

# Public Document Pack



Tuesday, 7 December 2021

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 **Virtual Meeting**, on: **Thursday, 16 December 2021** at **2.00 pm** for the purpose of transacting the business set out in the agenda.

A handwritten signature in black ink, appearing to read "D. Smith".

Dr Dave Smith  
**Chief Executive**



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## Member Distribution

Mayor Ros Jones CBE (Co-Chair)  
Neil MacDonald (Co-Chair)  
Councillor Jim Andrews BEM  
Councillor Glyn Jones  
Sharon Kemp  
Councillor Denise Lelliott  
Richard Stubbs  
Councillor Paul Turpin  
Alexa Greaves

Doncaster MBC  
Private Sector LEP Board Member  
Barnsley MBC  
Doncaster MBC  
Rotherham MBC  
Rotherham MBC  
Private Sector LEP Board Member  
Sheffield CC  
Private Sector LEP Board Member

## MCA - Business Recovery and Growth Board

Thursday, 16 December 2021 at 2.00 pm

Venue: Virtual Meeting



### 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 - 12
6.	Business Support Funding and Evaluation	Muz Mumtaz	13 - 30
7.	Business Growth Projects	Rachel Clark	31 - 40
8.	Business and Skills Structure Update (verbal)	Helen Kemp	
9.	Programme Approvals	Sue Sykes	41 - 60
10.	Workplan Review (verbal)	Helen Kemp	
11.	Any Other Business	Chair	
<b>Date of next meeting:</b> Thursday, 10 February 2022 at 2.00 pm <b>At:</b> Virtual Meeting			

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**MCA - BUSINESS RECOVERY AND GROWTH BOARD**

**MINUTES OF THE MEETING HELD ON:**

**THURSDAY, 28 OCTOBER 2021 AT 2.00 PM**

**VIRTUAL MEETING**



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**Present:**

Mayor Ros Jones CBE (Co-Chair)  
Neil MacDonald (Co-Chair)  
Councillor Jim Andrews BEM  
Sharon Kemp  
Councillor Paul Turpin  
Councillor Saghir Alam (Reserve)  
Helen Kemp

Doncaster MBC  
Private Sector LEP Board Member  
Barnsley MBC  
Rotherham MBC  
Sheffield CC  
Rotherham MBC  
MCA Executive Team

**In Attendance:**

Rachel Clark  
Sue Sykes  
Muz Mumtaz  
Bev Foster  
Stephen Burrows  
David Moore  
Chris Dungworth (Observer)  
Tim O'Connell (Observer)  
Ben Morley (Observer)  
Shaun Higginbottom (Observer)  
Mike Faulks

MCA Executive Team  
MCA Executive Team  
MCA Executive Team  
MCA Executive Team  
MCA Executive Team  
MCA Executive Team  
Doncaster MBC  
Rotherham MBC  
Sheffield CC  
Barnsley MBC  
Guest

**Apologies:**

Councillor Glyn Jones  
Richard Stubbs  
Alexa Greaves

Doncaster MBC  
Private Sector LEP Board Member  
Private Sector LEP Board Member

**1 Welcome and Apologies**

The Chair welcomed everyone to the meeting.

Apologies were noted as above.

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

Members declared interests in respect of item 11 regarding schemes in their own council areas.

3      **Urgent items / Announcements**

None.

4      **Public Questions of Key Decisions**

None.

5      **Minutes of the Previous Meeting**

RESOLVED – That the minutes of the meeting held on 1<sup>st</sup> September 2021 be agreed as a true record.

6      **Renewal Action Plan Business Support Evaluation**

Members were reminded that this report followed on from their agreement to an interim analysis of the Renewal Action Plan delivery related to Business Advisors and the Additional Restrictions Grant; this was set out at Appendix A.

It was noted that the data provided for the RAP Business Advisors included a breakdown of sectors, spend per business size and hours per business size across the local authorities alongside officer and advisor feedback and was provided at Appendix B.

The analysis of the Additional Restrictions Grant was ongoing and in future would include information on the Digital Innovation Grant scheme and how each local authority monitored outputs.

The Specialist Framework had not been established and therefore not yet yielded outputs. Activity to date in that area and the outcome of a small pilot to gauge what specialisms were in demand was at Appendix C.

Members were informed that the exercise had proven useful in understanding what data was and wasn't available across the region through the Business Advisor deployment, but reporting was disparate.

The available RAP Business Advisor data demonstrated the variety of business sectors that had been engaged. A high number of micro businesses had received support through the period which had largely been due to the impacts of Covid-19. It was noted that during normal operation it would be expected that Business Advisors would be mainly focused on supporting Small and Medium sized enterprises.

It was stated that all local authority officers valued the close links with Business Advisors that the operating model brought. However, three of the 16 advisors had raised concerns that the approach did not allow them to fully utilise their

skills to businesses across the wider region.

S Kemp commented that the feedback on the RAP Advisors had been really positive but they were only available until March and queried if ways of keeping the RAP advisors were being considered.

B Foster replied that this was an ongoing piece of work and officers would be looking at options for next year including the option to extend the current contract. It was hoped that a decision could be made before the end of the calendar year on the best way forward.

Mayor Jones commented that this needed to be costed up and put forward as a proposal with options so that value for money could be demonstrated.

The Chair agreed and suggested that a paper be brought to the next meeting of the Board on 16<sup>th</sup> December.

H Kemp commented that officers were looking at other regions to see what they were doing in this area, what benefits they were seeing and what the costs were.

Officers would look at options with local authority partners and bring back a paper to the Board with costed options.

Mayor Jones commented that with regard to value for money and putting options forward, this needed to be done now and in tandem with business advisors, the local authorities, this Board and the LEP, a quick turnaround was essential.

The Board was informed that the next meeting of the MCA Board was on the 24<sup>th</sup> January and then not until 21<sup>st</sup> March 2022.

The Chair agreed with Mayor Jones that speed was of the essence and that the Board needed a fully costed-up report with VfM options for its December meeting with endorsement from A Greaves as Chair of the Growth Hub Board.

RESOLVED – That the Board:

- i) Approve Option 1 as detailed at 3.1 in the report.
- ii) Request a report was brought to its December meeting with fully costed options with VfM options for the provision of Business Advisors.

## **7 Business Pipeline Programme Position**

**This item was exempt by virtue of Paragraph 4 of Part 1 of Schedule 12A of the Local Government Act 1972.**

A report was submitted which provided an update as to the current approved projects pipeline and wider investment team activity to stimulate interest in the South Yorkshire region. Changes in project status and additions since the September update were highlighted.

