed

Name

Position

Date

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By virtue of paragraph(s) 4 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Open Actions

Meeting Date	Minute No	Action	Action Owner	Update	Status
10/02/22	10	Innovation Projects Update Minute: Councillor Turpin asked if the Board could receive a comprehensive update at a future meeting in relation to all of the current innovation projects.	J Quinn		Ongoing
01/09/22	32	Business Investment Pipeline Update Minute: ACTION: Innovation Project Director to arrange a meeting with interested Board Members to explain the full Assurance Process.	Dem Services	To be covered in 15/12 meeting	Ongoing
27/10/22	44	Matters Arising / Action Log Minute: ACTION: Innovation Project Director to provide an up-to-date timeline for the establishment of the Innovation Board to the next meeting.	Joseph Quinn	A timeline will be brought to December meeting of the board	Ongoing

Meeting Date	Minute No	Action	Action Owner	Update	Status
27/10/22	45	<p>Business Development Projects - Status Update</p> <p>Minute:</p> <p>ACTION: Business Growth Advisor to attend the December Board meeting to give an overview of enquiries made and how decisions are made to allocate grants and loans, or any enquiries which are signposted elsewhere.</p>	Andy McKenna	To be covered in 15/12 meeting	Ongoing
27/10/22	47	<p>Programme Performance Update</p> <p>Minute:</p> <p>ACTION: Executive Director Finance & Investment to work with Director Business & Skills and Sharon Kemp to develop a clear picture of where funds come from, and present to the December Board meeting.</p>	Gareth Sutton	To be covered in 15/12 meeting	Ongoing
27/10/22	47	<p>Programme Performance Update</p> <p>Minute:</p> <p>ACTION: Board to meet before December Board meeting to receive an overview of the funding allocation decision making process.</p>	Dem Services	To be covered in 15/12 meeting	Ongoing

Meeting Date	Minute No	Action	Action Owner	Update	Status
27/10/22	49	<p>Project Mandate: Tech South Yorkshire Proposal</p> <p>Minute:</p> <p>ACTION: Innovation Project Director to share the opportunity for membership on Team SY steering group to all LAs.</p>	Joseph Quinn		Complete
27/10/22	49	<p>Project Mandate: Tech South Yorkshire Proposal</p> <p>Minute:</p> <p>ACTION: Innovation Project Director to provide an update on the Tech SY communications strategy.</p>	Joseph Quinn	Verbal update to be made to 15/12 meeting.	Ongoing

Recently Closed Actions – cleared at October 27th Meeting.

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Business Recovery and Growth Board

15 December 2022

SYMCA support for access to finance for business

Is the paper exempt from the press and public?	No
<i>Reason why exempt:</i>	Not applicable
Purpose of this report:	Discussion
Is this a Key Decision?	No
Has it been included on the Forward Plan?	Not a Key Decision

Director Approving Submission of the Report:
 Jim Dillon, Director of Business and Skills

Report Author(s):
 Rachel Clark, Director of Trade, and Investment

Executive Summary:

This report outlines the approach taken by the Access to Finance Centre of Expertise Team (AFCOE) to securing business investment.

What does this mean for businesses, people and places in South Yorkshire?

South Yorkshire has the lowest productivity of all the English regions despite having two high performing universities generating capable people and fundamental research. A lack of finance for SMEs has been identified as a major barrier to addressing latent productivity and low business density. The work of the AFCOE team helps to address these challenges.

Recommendations:

The Business Recovery and Growth Board are asked to:

- Note the activities and approach of the Access to Finance Centre of Expertise Team (AFCOE) and provide feedback on the approach.

