

**Committee/Board Name and Date of Meeting:**  
Business Recovery and Growth Board

**Meeting Date:**  
09 February 2023

**Report Title**  
Budget and Programme Performance Update

---

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

---

**Director Approving Submission of the Report:**  
Gareth Sutton, Chief Finance Officer/s73 Officer

**Report Author(s):**  
Sue Sykes, Assistant Director Procurement, Contracts & Programme Controls  
Sue.sykes@southyorkshire-ca.gov.uk

Katie Jackson, Finance Business Partner  
Katie.jackson@southyorkshire-ca.gov.uk

Muz Mumtaz, Assistant Director - Development & Business Support  
Muz.mumtaz@southyorkshire-ca.gov.uk

---

**Executive Summary**

This report provides an update on the financial and delivery performance of the work and programmes of activity within the Board's thematic area. The report provides a recommendation on a business investment scheme.

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

The MCA's programmes of investment into business and growth priorities are core to its aspirations to create a stronger, greener, and fairer economy for South Yorkshire.

## Recommendations

1. Note the financial and performance updates
2. Note the withdrawal of two schemes from the pipeline
3. Approve the recommendation to endorse to the MCA Board the progression of scheme reference "D0034" to Outline Business Case
4. Approve the recommendation not to endorse scheme reference "D0027" to the MCA Board for full approval
5. Note the forward plan timeline and the proposal to seek a decision on scheme reference "D0034" outside of the usual Board cycle through delegations.

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

Assurance Panel	08 November 2021
Business Recovery and Growth Board	16 December 2021
Assurance Panel	06 December 2022

---

## 1. Background

- 1.1 Under its terms of reference, the Business Growth and Recovery Board is authorised to make investment decisions up to £2m on items for which it has been given budget by the MCA Board. For items with a value greater than £2m, or for items that cannot be funded from the available budget, the Board can also endorse schemes to the MCA Board for consideration.
- 1.2 This report provides an update on the programmes of activity for which the Board is funded at both a financial and performance level. The report also provides an update on the budget performance of core activity within this area.
- 1.3 The report notes the resource that has been made available to the Board that has been committed and that which remains available to fund new or future year activity.
- 1.4 The report also provides summaries of all activity that has been committed to and is in progress, and also the schemes that are currently in development that the Board may wish to choose to consider for funding at a later date.

## 2. Key Issues

### Revenue Budget

- 2.1 The revenue budget for this area can be differentiated between core activity and funded programmes.
- 2.2 Core activity includes the annual work of the Trade & Investment Team, the Access to Finance team (AFCOE) and the Development and Business Support team. This activity is funded from core MCA resource and Growth Hub grant (£0.35m) received annually from Government.
- 2.3 As at Quarter 3, it is expected that core activity will outturn marginally over budget:

	Base	Outturn	Variance
Core Activity	£k	£k	£k

Trade & Investment	£560	£622	-£62
Development & Business Support	£514	£514	£0
	<b>£1,074</b>	<b>£1,136</b>	<b>-£62</b>

- 2.4 Heading towards the new financial year, material concern remains around the future of Growth Hub funding. This resource has been received by the MCA since 2015 but was cut by 50% in the current year with an expectation that it may be withdrawn entirely in the next financial year. Appendix D to this report provides an update on the performance of the Growth Hub over the first half of the year whilst Item 10 in this agenda pack considers options around this activity into the future. Appendix E is presented to the Board to detail the LEP network's lobbying of Government to sustain funding.
- 2.5 Government will also often make funding available for programmes and projects that it would like other bodies to run on its behalf. The MCA bids for this funding on behalf of the region and if successful commissions delivery. Devolution powers and funding also give the MCA the opportunity to commission its own programmes of activity funded from Gainshare resource. In the current year, revenue programme activity is confined to the Made Smarter project and the body of activity clustered under the Business Renewal Action Plan programme.
- 2.6 As at Quarter 3, it is expected that revenue programmes of activity will outturn over the base budget with a number of movements at scheme level:

	Base £k	Outturn £k	Variance £k
Made Smarter	£1,910	£1,696	£214
Renewal Action Plan	£1,071	£1,567	-£496
	<b>£2,981</b>	<b>£3,263</b>	<b>-£282</b>

- 2.7 Increases in the cost of Renewal Action Plan activity reflects the commissioning of further activity during the year, fully funded from committed grant. Agreement will be sought from Government to roll-forward Made Smarter underspend.
- 2.8 Further information on these programmes is provided in the next section.