RESOLVED – That the Board agree to Option 1 as detailed in the report.

**8 Sheffield Innovation Programme (SIP) Continuation (28R18P02582) Extension**

A report was submitted which discussed the need to extend the existing Sheffield Innovation Programme (SIP2).

Members were reminded that the project currently funded two Innovation Advisors along with an administration support who was 20% funded. The continuance of the programme would deliver the intended benefits that had not been realised due to the impacts of Covid-19 as described in section 1 of the report.

The programme was due to run until September 2022, however the programme partners were requesting to extend the duration to July 2023. This would enable it to achieve the originally intended outputs within the agreed existing financial arrangements – no further budget would be requested.

Mayor Jones commented that she had no problem with the extension but felt that as it was a South Yorkshire programme it should be emphasised that the universities needed to get out and promote the programme across all local authority areas and engage with businesses across the whole of South Yorkshire and not just in Sheffield.

A Armstrong agreed and confirmed that this was being looked at to make sure that referrals were being received from all businesses across the region for what was available and appropriate for them.

M Mumtaz commented that two MCA officers were helping to refer businesses into the SIP programme and were working with all local authorities and through the Business Advisor network.

H Kemp commented that she would pick this up in her meetings with the universities to ensure they were aware of the request from the Board that SIP was promoted more widely across South Yorkshire.

RESOLVED – That the Board approve the extension of SIP 2 until July 2023.

**9 Cybercrime affecting businesses in South Yorkshire**

A report was considered which discussed cybercrime affecting businesses in South Yorkshire.

The Board was informed that cybercrime had increased significantly in the UK in the past 18 months, and 40% of local businesses in South Yorkshire had reported such attacks with an estimated revenue loss of over £68 million from incidents reported. According to the Department for Digital, Culture and Media almost 72% of attacks were not reported, this could mean that the true cost of cybercrime in South Yorkshire could be as high as £243 million per year.

It was noted that the nature of online fraud had mainly been in the form of ransomware attacks or phishing.

Business support interventions which helped businesses protect themselves against cybercrime had been delivered via modules/webinars in the South Yorkshire region but with the advancement of technology, cybercriminals had become more sophisticated in their methods.

The report set out the context for cybercrime trends/activity in South Yorkshire and provided a number of options/interventions to support local businesses to protect themselves.

The Board discussed the reasons for the increase in cybercrime, the estimated costs to businesses and the support and advice already available.

The options suggested in the report were also discussed. These were:

1. Deliver a Cybersecurity Summit/event, involving local/regional partners to an audience of local businesses from all sectors.
2. Promote future cybersecurity events organised by partner organisations only, through the monthly newsletter and social media platforms, referring enquiries to partners including the Chamber of Commerce or the Yorkshire Cybersecurity Cluster who may organise events partnered by the MCA.
3. Development of a cyber security programme delivered by a specialist agency which could provide bespoke advice to businesses and access to a wide range of online resources including webinars and tools on cybersecurity.

The option of collaboration with other MCAs to deliver programmes collectively was also discussed. This would be further explored by officers.

In general members supported option 2 whilst acknowledging the importance of support from the communications team. It would also be important for this option to have the support and recommendation from the MCA. This would be actively managed, making use of existing expertise and resources and liaising with other clusters where appropriate.

**RESOLVED** – That the Board support option 2 whilst stressing the importance of communications and support from the MCA.

## 10 **Made Smarter Update (Verbal)**

M Mumtaz gave an update on the Made Smarter programme.

Members were informed that Made Smarter was a national programme around helping manufacturing and production businesses achieving digital transformation.

South Yorkshire had volunteered to lead the programme on behalf of Yorkshire

and Humberside and when last reported to the Board the procurement process was just about to begin.

This procurement process, which was to engage a delivery partner to provide interventions for the programme, ended on 18<sup>th</sup> October. Two bids were received but unfortunately one of the bids was non-compliant, this left just one bid to be evaluated.

A clarification meeting with the compliant bidder had taken place this week, and the panel were relatively satisfied with the responses received so they could be qualified as the successful bidder.

Stand still letters had now gone out which gave 10 days for unsuccessful bidders to challenge the decision.

The successful bidder would begin operations in early November. They would be delivering several outputs including digital roadmapping, intensive support where required, digital internships and leadership and management training.

With regard to governance and oversight, a steering group had been set up which included LEP Board members from all the regions who would meet monthly to oversee performance and pick up any issues.

It was noted that the reconstituted Growth Hub could discuss any issues in detail and provide brief updates to the Board.

The Chair thanked M Mumtaz for the update.

## 11 **Programme Approvals**

A report was considered which detailed the results of the assurance processes undertaken on three proposed business investments totalling c.£12m.

It was recognised that whilst all three proposals met the threshold for consideration for investment, there was currently insufficient headroom, within the MCA's residual LGF allocation to support all proposals.

The report requested that the Board endorse all proposals on their technical merit, consider how the LGF funding should be deployed and request that the MCA consider providing Gainshare funding to support the balance of proposals.

The Board considered the following:

1. Progression of 'D0004 – R&D 2025' to SYMCA for full approval of £4.8m grant to a Sheffield-based company, subject to funding being available.
2. Progression of 'D0011 – Manufacturing, Research and Development' to SYMCA for full approval and award £2m grant and £3.2m loan to a company looking to locate in South Yorkshire, subject to funding being available.

3. Progression of 'D0003 – Accelerate to full approval and award of £1.98m grant to a Sheffield based company subject to funding being available.

Mayor Jones suggested that, as only one project fell within the remit of the Board's delegated authority, it would be sensible to send them all to SYMCA for approval. This was agreed as, until future funding was secured, all projects would need SYMCA approval.

Full details of all the projects were contained within the report and the Board considered each project separately.

Cllr Turpin expressed ethical concerns around project 2 and could not support the project, and suggested several conditions to the approval. The Board discussed the project in detail and also the contents of the SCR Investment Policy and whether the project complied with the policy. The Board assumed that before getting to this stage the project had been checked against various policies and criteria. S Sykes would double check that the project complied with the Investment Policy.

