

Business Recovery and Growth Board

30 January 2023

Business Support Landscape

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

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Executive Summary:

This paper presents an update on the South Yorkshire Business Support landscape and activity underway to utilise the UK Share Prosperity Fund (UKSPF).

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

The Business Support Ecosystem supports entrepreneurship, enterprise, job creation and growth. A well balanced and financed system plays a fundamental role in supporting the economic ambitions of South Yorkshire.

Recommendations:

1. That the Business Recovery and Growth Board note the ongoing activity of the Business Support review.

2. That the Business Recovery and Growth Board endorse the approach taken regarding utilisation of the UKSPF funding to deliver business support provision.
3. That the Business Recovery and Growth Board approve the use of Renewal Action Plan funding totalling £1.6m to retain specialist advisors for a further twenty-four months.
4. That the Business Recovery and Growth Board note the financial challenge and endorse further activity to identify proposals to fill these gaps for consideration at the next BRGB in March 2023.

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

N/A

1. Background

- 1.1 The Business Support landscape refers (for the purpose of this report) to interventions that support entrepreneurship, enterprise, job creation and growth. These interventions are in place to support businesses at all stages of their growth journey from the entry of entrepreneurs to the continuous support of business through the entire lifecycle.
- 1.2 The South Yorkshire public sector business support programmes have been developed and refined over several years. These are amplified by a wide range of support delivered via the private sector and academia. The system is complex to fully map and difficult to navigate therefore the presentation that accompanies this report should not be considered a complete and definitive view.
- 1.3 Much of the wider Business Support interventions are funded via other public sources of funding that are commissioned on a competitive basis from central government departments. These funding opportunities are not locally controlled but allow local partners to augment the Local Authority (LA) and Mayoral Combined authority (MCA) business support offer, particularly in relation to innovation and R&D. However, this can lead to a lack of clarity and connectivity across the system, introducing elements of competition between providers.
- 1.4 The changing financial landscape effecting Local Government (LG) has necessitated a reduction in core funding for business support provision over the last decade. Historically this has been offset/supplemented with European Regional Development Funding (ERDF) to ensure adequate provision is available to address local economic challenges. This shortfall in funding will be further exacerbated by the reduction in funding available via the UK Shared Prosperity Scheme (UKSPF).
- 1.5 This report and accompanying presentation seek to identify the current business support landscape, offer a view on its efficiency, and detail what the region and business believes a successful offer would look like.
- 1.6 The report and presentation notes that funding shortfalls mean that not all of the services and interventions that are required can be resourced. The report notes the proposed body of activity to be funded from Shared Prosperity Fund monies and proposes the commitment of an element of the currently uncommitted Business Renewal Action Plan monies (as detailed in Item 8) to support some key activity.

- 1.7 The report recommends that further work be undertaken to determine whether the funding gaps identified can be mitigated.

2. Key Issues

2.1 Business Support Review

The South Yorkshire UKSPF allocation includes £14.90m of funding for local business support. As a significant proportion of the current business support provision is ERDF funded and will cease in the summer of 2023 the MCA has been working with its LA and University partners to review the current business support eco system.

- 2.2 A task and finish group of business support leads has been established to consider priorities and undertake project design. Several workshops have taken place and discussions have been frank and positive with the scope widening beyond UKSPF. Outline business cases are being developed for several projects that will be taken forward across LA geographies. These projects include Launchpad, Business Productivity Grants, Low Carbon and Specialist Advisors.

Financial Constraints

- 2.2 The UKSPF funding levels are not sufficient to replicate the current level of support and therefore a process of rationalisation has taken place to identify which of our current provision should be retained and how that support is best delivered to maximise its impact. This has led to outline proposal development across four key themes.

- *Specialist resource*: Expertise to support specific challenges across target sectors
- *Launch Pad*: primarily aimed at individuals wanting to start a business, and those in the initial stages of their enterprise journey.
- *Business Productivity Grants*: The root cause of any productivity issue tends to be one of three factors, cost, capacity and response. Resolving them will provide businesses the opportunity to improve their productivity.
- *Net Zero*: Support to businesses to identify, fund and implement low carbon improvements.

- 2.3 Once approved for development these programmes will account for the majority of UKSPF funding leaving a significant gap from our current levels of provision.

- 2.4 There are several areas that are considered by the MCA and partners to be fundamentally important to transforming the South Yorkshire economy that currently do not have any identified funding available, these include:

- Acceleration programmes
- Entrepreneurship and intrapreneurship
- Early-stage finance: (in-flight proposals)
- Coworking space/incubation
- Culture and creative programmes
- Innovation Activities
- Ownership Hub models
- Supply Chain development

- 2.5 To ensure a modest level of provision over the next two fiscal years a further £9.4m of revenue resource would be required – this is the ‘gap’.

