

Mayoral Combined Authority Board

12 September 2023

Institutional Investment

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

Director Approving Submission of the Report:

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Executive Summary

This report provides an update on the work being undertaken to attract further investment into South Yorkshire from public and private sources. The report also sets out the proposal to enter into a Memorandum of Understanding with Aviva Capital Partners Ltd.

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

Access to finance is a key building block for economic growth. Attracting more private investment into the region will support existing businesses to thrive and encourage new businesses to locate in South Yorkshire.

Recommendations

1. Note the progress made in the access-to-finance workstream; and,
2. Agree the proposal to enter into a Memorandum of Understanding with Aviva Capital Partners Ltd.

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

None.

1. Background

- 1.1 In March 2022 South Yorkshire held its first Economic Summit. The Summit aimed to bring together public and private voices to better understand the challenges and potential of economic growth in the region.
 - 1.2 The Summit highlighted a number of fundamental inhibitors to growth. These included low skill levels, poor physical infrastructure, and a lack of access to finance to support businesses to grow.
 - 1.3 This latter issue is recognised as a particular problem for South Yorkshire. Evidence suggests that the region's businesses lack access to both the scope and scale of finance that is required to support growth. This issue inhibits our existing businesses and also serves as a drag on our ability to attract new businesses to the region.
 - 1.4 Since this point, significant work has been undertaken to seek to address the conclusions drawn from the Economic Summit and in particular the need to enable greater access to finance.
 - 1.5 At its most fundamental level, this work has highlighted that there are significant opportunities to match the need for investment within South Yorkshire with the need for returns to support the business models of public and private pension funds, insurers, and banks.
 - 1.6 Matching finance to opportunity requires the MCA and partners to act in different ways. At times there may be a requirement for funding support, but at a more sustainable level it requires partners to act as conveners, enablers, and amplifiers of opportunity, developing relationships with businesses in need of finance and those institutions in need of opportunities to invest.
 - 1.7 A series of engagement rounds have been undertaken with major institutional investors at the regional and national level, whilst through the Business Growth and Recovery Board work was undertaken to map the existing business support ecosystem and identify opportunities for regional level interventions.
 - 1.8 To-date this activity has culminated in:
 1. The MCA supporting the design of the South Yorkshire Pension Fund's Place Impact Investment Plan, unlocking the potential for up to £0.5bn of investment into the region;
 2. The MCA's first equity investment, with £1.5m invested into Northern Gritstone which aims to support the commercialisation of science and IP-rich businesses based in the North of England;
 3. Decisions taken through the BGRB to deploy earmarked Renewal Action Plan funding to support a pilot Co-Investment Fund aimed at early-stage businesses; and,
 4. Developing the proposal to invest into Bank North, as a South Yorkshire based regional lender, before that opportunity fell away.
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- 1.9 SYPF have now appointed an Investment Manager to support the roll-out of their Place Impact Plan, whilst engagement is ongoing to develop partnership arrangements that will help the MCA and partners drive opportunities toward this funding.
- 1.10 To-date, Northern Gritstone have invested c. £40m into South Yorkshire opportunities whilst the MCA's investment has supported a much larger fundraise. The MCA is continuing to work with Northern Gritstone to identify opportunities.
- 1.11 Whilst these tangible interventions have been made the MCA has also begun developing relationships with major institutional investors. Deepening relationships with investors – such as pension funds – is critical to ensuring that investors can play an active role in the economic growth in the region.
- 1.12 Whilst dialogue is ongoing with other parties as momentum builds towards greater investor interest in South Yorkshire, the MCA is now in a position to enter into a Memorandum of Understanding (MoU) with Aviva Capital Partners Ltd. This MoU sets out areas of common interest in which the two parties can work together for mutual benefit.
- 1.13 The MoU does not commit the MCA to any financial or contractual obligation, nor does it preclude the MCA from entering into similar relationships with other partners. The draft of the MoU is appended to this report for the Board's consideration and agreement. The draft MoU's terms and conditions are currently confidential by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (Information relating to financial/business affairs of a person or Local Authority).
- 1.14 It is hoped that this will be the first of a number of arrangements that the MCA enters into with financial institutions, strengthening the relationships and growing opportunities that exist between public and private sectors.

2. Key Issues

- 2.1 This report proposes that the MCA enter into an MoU with Aviva Capital Partners, Ltd, who are an existing major employer in South Yorkshire, as part of a broader approach to attracting greater institutional investment to the whole of South Yorkshire. This will be the first of potentially several such Partnerships that the MCA is anticipating to enter into over-time, to attract greater new private sector investment in support of economic growth and business development.
- 2.2 The proposed MoU is appended to this report. The MoU focuses on three core areas of common interest:
1. Investment into housing, including affordable housing and retrofit opportunities;
 2. Supporting the development of the Investment Zone; and,
 3. Sharing best practice in accelerating the delivery of investment opportunities.
- 2.3 The MoU seeks to leverage the respective core competencies and capabilities of each party. Whilst the MoU does not commit either party to financial or contractual obligations it does set out a commitment to ways of working to bring the relationship to life on a practical basis.

2.4 A deeper working relationship with Aviva will help the MCA identify opportunities, progress those opportunities to investable propositions, and improve the chances of those propositions attracting private investment. This should help to limit the calls for publicly funded interventions whilst increasing the quality of propositions and the scale of available finance.

3. Options Considered and Recommended Proposal

3.1 Option 1

To enter into an MoU with Aviva Capital Partners Ltd.

3.2 Option 1 Risks and Mitigations

The MoU does not commit either party to financial or contractual obligations, nor does it preclude the MCA from entering into similar arrangements with other parties.

The MoU does commit the MCA to ways of working that will be of mutual benefit.

3.3 Option 2

Reject the proposal to enter into an MoU with Aviva Capital Partners Ltd.

3.4 Option 2 Risks and Mitigations

Rejecting the proposal would limit the Region's ability to address some of the access-to-finance problems that inhibit growth in South Yorkshire.

3.5 Recommended Option

Option 1

4. Consultation on Proposal

4.1 None.

5. Timetable and Accountability for Implementing this Decision

5.1 The Executive Director Resources & Investment will implement the proposal following the Board's agreement. .

6. Financial and Procurement Implications and Advice

6.1 The proposed MoU does not commit the MCA to any financial obligation. The proposed commitment to ways of working is largely resourced from existing officer time.

6.2 Attracting greater private investment into the Region is critical to ensuring the efficient use of the limited amounts of public funding that is available to support economic growth. Having more and broader private investment will enable the MCA, Local Authorities and partners to be more targeted in how and when public interventions are deployed.

7. Legal Implications and Advice

7.1 The MCA has powers and functions related to economic development in reliance on the general power of competence under section 1 of the Localism Act 2011

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 The MoU would commit both parties to working together on housing investment opportunities, including environmental mitigations and adaptations.

11. Information and Communication Technology Implications and Advice

11.1 None.

12. Communications and Marketing Implications and Advice

12.1 Any publicity or other related communications will be agreed in writing by both parties prior to issue or release.

List of Appendices Included

A RESTRICTED - Draft Memorandum of Understanding. The draft MoU's terms and conditions are currently confidential by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (Information relating to financial/business affairs of a person or Local Authority)