**RESOLVED – That the Board:**

- i) Recommend that the MCA approve projects 1-3 as detailed above, whilst noting that Cllr Turpin did not support project 2 and with the recommendation that the environmental commitment of project 2 was strengthened and that the recruitment policy was made as inclusive as possible.
- ii) Recommend to the MCA to consider Gainshare funding and other methodologies and ways of funding to support those schemes that cannot be progressed from the residual LGF allocation.
- iii) Delegated authority be given to the Head of Paid Service in consultation with the Section 73 and Monitoring Officer to enter into legal agreements for schemes 1-3 covered above subject to funding being available.

## 12 **Any Other Business**

It was decided that the next meeting on 16<sup>th</sup> December should be held face to face (where possible) with a hybrid option available.

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

## Business Recovery and Growth Board

16 December 2021

### Business Support Funding and Evaluation

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Is the paper exempt from the press and public?	No
Purpose of this report:	Policy Decision
Funding Stream:	Gainshare
Is this a Key Decision?	Yes
Has it been included on the Forward Plan?	Yes

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#### Director Approving Submission of the Report:

Helen Kemp, Director of Business and Skills

#### Report Author(s):

Muz Mumtaz

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Bev Foster

[Bev.Foster@southyorkshire-ca.gov.uk](mailto:Bev.Foster@southyorkshire-ca.gov.uk)

#### Executive Summary:

Funding for the 16 RAP Advisors, through Gainshare, to deliver emergency business support across the South Yorkshire region, in 2021/22 is due to expire by the end of March 2022. This paper provides an evaluation of the current provision for business support, funded by the Mayoral Combined Authority (MCA), and includes some comparisons to other models of delivery and how they are funded, in other city regions. The paper provides several options on the future provision for delivering and funding business support in the future (post March 2022) with some key recommendations provided to the Board.

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

The nature and delivery of business support services for local businesses in the South Yorkshire region could be altered as a result of the decisions made by the Board, after considering the options for delivery and funding, in this paper. Businesses and people will still be able to receive support and business advice via the MCA's primary communication channels including the website, email and phone, through its Gateway.

However, referral routes for further advice and support could be affected if the type and level of provision is changed.

### **Recommendations:**

The Board are recommended to support the continued provision of RAP Business Advisors for a further 12 months, following the expiration of the current funding at the end of March 2022. The Board are asked to recommend to the MCA Board that the redeployment of Gainshare for business support, from other budgets, be used for funding.

It is recommended that the Board support Option 3 (subject to future funding provision being agreed) as the preferred method for delivery. Option 3 is an Enhanced business support delivery model, including an inhouse team of business advisors (funded through the MCA's grant allocation from BEIS), working closely with up to 16 RAP Business Advisors (funded by Gainshare), to deliver comprehensive and coordinated business support to local businesses within each local authority area and across the region.

**Consideration by any other Board, Committee, Assurance or Advisory Panel**  
Business Recovery and Growth Board 16 December 2021

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## **1. Background**

- 1.1 At the October Business Recovery & Growth Board, a discussion paper was presented to the Board on the current arrangements for delivering business support through the South Yorkshire Mayoral Combined Authority's (SYMCA) Growth Hub/Gateway. The paper provided details on the financial model used to procure and fund business advisor activity and it explained the current arrangements for coordinating and managing advisor activity managed by our local authority partners. Following this, the Board requested the development of an options paper, to consider alternative ways to fund and manage future business support activity across the region.
- 1.2 The paper begins by providing some context on the provision of business support and its funding by the MCA, prior to the pandemic/lockdown. It goes on to provide some useful comparisons to business support models operated by other LEPs/Combined Authorities (of a similar size or larger) – with more detail included in the Appendix. Finally, the paper provides a range of delivery options on the provision for business support/advice post March 2022, delivered by the Growth Hub and its partners, for consideration by the Board.

## **2. Key Issues**

- 2.1 Prior to the outbreak of the pandemic, the MCA provided limited funding for business advisors, due to minimal resources being available. Since 2015, funding for business advisors was financed through either reserves or underspends in other budgets.
- 2.2 In January 2021, £6.91 million of Gainshare funding was allocated to the priorities identified in the Renewal Action Plan (RAP). This included up to £989,707 to fund up to 16 RAP Business Advisors for a period of 14 months – **up till March 2022** (including management costs).

- 2.3 Currently there is no other means of continuing to fund the provision for the 16 RAP Advisors, after March 2022.
- 2.4 Separately, a further £2.8 million of funding (part of the £6.91 million above) was allocated to the creation of a Framework for Specialist /intensive Advice to businesses, for the same period (ending March 2022).
- 2.5 . The Specialist Framework has not been established and the monies allocated to this activity remain unspent.
- 2.6 The model of delivery of business support funded through the MCA, prior to the pandemic, was formed through business advisors that worked across the region, with businesses being referred on to any business advisor with a specialism correlating to their needs.
- 2.7 Following the pandemic, the 16 RAP business advisors were allocated to the 4 partner authorities, focusing on supporting clients and activities in their respective Authority. This has reduced the ability of cross-regional referrals, in many cases.

See Appendix 1 – which illustrates the customer journey under the ‘current delivery model’ showing how enquiries received through the MCA’s Gateway team are managed.

- 2.8 In terms of the financial costs for the current provision of 16 RAP Advisors see below:

- The projected **annual** cost for 16 RAP Advisors for 2021/22 is estimated to be £621,341, (this is based on an actual cost for the first 7 months of the current financial year).
- The Bloom platform, which is used to contract with each RAP Advisor, charges a management fee of 5% for facilitating this arrangement, which equates to £31,067 for the current financial year (5% of the projected cost above).
- The typical day rate for a RAP advisor (who are self-employed consultants) is £421. However, they charge by the hour, so time spent with clients is aggregated.
- The **average** annual cost per advisor is £38,833 (total annual projected cost / 16 advisors).
- Each advisor is providing the equivalent of an average of 92 days of business support per annum or 1.8 days per week. However, this can vary by Advisor, depending upon the type of specialist support in demand by businesses. The actual amount of days per advisor, provisioned under the original budget was 118 days.

2.9

A key challenge that has faced the Growth Hub team preparing reports on activity and interventions is in the gathering of strategic intelligence on RAP Advisor activity/performance/demand, with advisors inputting into several separate CRM

systems. Recently when completing the bi-annual report for BEIS (the government department for Business, Innovation and Skills) on business support activity and outputs, the Gateway /Growth Hub were unable to provide comprehensive data on the level of support delivered by the MCA and the outcomes /outputs generated from interventions.

