

## Business Recovery and Growth Board

Monday, 15 May 2023

### Business Support Funding Priorities

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<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>	Yes
<b>Has it been included on the Forward Plan of Key Decisions?</b>	Yes

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#### Director Approving Submission of the Report:

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#### Report Author(s):

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#### Executive Summary

This paper seeks approval and recommends funding for prioritised business support interventions focused on improving the productivity and dynamism of the business base in South Yorkshire.

#### 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 business support offer, and established finance infrastructure, will be instrumental in transforming South Yorkshire's economic fortunes.

#### Recommendations

That the Business Recovery and Growth Board:

- Approve deployment of £3.1m underspent Renewal Action Plan (business) funding for the business support priorities set out in para 1.5

- Recommend the deployment of £3m from the Renewal Action Plan (skills) budget for the business support priorities set out in para 1.5, recognising the important skills improvement dimension to the BRGB's prioritised interventions
- Recommend the deployment of £2m Mayoral gainshare and £1.8m of DUK clawback

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

N/A

### 1. Background

- 1.1 Productivity per capita in South Yorkshire is 35% below the national average. Closing this gap requires action across a number of different dimensions, of which business support is an important one. The South Yorkshire business base faces a lack of density, dynamism: for every 10,000 people, Barnsley has 312 businesses, Doncaster has 363, Rotherham has 346 and Sheffield has 335. The equivalent in Manchester is 505 and 458 in Leeds. The region also has fewer high growth businesses (3.2), compared to 3.9 in West Yorkshire and 3.4 in Greater Manchester.
- 1.2 This demonstrates the need to improve support to businesses seeking to start up and scale up. To do this, the region needs to foster a business support ecosystem that is capable of generating, nurturing, and sustaining new business formation, and that facilitates access investment to grow and scale.
- 1.3 The changing financial landscape affecting 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. ERDF's replacement – UK Shared Prosperity Fund (UKSPF) – has resulted in a circa 40% annual reduction in funding resulting in a need to reassess support provision and prioritise future intervention.
- 1.4 The current funding envelope provided by UKSPF will not be adequate to fund several interventions that are considered important by the MCA. In March, the Business Growth and Recovery Board (BGRB) prioritised the following programmes:
- High Priority:** Acceleration, innovation, entrepreneurship, and intrapreneurship.
  - High Priority:** Early-stage finance including the development of co-investment models.
  - High Priority:** Sectoral development programmes for both digital and tech, and culture and creativity.
  - Medium Priority:** Supply chain development.
  - Medium/Low Priority:** Ownership models and graduate retention programmes.
- 1.5 The current funding gap to deliver the high and medium priority interventions (a-d) is £11.6m over the next two financial years.

### 2. Options Considered and Recommended Proposal

2.1 There are several potential routes to addressing this funding gap:

- a. **Renewal Action Plan (business):** In January 2021, £6.91 million of Gainshare was allocated to the priorities identified in the Renewal Action Plan (RAP). **To date £3.1m remains uncommitted, which could be deployed.**
- b. **Renewal Action Plan (skills):** In January 2021 £7.2m was allocated and to date there has been approximately £170k committed. Where business support activity is primarily delivering skills interventions (acceleration, innovation, graduate retention) these could be considered for commissioning via the skills element of the RAP budget. Note: There are two skills interventions under development (South Yorkshire Jobs Fund and Apprenticeship Hub) care would be taken to ensure that adequate headroom is retained for these programmes. **£3m of this budget could be redeployed without significant effect to other priorities.**
- c. **Early-Stage finance:** The Mayoral gainshare allocation presents an opportunity to fund investment in early-stage finance in particular the development of a co-investment model. **£2m could be deployed from Mayoral gainshare.**
- d. **Building Digital UK (BDUK) clawback:** This total budget is £3.4m, which supports digital infrastructure roll out. There are further opportunities to use this budget to support the region's tech sector and, potentially, the region's creative and cultural industries. However, mindful that companies in these sectors will benefit from economy-wide business support, **£1.8m could be deployed from this budget.**

## 2.2 Recommended Proposal

That the Business Growth and Recovery Board:

- Approve deployment of £3.1m underspent Renewal Action Plan (business) funding for the business support priorities set out in para 1.5
- Recommend the deployment of £3m from the Renewal Action Plan (skills) budget for the business support priorities set out in para 1.5, recognising the important skills improvement dimension to the BRGB's prioritised interventions
- Recommend the deployment of £2m Mayoral gainshare and £1.8m of BDUK clawback

## 3. Financial and Procurement Implications and Advice

3.1 The funding is sufficient to meet the high and medium priorities identified by the Board. There is insufficient funding to meet all the priorities.

## 4. Legal Implications and Advice

4.1 There are no implications at this stage.

## 5. Human Resources Implications and Advice

5.1 Not applicable

**6. Equality and Diversity Implications and Advice**

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

**7. Climate Change Implications and Advice**

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

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

8.1 There are no implications at this time.

**9. Communications and Marketing Implications and Advice**

9.1 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