### **Revenue Programmes Performance Update**

#### **Renewal Action Plan**

- 2.9 In March 2021 the MCA Board made £6.91m of revenue funding available to the BGRB to commission activity that would help support the region's businesses bounce-back from the pandemic.
- 2.10 Since that point resource has been committed to a number of time-limited schemes and pieces of activity. To-date, £2.39m of activity has been commissioned with £2.20m of expenditure expected to be incurred by the end of the year. No commitments have been made beyond the current year:

	Commitment £k	2021/22 £k	2022/23 £k	Future £k
RAP Business Advisors	£1,660	£635	£833	£0
Tech Welcome	£300	£0	£300	£0

Transform SY	£80	£0	£80	£0
Communications and Marketing	£240	£0	£240	£0
Consortia Grants	£50	£0	£50	£0
Staffing	£64	£0	£64	£0
	<b>£2,394</b>	<b>£635</b>	<b>£1,567</b>	<b>£0</b>

2.11 This activity leaves £4.52m (65%) of resource available for further investment. Item 10 in this agenda pack includes some proposals on the use of this funding to complement Shared Prosperity Fund activity.

2.12 There are no grant related time constraints placed on the use of the funding for this activity.

#### Made Smarter

2.13 Made Smarter is a business support programme available to deliver interventions aimed at manufacturing and production firms in the region, supporting them to accelerate growth through improvements in productivity and efficiency.

2.14 In 2021/22 the MCA was awarded £1.49m to run a region-wide pilot programme. That programme overachieved against commissioned outputs but resulted in an outturn underspend that could not be rolled forward to future periods and was repaid to Government. The delivery of this programme led to a further award of £4.90m to run a three-year programme from 2022/23 to 2024/25.

2.15 At Quarter 3, it is forecast that the programme will outturn £0.21m under budget:

	<b>Budget</b>	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>
2021/22	£1,492	£1,200	0	£292
2022/23	£1,910	£0	1,696	£214
2023/24	£1,600	£0	1,600	£0
2024/25	£1,600	£0	1,600	£0
	<b>£6,602</b>	<b>£1,200</b>	<b>£4,896</b>	<b>£506</b>

2.16 The new Made Smarter programme commenced in the Autumn of 2022, with the launch of a full procurement for a delivery agent to deliver the main component interventions.

2.17 Four organisations responded to the tender process, with Oxford Innovation winning the bid with a consortia including Cambridge University's Institute for Manufacturing (IfM), Edge Digital, Brook Consulting and Sheffield Hallam University (SHU).

2.18 The procurement and contracting process has now been completed and Oxford Innovation commenced delivery of the programme in January. The programme will deliver the following interventions/outputs over the next 2.5 years:

	2022-23	2023-24	2024-25	Totals
Registrations	200	350	350	900
Business Advice (Diagnostics & Roadmaps)				
Digital diagnostic + Road map	110	218	216	544
Technology Advice (Intensive Technical Support)				
£1000 revenue grants to enable Ind 4.0	30	72	77	179
Intensive project support 5 day	30	34	38	102
Intensive Project 8-10 day	4	7	10	21
Intensive project 20 day	1	3	4	8
ITS Total/intervention rate	65	116	129	310
Programme Management (Delivery Partner)				
Programme management and admin	3	12	12	27
Leadership & Management Delivery Costs				
Leadership and management training (50/50)	20	45	45	110
Capex grants				
Grants upto £20K	24	30	30	84

- 2.19 The programme is already ahead of target for the levels of registration/interest – with South Yorkshire firms over-represented, to date. Over sixty initial diagnostics with follow up roadmaps have now been undertaken with a further twenty to be delivered by the end of January.
- 2.20 A regional Programme Board is being established, which will oversee and steer the programme, and will include representatives from industry, higher education and the public sector from each sub region.