By way of comparison – two alternative delivery models are listed below, **with more detail provided in Appendix 2.**

## **1. The WEST YORKSHIRE GROWTH HUB MODEL (WYCA)**

The West Yorkshire Combined Authority have used several sources of funding to develop their team of business support advisors, including:

- BEIS Core Funding.
- EU/ERDF funding – matched with the above.
- Local Authority contributions for some advisors.

Some of WYCA's BEIS core funding is used to pay for 50% of the salaries of 12 SME Growth Managers (advisors – equating to 10.5 FTE) with the remaining 50% being provided by the local authority partners.

For the calendar year (2021/22), WYCA will be paying a total of £1,042,000 for the salaries of their SME Growth Managers, (figures also include on-costs and some p/t support activity).

## **2. The LIVERPOOL LEP GROWTH HUB MODEL**

Similar to the West Yorkshire model, Liverpool Growth Hub have a multi-funded approach to delivering business support in their region.

The Liverpool City Region is of a similar size and scale to the South Yorkshire economy and is often used as a comparator for economic analysis.

Liverpool LEP's Growth Platform (GH) is a joint venture between the Combined Authority and the LEP. A hub and spoke model is operated with 6 local authority (LA) areas and an additional spoke that serves hard to reach communities and businesses. Their annual BEIS funding is £780k, which is matched with ERDF (extended to 2023).

The LEP tenders for business support with either a LA or a Chamber of Commerce delivering in each area. An example of this is delivery in the Wirral – where the Growth Hub procured a delivery partner for business support, rather than an individual. Hence, recruitment becomes the responsibility of the delivery partner, and may be one individual or a team. Typically, each partner's KPIs includes engaging with at least 500 business per quarter with a proportion of this being new start-ups or high growth firms.

This is a resilient model and has taken 6 years to develop. Delivery partners were procured /commissioned with the knowledge that business support funding through BEIS is not guaranteed, with the potential to reduce activity and provision if core funding was stopped or reduced.

### 3. Options Considered and Recommended Proposal

#### 3.1 Option 1 - Reallocate funding from the Specialist Framework budget to fund the 16 RAP Advisors for a further 12 months.

Firstly, in order to address the lack of future funding for the provision of RAP Business Advisors, funding would be re-allocated from the unspent Specialist Framework budget (£2.5 million) in the RAP, and used to fund the 16 RAP Business Advisors for a further 12 months, whilst other funding sources are identified.

Interestingly, as the MCA are currently re-procuring their provision for training and development for businesses via the Skills Bank – which may be able to offer much of the support that was identified under the Specialist Framework. The Skill Bank can provide businesses and their employees with intensive support focused on skills and business support needs. It has been operating in South Yorkshire for several years and has a network of over 200 specialist providers (many local). Also, it is both flexible and demand/employer led and could offer local businesses with any training and intensive support they need to help them with recovery and growth.

Also, under this option, the current arrangements would continue, so that RAP Advisors are attached to a partner local authority, with performance management and arrangements remaining the same. Advisors would continue to use local authority CRMs to record performance and KPIs/outputs.

Similarly, Advisors would be procured and contracted through the Bloom platform.

The costs for this option have been included above, assuming a similar level of demand for RAP Advisors, in future years.

The table below shows the implications of this option for the respective parties:

Stakeholder	Implications
Businesses/beneficiaries	No change – clients would continue to access RAP advisor support referred on by the Growth Hub or local authorities.
Partner local authorities	No change. Local authorities have expressed a preference for the continuation of this model, as it provides them with the expertise/experience of specialist advisors and offers greater capacity and flexibility in how they deliver local business support.
SYMCA/Growth Hub	The financial commitment for this provision would continue as now, with RAP Advisors funded through Gainshare.

#### 3.2 Following consultation with our local authority partners, a slight alternative was proposed – see below:

#### 3.3 Option 1b – Continue as now, but RAP Advisors employed rather than commissioned by each local authority and funded by the MCA.

With this option, business advisors would be employed by each of the partner Authorities, rather than procured via the Bloom contract, with funding provided by the MCA. Advisors would be managed by each local authority and be employed on their respective terms and conditions.

Each authority would be responsible for managing the recruitment process, with this option.

The key advantage over Option 1 is the saving of the fees for the Bloom framework i.e. 5% of total costs.

### **3.4 Option 1 Risks and Mitigations**

- The MCA Board may not support any further funding of RAP Advisors using Gainshare funding, particularly as this was only intended as an emergency measure. Related to this the MCA Board may not approve the reallocation of monies allocated to the Specialist Framework. In which case, there is very little alternative funding available to make up shortfall for this provision.
- The cost of provision relative to the quantity of time spent with businesses could increase if a greater need for RAP Advisor support was required - drawing upon more Gainshare. This could be mitigated by placing an upper limit on the amount of funding available.
- The current fragmentation of strategic intelligence on business support activity across South Yorkshire will continue, affecting the Growth Hub's ability to plan for greater flexibility in the delivery of support services to SMEs.
- The ability to harness the expertise of the 16 RAP Business Advisors i.e. regional referrals will be limited. This could be mitigated by ensuring that the terms of reference for RAP Advisors are amended so that they are obligated to support businesses from other local authorities that may require their expertise.
- In terms of Option 1b, all existing RAP Advisors are self-employed and many of them would prefer to remain so. Hence, obligating RAP Advisors to be employed by a local authority is likely to lead to many of them leaving.

### **3.5 Option 2 – MCA Employed /inhouse delivery**

Funding under this Option would be similar to Option 1 above i.e. by reallocating Gainshare from the Specialist Framework.

In terms of the delivery model, under this Option, all 16 Business Advisors would be recruited and employed by the Growth Hub, managed directly by the MCA, using a regional approach to provide advice where required. This option is illustrated in Appendix 1 – titled Option 2

### **3.6 Annual cost of operation**

- The typical average annual salary for a generalist business advisor (37hrs per week) is approximately £35-37k (based on market information from other areas).
- There would also be on-costs for the MCA which include pension and employers N.I etc of £10k

- Hence the overall cost for an employed Business Advisor would be £47k approximately.
- Therefore, the cost of 16 Advisors, to replace the current provision of RAP Advisors would £752,000 per annum.
- In addition, there would be additional costs related to overheads and management, of at least 10% of the above total i.e. +£75,000.