Consideration by any other Board, Committee, Assurance or Advisory Panel

None

1. Background

- 1.1 South Yorkshire has the lowest productivity of all the English regions despite having two high performing universities generating capable people and fundamental research. A lack of finance for SMEs and Inward investment has been identified as a major barrier to addressing latent productivity and low business density.
- 1.2 Professor Colin Mayer and Professor Paul Collier undertook over 100 interviews with SME's and finance providers in SY during 2021 to establish the barriers to growth. These observations were further confirmed during the South Yorkshire Economic Summit in March 2022.
- 1.3 The following issues have been identified across South Yorkshire:
 - The private finance infrastructure in South Yorkshire currently shows a lack of business angels, venture capitalists and private equity firms.
 - Financial institutions believe there is weak demand in South Yorkshire, a lack of ambition on the part of entrepreneurs and small businesses, and a business culture of excessive caution: an unwillingness to take risks, cede control, or engage with investors.
 - Start-ups and small business in South Yorkshire believe they cannot get the finance they need and are turned down by the large commercial bank. In rare cases where they have connections, they get better-quality risk-taking finance from abroad.
- 1.4 The need to continue to improve the availability and business ability to access finance is key to supporting companies' capacity to grow, however a combination of a complicated financial landscape and underdeveloped finance market in South Yorkshire are acting as a break on economic growth.
- 1.5 The AFCOE team support businesses to access grants, loans, guarantees, and equity funding. They provide South Yorkshire Mayoral Combined Authority (SYMCA) with expertise across a range of financial related areas including Banking & Finance, Accountancy, and grant sourcing.

2. Accessing Private Sector Funders

- 2.1 The AFCOE Advisors prioritise access to private sector funders for all initial enquires for support. To underpin this activity, they engage with a wide network of funding partners and undertake quarterly 'Funders Forums' where funders share relevant market developments and information from across the sector. The typical funders that engage in this activity and receive referrals from AFCOE advisors include:
 - Northern Powerhouse Investment Fund (NPIF) funders (locally these are Mercia and Finance for Enterprise).
 - UK Steel Enterprise.
 - Finance Yorkshire.
 - Secondary funders, e.g. Funding Circle.
 - Primary banks.

- Asset based lenders (such as Invoice Finance or Asset Finance providers).
- Key Fund.

2.2 Accessing Patient (equity finance): The AFCE team primarily use the Beauhurst Database to identify potential equity funders. However, many of these equity funders are targeting investment at established businesses looking to scale up. It is much harder to find providers who are prepared to invest in early-stage businesses. It is worth noting that 52% of total equity funding in Q2 of 2022 occurred in London, only 4% in Y&H, so it is useful to be able to identify fundraisings that have occurred outside of the region so we can signpost our businesses to funders that are not based in SY. It should be noted this is not without risk as many early-stage businesses may choose their location dependent on access to finance

2.4 There are multiple reasons why a business may be unable to attract finance from private sector providers these include:

- Lack of access to decision makers in banks/reduced relationship manager availability.
- Lack of debt serviceability or over-committed cashflow/Reaching the maximum a business can borrow from primary funders.
- Recent performance that shows deteriorating trends within the business due to Covid/Brexit/market slowdown.
- Lack of available tangible security that can be offered to underwrite borrowing requests.
- Lack of specific sector appetite from funders, e.g. construction or hospitality
- Stage of business (e.g. seed or pre-seed finance).
- Business being unable to produce detailed management information.

2.5 In addition, SYMCA is exploring novel solutions that include co-investment models and looking to influence the criteria for funding acceptable to include greater emphasis on larger socio-economic benefits as well as the traditional future profitability.

3. **Accessing SYMCA funding**

3.1 Properly targeted public investment can boost economic performance, generating aggregate demand quickly, fuel productivity growth by improving human capital, encourage technological innovation, and attract further private-sector investment. There are a number of scenarios when accessing funding from SYMCA and or other public sector funders can support these ambitions:

These include the following:

- String strategic alignment to the ambitions of the South Yorkshire strategic ambitions including alignment to the Strategic Economic Plan (SEP) and SYMCA international Strategy.
- Incentivisation for inward investment that will unlock secondary benefits including cluster development and enhanced supply chain opportunities.
- The ability to unlock specific outcomes for South Yorkshire residents including access to high quality employment.
- Unlocking further private sector investment by sharing risk.
- Loans that do not require security which can help with primary banking.