### **Capital Programme Performance Update**

- 2.21 The capital programme in this area consists of the Digital activity funded from clawback on the Superfast South Yorkshire Scheme and investments into businesses funded from recycled Local Growth Fund and Gainshare.
- 2.22 Nine individual business investment schemes totalling over £41m remain in delivery or within a loan-term, with a further 5 schemes in development. Since the beginning of the financial year, two schemes that had previously been approved withdrew from processes along with a further two schemes that had not yet been approved for funding. One further scheme was added to the programme with the Board agreeing to fund the Canon Medical project. Further detail on these schemes are provided in appendix A.
- 2.23 As at Quarter 3, it is expected that in-year capital activity will fall short of the base budget by £1.32m:

2022/23	Base	Outturn	Variance
Capital Programme Forecasts	£k	£k	£k
Digital Programme	£812	£1,027	-£215
Business Investment Schemes	£11,180	£9,650	£1,530
	<b>£11,992</b>	<b>£10,677</b>	<b>£1,315</b>

### **Digital Schemes**

- 2.24 Increased expenditure on the Digital programme relates to further activity being commissioned. To-date, £3.40m of capital funding has been recouped from Building Digital UK (BDUK) through the Superfast South Yorkshire scheme (SFSY).

- 2.25 Of this funding, commitments totalling c. £2m have been made available through the South Yorkshire Digital Infrastructure Strategy. This resource supports the SFSY team and a number of projects.
- 2.26 Into the future more money is likely to be recouped as uptake of the broadband offer grows. Under the terms of the deal with BDUK, once uptake grows above certain levels the grant awarded by the MCA is repaid – this is the clawback mechanism. Repayments are received as capital receipts and can be deployed subject to the usual governance processes.

#### Business Investment Schemes

- 2.27 Analysis shows that of all approved capital business investment schemes £18m of funding is still to be claimed. Whilst some of this funding relates to recently approved schemes slow progress against activity is noted on the Gene Therapy Manufacturing scheme (approved 09/21) and The Floop scheme (approved 11/21). Officers are engaging scheme sponsors to support delivery where necessary.
- 2.28 None of the capital investment schemes in the BGRB's purview are reporting inflationary pressures at this point. The MCA's exposure to such pressures is capped at the funding provided to each scheme.
- 2.29 Information on all capital schemes is provided in appendix A.
- 2.30 Since the last reporting date £8.5m of capital loans previously extended to Doncaster Sheffield Airport have been repaid. This Local Growth Fund resource has been held back pending decisions on how the region will respond to Peel's decision to close the airport.
- 2.31 No additional capital resource beyond for investment into businesses beyond the current investments has been made available to the Board in the current budget cycle. Accordingly, further investment into capital business growth schemes will require the Board to endorse schemes to the MCA Board who can choose to support schemes through Gainshare or other resource that may become available.

#### Programme Development Decisions

*All scheme references are shown in Appendix A to allow cross-reference to project names.*

#### Scheme Approvals

- 2.32 This report recommends the progression of scheme reference **D0034** to Outline Business Case.
- 2.33 Scheme reference **D0034** is a University of Sheffield led project seeking investment of up to £14m to complement bids into Government and funding from industry. The details of the Assurance activity are provided in appendix C.
- 2.34 As the value of this scheme is above the Board's threshold and outside of its existing budget, it is recommended that the Board endorse this scheme to the MCA for consideration.
- 2.35 Under current proposals the scheme would be funded from future year Gainshare resource.

#### Scheme Rejection

- 2.36 This report recommends that scheme reference **D0027** is not endorsed to the MCA for contract award.
- 2.37 The assurance summary presented in appendix B outlines the basis for this recommendation. Officers from the MCA have discussed this issue with the scheme sponsor and have arranged for a de-brief to be undertaken. Opportunities to work with this business on other initiatives into the future remain available.
- 2.38 As no budget was formally committed to this scheme its removal from processes does not result in further headroom.

#### Scheme Withdrawal

- 2.39 Since the last reporting date two schemes (references **D0036** and **D0051**) have withdrawn from the development process. Further details on these schemes are provided in appendix A.
- 2.40 As no budget was formally committed to these schemes their removal from processes does not result in further headroom.