### 3.8 **Option 2 Risks and Mitigations**

- The recruitment, induction, and training of a team of 16 business advisors would take a considerable amount of effort and time for the Growth Hub staff, requiring significant management resource to complete.
- Many RAP Advisors delivering business support under the current arrangements would be unlikely to apply for roles under this option, as they are self-employed and may prefer to remain that way. Hence, there would also be a risk of losing some highly experienced senior industry /business specialists if this option was chosen.
- The Growth Hub budget alone will not cover the cost of the provision for 16 in-house business advisors and therefore Gainshare, currently allocated to other budgets would need to be redeployed.
- Employing only generic business advisors would reduce the overall quality of current business support provision, since many businesses require more specialist help and advice.
- The overall financial cost for this option would be higher than the current model, despite there being no procurement fee (5% charged by a procurement platform), which is due to both on-costs for inhouse Advisors and also the need for some overhead provision for managing them.

### 3.9 **Option 3 – Enhanced Delivery Model**

Funding under this option would be similar to Option 1 i.e. reallocating Gainshare from other budgets for a further 12 months.

This option would involve the recruitment of a core team of inhouse business advisors, complementing the work of the specialist RAP Advisors and providing a balance between general and specialist business advice. This is similar to the mixed provision for business support delivered in other areas, as highlighted in the examples above.

3.10 Assuming the grant funding settlement for the Growth Hub, from BEIS, is similar to the current level (£700k) there may be provision to employ up to 4 inhouse business advisors/partners i.e. up to £188,000 – based on the average salaries mentioned above.

3.11 Inhouse business advisors could be either recruited or seconded from partner authorities and would work closely with local authorities. Their roles and duties would include:

- Initial diagnostic support for businesses and more generic advice and guidance.

- Account management – with a target number of client businesses assigned to each advisor, ensuring that client referrals are managed to satisfactory outcomes to help them achieve business growth and development.
- Product managers – referring clients through to the most appropriate business support intervention available across the region, including those delivered by the MCA, BEIS funded initiatives and local authority and private sector schemes.
- Brokerage for more specialist advice and support provided through the RAP Business Advisors or the Skills Bank.
- Performing a business partner role, working closely with local authorities to manage demand, including organising local events to promote regional and local business support programmes.

The current arrangement of RAP Business Advisors allocated to local authorities would continue. However, RAP Advisors would be required to dedicate a minimum amount of time to respond to and work with regional referrals and enquiries via the MCA's Gateway. Also, Advisors would be mandated to input all core performance information (especially relating to BEIS's core intervention data) into the MCA's CRM, relating to businesses they have worked with.

See Appendix 1 – Option 3 for an illustration of this model.

### **3.12 Option 3 Risks and Mitigations**

- The funding risk indicated in Option 1 applies to both the availability of future funding from BEIS and also to the availability of Gainshare to fund the 16 RAP Advisors.
- Recruitment of up to 4 inhouse advisors will involve management time and resource to complete and will take a few months to complete.
- This is a temporary extension in funding for intensive business support (until March 2023), through the further use of Gainshare. Alternative sustainable funding will need to be identified and accessed to ensure intensive business support provision continues beyond March 2023.

### **3.13 Recommended Option**

Option 3 – see Appendix 3 for further details

## **4. Consultation on Proposal**

4.1 Internal stakeholders and all 4 local authority representatives.

## **5. Timetable and Accountability for Implementing this Decision:**

5.1 Decision required is urgent as provision for business support comes to an end in March 2022

## **6. Financial and Procurement Implications and Advice**

6.1 The Gainshare allocations referred to in paras 2.2 to 2.4 of the report were considered by the BRGB on 6 January 2021 and 1 September 2021 and formed

part of a first tranche of £5.2m to deliver immediate Business Growth Renewal Action Plan priorities. There are no further allocations from Gainshare towards Business Growth priorities above and beyond the overall total already committed of £6.91m

- 6.2 BEIS are looking to agree 3 year settlements with Growth Hubs from 2022/23 to replace the annual allocations awarded in previous years. This will increase stability. However, at this stage, as the settlement has not been agreed, the amount of funding available to support the team of inhouse business advisors under the enhanced delivery model is not yet known.

## **7. Legal Implications and Advice**

- 7.1 There are no legal implications arising from the report, depending which option is chosen the appropriate contractual and partnership arrangements will be put in place.

## **8. Human Resources Implications and Advice**

- 8.1 No implications arising from the report.

## **9. Equality and Diversity Implications and Advice**

- 9.1 No implications arising from the report.

## **10. Climate Change Implications and Advice**

- 10.1 No implications arising from the report.

## **11. Information and Communication Technology Implications and Advice**

- 11.1 For Option 3, provision for licenses and training will need to be planned for RAP Advisors to input into the Growth Hub's CRM system.

## **12. Communications and Marketing Implications and Advice.**

- 12.1 Communications will be crafted to support consultation on the agreed approach, supported by a revised marketing approach that promotes the service delivery available to businesses, and the core sources of information that is regularly provided on programmes and business support across South Yorkshire.

## **List of Appendices Included**

- 1 Alternative Models of Delivery
- 2 Alternative models for delivering business support.
- 3 Detailed Recommendations

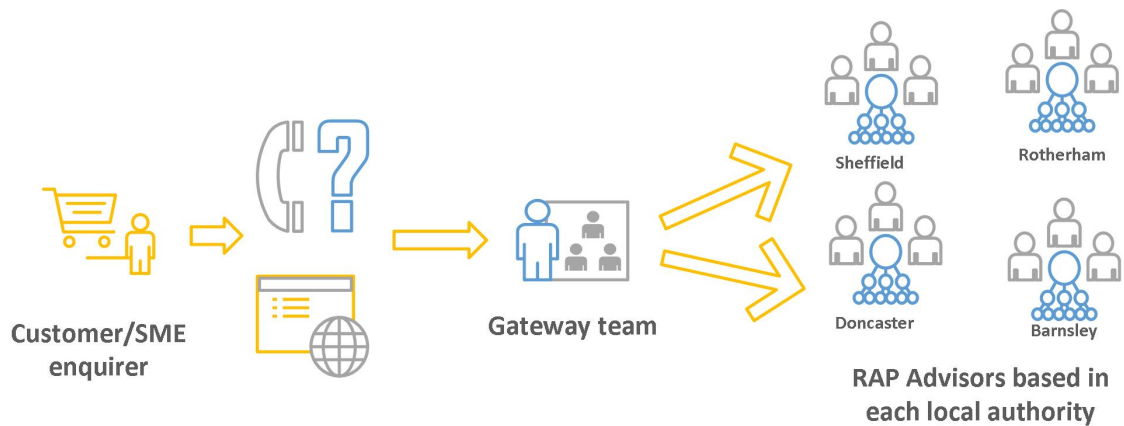
## **Background Papers:**

See Business Support evaluation and options **Appendix**

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## Appendix 1 – Alternative Models of Delivery