Growth Hub

- 2.6 The South Yorkshire Growth Hub aims to be the single point of contact for all business support across our region and simplify the support landscape that is available to businesses. The funding for this provision is at risk with a 50% reduction in 2021/22 and no confirmation has been received for the upcoming fiscal year (2023-24).
- 2.7 The loss of Growth Hub funding would present a decision point. As we review our regional support landscape it presents an opportunity to assess its value, delivery model and our combined appetite for its retention. Should the region wish to retain the activity in the event of funding being withdrawn it would add a pressure to the existing gap.

Renewal Action Plan

- 2.8 In January 2021, £6.91 million of Gainshare was allocated to the priorities identified in the Renewal Action Plan (RAP). The RAP was developed in close partnership with our Local Authorities (LA), business community and universities to mitigate against the anticipated economic impacts of the Covid-19 pandemic. To date £4.52m of this initial allocation remains uncommitted.
- 2.9 Many of the interventions initially proposed have not progressed either due to a reduced need and/or a lack of capacity to develop the detailed thinking required to ensure cohesive programmes of activity. This presents an opportunity to re-direct the remaining RAP allocations towards filling gaps in the business support landscape.
- 2.10 This report and accompanying presentation proposes that subject to the usual governance processes up to £1.6m of this resource be earmarked to sustain specialist resource - as detailed at paragraph 2.2 – for a further two years.
- 2.11 This commitment would leave c. £2.9m resource available that could be considered as means of meeting more of the resource gap identified through this report or could be considered as a means of funding the projects noted in Item 8 that remain in development.

3. Options Considered and Recommended Proposal

3.1 Option 1

Endorse the recommendations set out in this report and request that further work is undertaken to identify routes to funding the additional business support requirements.

Option 1 Risks and Mitigations:

There is a risk that sufficient funding will not be identified, and work undertaken is abortive leaving significant gaps in the support landscape. This risk can be mitigated by prioritising the currently unfunded elements of the business support landscape.

3.2 Option 2

Endorse the UKSPF elements of the business support review and do not address the gaps in provision.

Option 2 Risks and Mitigations:

The reduction in business support will impact the MCA's ability to deliver on the social and economic priorities outlined in the South Yorkshire Strategic Economic plan.

3.3. Option 3

The BRGB do not endorse the recommendations set out in this report.

Option 3 Risk and Mitigations

Failure to replace current Business Support provision will result in a cliff edge with support ceasing to be delivered to businesses across the region.

4. Financial and Procurement Implications and Advice

- 4.1 Funding for UKSPF is confirmed for three financial years; 2022-23, 2023-24 and 2024-25. The Government will pay SYMCA annually in advance on a "use it or lose it basis". In 2022-23, funding has been received following approval of the local investment plan. In 2023-24 and 2024-25, funding will be released at the start of the financial year. SYMCA will receive a grant determination letter and Memorandum of Understanding setting out fund requirements and obligations. Lead authorities will be asked to return any underspends at the end of each financial year. Alignment to the SY Renewal Fund, should mitigate risks of underspend.
- 4.2 This report notes that there is insufficient funding to meet all identified requirements, with the report prioritising four key strands of work. The report further notes that this shortfall may be exacerbated if, as expected, Growth Hub funding is removed or further reduced.
- 4.3 The report proposes the use of £1.6m of the Business Renewal Action Plan allocation that is currently uncommitted. Whilst resource is available to meet this proposal it would need to be considered against use for funding the schemes noted in Item 8 that are currently in development.
- 4.4 The report and presentation recommend that further work be undertaken to identify whether other funding could be used to help bridge the shortfall in resource. This review could include considering whether any elements of activity could be capitalised, thus opening up other avenues of potential funding.

5. Legal Implications and Advice

- 5.1 There are no implications at this stage.

6. Human Resources Implications and Advice

- 6.1 Administering the requirements of a Lead Authority will require additional capability and capacity is secured to deliver the fund and maximise the impact and uptake of the UKSPF. As part of the development of the plan a gap analysis of capability and capacity has been undertaken to consider appointments required.

7. Equality and Diversity Implications and Advice

- 7.1 This will be assessed at an individual project by project basis to ensure compliance.

8. Climate Change Implications and Advice

- 8.1 This will be assessed at an individual project by project basis to ensure compliance.

9. Information and Communication Technology Implications and Advice

- 9.1 There are no implications at this time.

10. Communications and Marketing Implications and Advice

- 10.1 A schedule of branding and communication requirements is under development as part of the Business Support review, and it is anticipated any cost will be absorbed within the 4% administration allowance.

List of Appendices Included

A presentation is appended to this report.

Background Papers

None