#### Schemes Under Development

- 2.41 A number of schemes which the Board have previously endorsed for development continue to be worked-up at the time of writing:
- RAP Supply Chain programme;
  - UK Gigabit Broadband Voucher Scheme top-up;
  - Creative UK – Network Support for South Yorkshire Creatives;
  - South Yorkshire Co-Investment Fund Pilot;
  - Tech South Yorkshire;
  - SY Angel Platform and Pitch Readiness Fund.
- 2.42 Into the future, decisions will be required on whether to progress these schemes through endorsement to the MCA or the commitment of available funding such as the uncommitted RAP allocation. Such decisions will need to be considered alongside the proposals covered in Item 10 to this report.

#### Forward Plan Timeline

- 2.43 In addition to the schemes detailed above a number of business schemes are currently progressing through development at pace. The details below set out the earliest that it is expected decisions could be made.
- 2.42 Scheme reference **D0049** has previously been approved by the Board and the MCA to progress to Full Business Case. It is expected that this business case will have been reviewed and ready for consideration by the MCA Board's 6th March meeting, but after the February BGRB Board meeting.
- 2.43 Given this scheme will ultimately require MCA approval, and noting the time imperative to finalise funding arrangements, this report recommends that the findings of the assurance process are presented to the Board through written procedures with the decision to endorse the scheme to the MCA or otherwise

delegated to an MCA officer in consultation with the Chair and Vice-Chair of the Board.

- 2.44 Resource has been earmarked to this scheme from DMBC's allocation of Gainshare capital funding for delivery-ready schemes.
- 2.45 Scheme reference **D0033** has previously been approved by the Board and the MCA to progress to Full Business Case. It is expected that this business case will be ready for consideration by the Board in June. This scheme will follow on an infrastructure scheme that is being progressed through the Housing & Infrastructure Board.
- 2.46 Discussions on how this scheme could be funded are progressing with the sponsoring local authority. These discussions will be finalised before a decision is brought to the Board.
- 2.47 Scheme reference **D0034** is presented to the Board today for consideration to progress to Outline Business Case. Subject to approval it is expected that this business case could be ready for consideration by June or July.
- 2.48 Discussions on how this scheme could be funded are progressing with Government, private partners, and between the MCA and the sponsoring local authority. These discussions will be finalised before a decision is brought to the Board.

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

#### **3.1 Option 1**

Approve the recommendation to endorse one scheme to the MCA Board and choose not to endorse another.

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

In choosing not to endorse a scheme to the MCA the region will potentially miss out on the benefits of the investment that may otherwise have accrued. This risk has been considered in reaching the recommendation not to proceed with the scheme.

#### **3.5 Option 2**

The Board could choose to reject the proposal to endorse scheme reference D0034 to the MCA Board.

- 3.6 The Board could also choose to reject the recommendation not to endorse scheme reference D0027 and propose that the MCA Board consider the scheme.

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

In not recommending scheme reference D0034 to the MCA Board the region would potentially miss out on significant growth opportunities.

#### **3.13 Recommended Option**

Option 1

### **4. Consultation on Proposal**



- 4.1 Recommendations have been discussed with appropriate local authority partners, and – in line with the MCA's Assurance Framework – through the MCA's internal Programme Board and Assurance Panel.

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

- 5.1 The Corporate Director Business and Skills and the Executive Director Resources and Investment will be responsible for implementing decisions as soon as they are made.

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

- 6.1 This report recommends one scheme to progress to the next stage of business case development. The report notes that the scheme is currently unfunded, but could be resourced from future year Gainshare resource. This would be a matter for the MCA Board to consider.
- 6.2 The report notes that a number of schemes have either been withdrawn or are recommended for rejection. These schemes were unfunded at this stage, so no resource is freed-up from these decisions.
- 6.3 The report further notes the budgetary performance of the thematic area across revenue and capital activity. At this stage only Made Smarter resource is considered at risk, with discussions required with Government to roll-forward any in-year underspend to future periods.

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

- 7.1 The legal implications of the project 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.

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

- 8.1 None.

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

- 9.1 None.

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

- 10.1 None.

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

- 11.1 None.

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

12.1 None.

**List of Appendices Included**

- A Capital Programme Update: Business Investment Schemes
- B Assurance Report - D0027
- C Assurance Report – D0034
- D Growth Hub Performance Update
- E LEP Growth Hub Network Five Point Plan