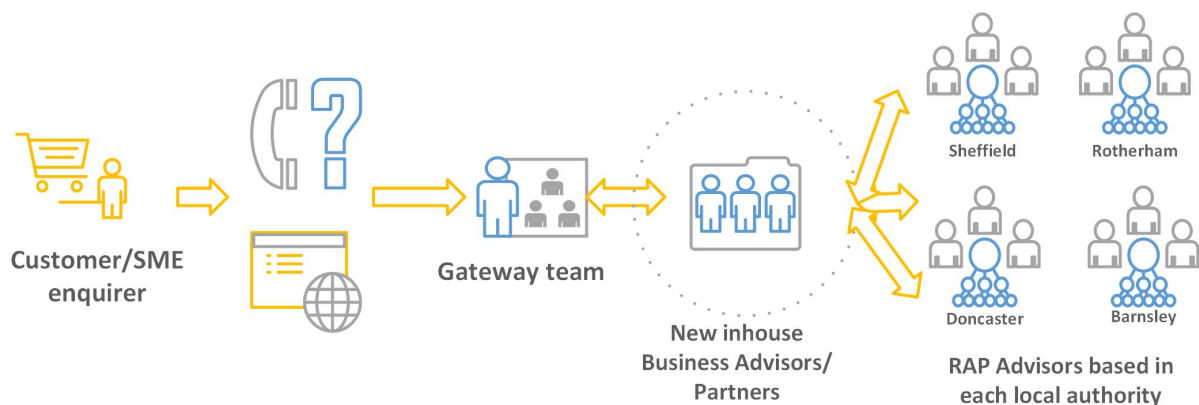
### Option 1 – Current model - Specialist advisors.



### Option 2 – Inhouse advisors.



### Option 3 – Enhanced delivery model - Inhouse Business Advisors complementing specialist advisors.



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## Appendix 2 – Alternative models for delivering business support.

### 1. The WEST YORKSHIRE GROWTH HUB MODEL (WYCA)

The West Yorkshire Combined Authority have used several sources of funding to develop their team of business support advisors, including:

- BEIS Core Funding.
- EU/ERDF funding – matched with the above.
- Local Authority contributions for some advisors.

Some of WYCA's BEIS core funding is used to pay for 50% of the salaries of 12 SME Growth Managers (advisors – equating to 10.5 FTE) with the remaining 50% being provided by the local authority partners.

European funding (ERDF) provided an opportunity to expand the amount of business advisors employed in West Yorkshire (known as SME Growth Managers) with BEIS providing the required match of 50%. This allowed WYCA to employ an additional 9 Growth Managers (FTE) taking the total number of growth managers to 21. WYCA underwrote the BEIS match for 2022/23 whilst waiting for confirmation of the core BEIS funding for the next financial year. WYCA have successfully applied for an extension to their ERDF grant, which will now continue until 2023.

WYCA have indicated that the funding model can be problematic if a BEIS funded growth manager leaves but will only be an issue if several left and it took a long time to replace them. The average salary for advisors is between £35-37k.

#### Key performance indicators:

BEIS funded growth managers are treated as **generalists** and have a target of providing 3 hours of support per business on a range of services including referrals:

- Signposting to other relevant schemes
- Advising and assisting businesses with grant applications.
- An additional 1 hour of support/intervention were required.

Overall, advisors have a target (from BEIS) to engage at least 60 businesses, based on an in-depth diagnostic or to provide an additional meeting, if they engaged with the client in the previous year. They also have an ERDF target which is 3 hrs of engagement per business.

Advisors which are fully funded by ERDF have a target of 12 hours of support and need the skills to do more intensive support with a business.

With some growth managers partly funded and employed by local authorities, this can mean they are involved in supporting other local programmes and initiatives, however this limited as they need to report on funded activity, by external funders.

In addition, WYCA are very keen to make their business advisors/SME Growth Managers part of the overall WYCA business support/Growth Hub team. Hence, a project support officer is employed to coordinate activity and manage the BEIS and ERDF contracts, including reporting outputs, facilitating monthly advisor/growth manager meetings and to organise and deliver quarterly events for the SME Growth Network, attended by partners, external bodies and often with keynote speakers.

An evaluation on the Growth Service is done annually for BEIS, along with an interim evaluation for ERDF requirements. WYCA also lead on evaluation across the Growth Hub Y&H cluster. This is the first time WYCA will be doing this for the cluster.

### **Total Cost:**

For the calendar year (2021/22), WYCA will be paying a total of £1,042,000 for the salaries of their SME Growth Managers, (figures also include on-costs and some p/t support activity).

### **Advantages**

- External funding from ERDF and local authorities has enabled WYCA to significantly expand their provision for business support/advice to businesses in the area.

South Yorkshire will be limited in terms of leveraging in additional funding to expand business support provision in the medium term, due to the end of ERDF and delays in UKSPF (UK Shared Prosperity Funding).

- Local authorities providing 50% of funding for advisors in their districts has enabled them to ensure more of their local priorities and initiatives can be supported.
- The wider network of business support provision has helped the Growth Hub in West Yorkshire to offer more flexibility, with both general and specialist advice available to SMEs, according to their needs.

### **Disadvantages**

- ERDF can /has been overly restrictive in providing support to certain sectors e.g. restricting support to retail or agricultural businesses or non-SMEs. With the pandemic/lockdown having a disproportionate effect on the retail and hospitality sectors in South Yorkshire, this model would have proved unnecessarily restrictive, in some instances.

## **2. The LIVERPOOL LEP GROWTH HUB MODEL**

Similar to the West Yorkshire model, Liverpool Growth Hub have a multi-funded approach to delivering business support in their region.

The Liverpool City Region is of a similar size and scale to the South Yorkshire economy and is often used as a comparator for economic analysis.

Liverpool LEP's **Growth Platform** (GH) is a joint venture between the Combined Authority and the LEP. A hub and spoke model is operated with 6 local authority (LA) areas and an additional spoke that serves hard to reach communities and businesses. Their annual BEIS funding is £780k, which is matched with ERDF (extended to 2023).