3.2 How public investment is structured needs to be considered on a case-by-case basis and therefore it is not possible to comprehensively identify upfront if investment should loan,

grant or equity. However, there is a principle of prioritising approaches where investment can be repaid before consideration is given to grant funding.

- 3.3. Where businesses have been unsuccessful in accessing funds from commercial lenders there are a number of conditions that make public funding more attractive these include:
- Capital repayment holidays for a period of time, allowing time for primary debt to be repaid or for the project to become revenue generating.
 - Roll-up interest costs for a period, as above.
 - Flexible drawdown of funds.
 - Bullet repayment of the loan at the end of the term.
 - Lower interest rates (or interest free) where the purpose of the loan aligns to SYMCA strategic direction, such as net zero.
- 3.4 SYMCA Grant funding: There are clear examples of where grant funding can be an appropriate route for investment including de-risking investment and innovation plans, significant acceleration of a project and the resultant outcomes and as a route to unlocking additional loan finance.
- 3.5 There are many examples of grant schemes delivered in South Yorkshire that have been successful, including Regional Growth Funds and productivity-based grants. The recent Business Investment Fund saw £42m of (mainly) grant funding to support the regions businesses in delivering capital projects, including some R&D based projects. This enabled the release of £100m of (mainly private sector) match funding for growth projects in the region and helped to create c3,500 new jobs.
- 3.6 Alternative sources of public sector backed funds that the AFCOE team actively refer into include:
- Innovate funding for R&D.
 - Digital Innovation Grants.
 - Made Smarter programme.
 - Department for International Trade.
 - Start-Up loans.
 - DEFRA.
 - Export Finance.
 - Performing Rights Society Foundation, Un-Limited, and Arts Council.

4. **Assessing the appropriate financing route:**

- 4.1 The AFCOE advisors work from the principle that any grant funding is an intervention of 'last resort and therefore undertake a robust assessment before making a decision on the most appropriate route.

They undertake detailed financial checks, where possible and dependant on provision of information, which can include the following areas;

- Detailed assessment of **historical** trading performance and cashflows, asset base, gearing and liquidity, contingent liabilities, or off-balance sheet financing.
- Detailed assessment of **current** position based on management accounts etc.,.
- Detailed assessment of **forecasts**, including analysis of sales development, working capital requirements, cashflow implications etc.,.
- Review of existing covenant structure from funders.
- Use of Creditsafe and Beauhurst to investigate wider group where appropriate.

- Other sources of funding already accessed or attempted to access.

All of the above can be undertaken in conjunction with client's Bank and/or the company's financial advisors.

5. Options Considered and Recommended Proposal

5.1 N/A – discussion paper

5. Consultation on Proposal

5.1 N/A – discussion paper

6. Timetable and Accountability for Implementing this Decision:

6.1 N/A – discussion paper

7. Financial and Procurement Implications and Advice

7.1 The Financial implications are assessed if a request is made for access to public funding on a case-by-case basis.

The funding for the team who occupy the Access to Finance role is currently undecided – a specific and sustainable budget for this activity has not been identified or agreed on after the end of the Financial Year 22/23.

8. Legal Implications and Advice

8.1 The Legal implications are assessed if a request is made for access to public funding on a case-by case basis

9. Human Resources Implications and Advice

9.1 Not applicable in this instance

10. Equality and Diversity Implications and Advice

10.1 Not applicable in this instance

11. Climate Change Implications and Advice

11.1 Not applicable in this instance

12. Information and Communication Technology Implications and Advice

12.1 Not applicable in this instance

13. Communications and Marketing Implications and Advice. Please also refer to consultation undertaken as per Section 4

13.1 Not applicable in this instance

List of Appendices Included

None

Background Papers:

None

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