The LEP tenders for business support with either a LA or a Chamber of Commerce delivering in each area. An example of this is delivery in the Wirral – where the Growth Hub procured a delivery partner for business support, rather than an individual. Hence, recruitment becomes the responsibility of the delivery partner, and may be one individual or a team. Typically, each partner's KPIs includes engaging with at least 500 business per quarter with a proportion of this being new start-ups or high growth firms.

Business advisers are paid either via the BEIS core funding, ERDF which funds up to 50% of Growth Hub activity, or a combination of both. They also leverage LA funding to support business resilience programmes. Advisors in each partner organisation can be generalists or specialists depending on the business need.

The Growth Hub employs 8 permanent advisors, including a project manager, procurement specialist and a CRM manager. They also have staff focusing on high growth sectors, along with a 'scaling up' team (based on the North East model).

A key focus of support is on 5 high growth sectors, with businesses in these sectors prioritised. Activity also focuses on foundation sectors such as the Visitor Economy. Skills Brokerage is promoted through the GH but funded by ESIF. Similarly Careers and Enterprise programmes come under the GH umbrella but funded elsewhere.

Also, each contracted delivery partner is contractually required to use the GH's CRM system. In this case the Evolutive portal. All reporting is based on by BEIS's reporting requirements. Online diagnostics are undertaken for light touch/medium/high.

There are up to 150 partners delivering business support across the city region. Although not contractually obliged, all input into CRM which gives the GH and its partners a bigger picture of what is being delivered, where and to whom. If bidding to be a partner it is mandated that they work with the GH.

Finally, the Growth Platform is a resilient model and has taken 6 years to develop. Delivery partners were procured /commissioned with the knowledge that business support funding through BEIS is not guaranteed, with the potential to reduce activity and provision if core funding was stopped or reduced.

### **Advantages**

- As above, external funding has allowed the Liverpool City Region Growth Hub to scale-up their business support provision far beyond what would be affordable through their core Growth Hub funding grant (which is of a similar scale to South Yorkshire).
- The model includes a mixture of generalists and specialists, some employed inhouse or procured via delivery partners.
- The commissioning of delivery partners to deliver business support can be advantageous in driving delivery if strong performance management is achieved. If not, quality management of services can become an issue.
- A larger network of business support has allowed Liverpool's Growth Hub to provide a full wrap around service of support, with different tiers of intervention and sectoral specialists to deliver a more tailored service based on the economic priorities of the region.
- The funding model developed by Liverpool appears to be relatively resilient, allowing operations to be both scaled up or down, according to the outcome of funding bids etc.

### **Disadvantages**

- As mentioned above, ERDF and external funding regimes can often be too prescriptive in the types of sectors that can be supported.
- Also, managing quality, consistency and communication in service provision can be harder to achieve with over 150 delivery partners employed under this approach and will require more management time/resource to achieve effective delivery of services.

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## Appendix 3 – Detailed Recommendations

The following recommendations have been developed following consultation within the MCA and with partners/stakeholders:

- Funding should be allocated from the Specialist Framework budget (which was unspent) to fund the RAP business advisor provision for a further 12 months, whilst other alternative external funding sources are explored. Shared Prosperity and other national funding regimes may be available from 2023 onwards.
- In terms of the type of delivery model, Option 3 – the Enhanced Delivery model provides a medium to longer term solution to delivering business support in South Yorkshire, which could be scaled up, if further/external funding were secured in the future. This option addresses the absence of any generalist business support provision managed by the South Yorkshire combined authority – with the recruitment of up to 4 inhouse business advisors/business partners with both responsibility for providing general advice and guidance to businesses across the region but also working closely with local authority partners – through a business partner model, to coordinate local business support and referrals. However, there is a caveat, which is the securing of BEIS funding for 2022 – 25 (3 year settlement) which is due to be confirmed/finalised by early January 2022. If the level of funding is similar to the current levels then an inhouse team of 4 staff could be recruited.
- Business support provision delivered by RAP Advisors should include jointly managed by the Growth Hub and local authority partners, with time allocated to each partners priorities. This approach would allow specialists to be deployed in any local authority across the city region rather than being restricted to one area.
- The current Bloom based contract for procuring business advisors should be phased out over a period of 6-9 months, due to the costs and inherent inflexibilities. This time period would allow for the implementation of a new procurement framework to be established, which current RAP Advisors could migrate onto and new specialists could join, based on the needs of South Yorkshire businesses.
- All key performance data that measures and monitors business support activity which is funded by SYMCA (from either Gainshare or BEIS funding) should be inputted into the Growth Hub's CRM by RAP Advisors, consultants or contractors delivering the service. Appropriate training and licenses would be provided to facilitate this.
- Online business diagnostics tools should be commissioned and deployed via the Growth Hub's web portal, encouraging businesses to use these tools to help determine their needs so that the Growth Hub can offer a more tailored business support and referral to the most appropriate programmes. This would greatly increase the productivity of the Growth Hub, allowing advisors to focus on providing solutions to businesses rather than initial diagnostic work.

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## Business Recovery and Growth Board

16 December 2021

### Programme Approvals

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<b>Is the paper exempt from the press and public?</b>	No
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<b>Purpose of this report:</b>	Funding Decision
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<b>Is this a Key Decision?</b>	Yes
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<b>Has it been included on the Forward Plan?</b>	Yes
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**Director Approving Submission of the Report:**  
Gareth Sutton, Chief Finance Officer/s73 Officer

**Report Author(s):**  
Sue Sykes – Assistant Director, Programme and Performance Unit  
Sue.sykes@sheffieldcityregion.org.uk

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#### Executive Summary

This report details the results of the assurance processes undertaken on three proposed business investments totalling c. £4.35m and requests entry onto the pipeline for one business investment.

The report recognises that whilst one of the proposals meets the threshold for consideration for investment, there is currently only gainshare funding to support proposals.

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

Subject to available funding, this report is seeking to progress a number of schemes that would see investment into the region and the creation of good, well-paid jobs.

#### Recommendations

The Board consider:

1. Progression of “D0012 – “UK Operations Growth Plan” to the MCA for full approval and award of £1.75m to a Barnsley based company subject to funding being available.

2. Progression of “D0027 – Glide Acceleration” from Strategic Business Case (SBC) to Full Business Case (FBC) for a Sheffield based company.
3. Progression of “D0028 – Research Centre of Excellence” from SBC to FBC for a Sheffield based company.
4. Acceptance onto the pipeline for “D0034 – Community Project”
5. Recommendation that officers should seek as strong a deal as possible with regards to loan and overage.

**Consideration by any other Board, Committee, Assurance or Advisory Panel**  
Assurance Panel 08 November 2021

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## **1. Background**

### **1.1 Business Growth Schemes**

Investments into business has previously been funded from the Local Growth Fund (LGF) programme, which ended in March 2021. During the programme the MCA entered into several business support arrangements where loan funding was provided. Subsequently some of these loans have been repaid and during September and November the MCA approved awards to businesses resourced from this recycled fund.

- 1.2 This report details the assurance results of three schemes at various stages of the business case cycle requesting aggregate funding of c£4.35m. The MCA has entered into non-disclosure agreements with the three applicants for funds, therefore appendices are included within private papers.

- 1.3 The report recognises that residual LGF resource is now exhausted and recommends the board request that the MCA consider – subject to a number of conditions - the deployment of additional gainshare funding to support scheme D0012.

Should gainshare be the only route to support, capital required would come from within the £18m p/a capital allocation, and should proposals require borrowing to accelerate investment ahead of those annual allocations, interest costs would be incurred that would need to be resourced from within the £12m p/a allocation.

## **2. Progression of schemes to full approval and award of funding**

### **2.1 Project D0012**

The applicant is seeking £1.75m funding to expand its existing site in the Barnsley district. The total project cost is £23.8m, leading to an MCA intervention rate of c. 7%.

The new development for this privately owned company will comprise a new 75,000 sqft building which will be equipped from the outset with automation equipment. It will also house new process equipment.

The project is estimated to create 87 net additional jobs at a cost of £20,115 per net job to the MCA. The project is also forecast to generate £16.2m net additional GVA

(or £9.7m accounting for optimism bias) over a 10 year period, equating to a return of £9.25 per £1 of MCA investment (or £5.54 per £1 accounting for optimism bias).

This project is expected to generate significant value following the initial investment. Pre-tax profits returning to the company are forecast in the region of £2m p/a, whilst there is expected to be business-rate uplift accruing to the sponsoring authority.

The project reaches the threshold for investment subject to conditions, notably to have confirmed the match funding prior to entering into the funding agreement, to seek a value share arrangement that supports gainshare principles, and provision within the contract for clawback clauses related to jobs.

Further details and conditions of funding are in **Appendix A**

### **3. Progression of schemes from SBC to FBC**

The paper is seeking progression from SBC to FBC for 2 projects which are detailed in Appendix B and C. The total amount of funding requested is £2.6m. The projects are located within Sheffield.

### **3. Pipeline Entry**

The paper is requesting admittance to the pipeline for D0034 and to approve the development of the project to OBC/FBC.

This project is to support the construction of a sports/leisure facility with an associated health and wellbeing centre, which will provide nationally leading research and development in healthcare diagnostic and screening.

Total project cost is anticipated to be around £15m and will create up-to 200 direct and indirect jobs. The total amount of funding requested is anticipated to be c. £1m.

## **4. Options Considered and Recommended Proposal**

4.1 Do not approve the recommendations in this report due to funding availability.

### **4.2 Option 1 Risks and Mitigations**

Inability to approve the projects presented may result in a slower pace of business investment and potential subsequent loss of potential jobs to the region.

### **4.3 Option 2**

Approve all recommendations subject to funding availability and the applicant having their private sector match funding in place. All projects should be considered for funding or financing arrangements that allow the MCA to share in the value that its investment generates. This may be achieved through profit shares, shares from uplift in local taxation, or providing interest bearing loan finance.

### **4.4 Option 2 Risks and Mitigations**

Risk that projects may be lost to the region due to lack of funding availability.

- 4.5 **Option 3**  
Approve all recommendations but look to negotiate on the mixture of grants and loans to maximise future funding availability.

- 4.6 **Option 3 Risks and Mitigations**  
All funding awards associated with the projects have been fully appraised in line with the MCA Assurance Framework to ensure value for money. Any projects approved to develop FBCs have their costs and funding tested on submission of their FBC alongside financial due diligence of the applicant. Therefore, it may not be possible to secure an improved grant/loan ratio for the SYMCA.

- 4.7 **Recommended Option**

Option 2.

## **5. Consultation on Proposal**

- 5.1 Discussions for these projects has continued with thematic boards during project development.

## **6. Timetable and Accountability for Implementing this Decision**

- 6.1 Subject to the approval of the recommendations and approval by the MCA, the Head of Paid Service in consultation with the Section 73 Officer and Monitoring Officer will progress to enter into a legal agreement with the promoter.
- 6.2 The promoter is responsible for the further development of projects that have gateway approval to the next stage of the MCA Assurance process

## **5. Financial and Procurement Implications and Advice**

- 5.1 This report proposes that the Board request that the MCA consider the deployment of gainshare funding totalling £1.75m in support of a business investment.

The report notes that gainshare principles support negotiation of the best possible deal for the taxpayer, seeking a return on the MCA's investment wherever possible. This report recommends that the MCA seek to enter into an arrangement that would see the MCA share in the forecast value its investment generates.

Such an arrangement would support the recycling of funding, enabling more investment into the future.

## **6. Legal Implications and Advice**

- 6.1 The legal implications of the projects have been fully considered by a representative of the Monitoring Officer and included in the recommendations agreed within the Assurance Summaries as presented in the Appendices. Projects have taken full legal advice regarding subsidy control with legal letters supporting applications included.
- 6.2 Prior to awarding the grants, the MCA shall ensure contracts are put in place to ensure the recipients comply with the grant conditions.

**7. Human Resources Implications and Advice**

7.1 N/A

**8. Equality and Diversity Implications and Advice**

8.1 Appropriate equality and diversity considerations are taken into account as part of the assurance of the project business cases

**9. Climate Change Implications and Advice**

9.1 A number of the projects include new and/or enhanced energy efficiency measures. This aims to deliver benefits for emissions, positively contributing to the MCA's climate change aspirations.

**10. Information and Communication Technology Implications and Advice**

10.1 N/A

**11. Communications and Marketing Implications and Advice**

11.1 The approvals provide positive opportunities to highlight the difference the MCA's investments will make to people and passengers, businesses and places across South Yorkshire and how Members are taking action to support the region's recovery from COVID

**List of Appendices Included\***

- A Assurance Summary – D0012
- B Assurance Summary – D0027
- C Assurance Summary – D0028

**Background Papers**

None

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