

10 September 2020

Business Growth Pipeline

Purpose of Report

This report gives Members an overview of the project pipeline in development; including indigenous business projects to support the growth of established South Yorkshire businesses and new investment projects from outside the Region and the UK.

The report provides the rationale for the approach and considers what needs to be developed in order to secure both these investments and stimulate further opportunities.

Thematic Priority

The priorities covered by this report are:

1. Ensure new businesses receive the support they need to flourish.
2. Facilitate and proactively support growth amongst existing firms.
3. Attract investment from other parts of the UK and overseas and improve our brand.

Freedom of Information and Schedule 12A of the Local Government Act 1972

This paper will be made available under the SCR Publication Scheme.

Recommendations

Members are requested to consider and discuss the approach to the development of the business growth pipeline.

1. Introduction

- 1.1** The LEP has invested £46.8m primarily through LGF since 2014. This has made a significant difference to our businesses and residents in terms of increased job creation, income and wellbeing.

At Q4 2019/20 through the deployment of LGF the following outcomes have been achieved:

- Direct jobs created or safeguarded = 2,827
- Private sector leverage = £92.1m

Despite this, the evidence shows that the region continues to underperform on many indicators and South Yorkshire's relative position has not shifted.

Since the first Economic Plan (SEP) was published in 2014, (and prior to COVID), the local economy had grown by a total of 57,000 jobs and 9,510 businesses according to the latest official data. South Yorkshire, however, compares unfavourably to other LEP areas and is ranked 33rd out of 38 LEPs for productivity; largely due to a higher proportion of lower skilled and lower paid jobs. GVA per employee is 82% of the UK average whilst GVA per capita is 68% of the UK average. Average earnings are also 3% below the UK level at £8.92 per hour.

1.2 The Covid-19 crisis has exacerbated the challenges for businesses and for many in the labour market.

- A significant economic recession is underway
- There is great uncertainty about how long it will last and the extent to which it will impact on people's lives and the economy
- The vulnerabilities and weaknesses in the South Yorkshire economy prior to the Covid-19 crisis will be exacerbated. South Yorkshire may escape some of the worst initial impacts due to the structure of our economy but in the medium to long term it is more exposed.
- The systemic and fundamental economic challenges remain and will need to be addressed. This now has greater urgency, fast evolving priorities and require a sharper focus on the timing and sequencing of actions.

1.3 In the midst of all these challenges there remains a significant pipeline of investment projects from early stage and pre-start businesses. These provide opportunities to not only create direct jobs but also indirect jobs in supply chain companies and act as a launch pad for the development and creation of new higher value clusters of businesses.

2. Proposal and justification

2.1 Breakdown of engagement to date on indigenous growth projects

The companies engaged with to date range from University spin outs, SMEs, to mature foreign owned business. Some have immediate plans to expand others have longer term plans to grow the business over the next 5 /10 years.

Some of these businesses are developing into new markets or new sectors and are diversifying from their core business activity.

Initial engagement with 45 companies has converted into 15 live growth projects, more details of which will be provided in the presentation.

The primary aim of the engagement programme has been to:

- Gain a deeper understanding of the business; its challenges, opportunities, performance, objectives and plans
- Establish a strategic and operational relationship with the decision makers and secure trust
- Gain a fuller appreciation of the investment intentions of each business. This includes challenging assumptions and assertions to uncover the true market opportunity and to understand the company's ability to exploit this
- Explore how the LEP may be able to support the business to realise identified opportunities
- Understand the company's approach and strategy for investment in their people and in the local community
- Explore opportunities to engage more local businesses into the supply chains of larger businesses

- Gain insights into how the LEP could support businesses and people to drive the transformation of the South Yorkshire economy.

2.2 Breakdown of engagement on Inward Investment projects:

There are currently 29 live new Inward Investment projects in the pipeline. Those investment projects have a value of £760 million and are forecast to create 6000 jobs in the region over the next few years if all are landed and successfully delivered.

All projects are covered by non-disclosure agreements, further details we are able to share will be given as a part of the presentation to the Board.

2.3 Observations / lessons learned to date:

There is evidence that there is a cohort of businesses in the region with significant capability to grow that would value a strategic and investment led relationship with the LEP. The introduction of the model, outlined to the LEP Board on 21/05/20, of building a relationship with business leaders and to proactively seek out the opportunities in our businesses to grow is proving to be valuable and worthwhile.

The discussions with these growth businesses whilst opening up new opportunities, is challenging the traditional forms of public sector grant giving models as the predominant form of intervention. As has been recognised in the business strand of the Renewal Action Plan a range of investment interventions are required to realise more opportunities for business growth.

3. Consideration of alternative approaches

3.1 Business as Usual

A business as usual approach on its own will not have the impact required in the economy and is unlikely to lever the wider outcomes associated with a co-investment deal including the inclusion and sustainability outcomes.

4. Implications

4.1 Financial

There have been some costs associated with supporting the development work of business cases for these investments. At this stage there is not a commitment to fund any of the projects as this is dependent upon the emerging business case, and the availability of new sources of investment.

The success of this investment pipeline is dependent upon South Yorkshire having an available funding source initially to the value of around £450 million rising as more opportunities become available

4.2 Legal

All of the projects alluded to in this report are covered by Non-disclosure agreements for that reason the names of the businesses are not included

There are no legal implications associated with this report, however some of the potential investment may require detailed due diligence and legal work before any recommendation to support could be considered.

4.3 Risk Management

This approach should mitigate the risk of:

- local businesses with the potential to grow relocating outside of the City region to get greater support,
- supporting businesses to relocate and making stronger local linkages to other businesses to build more resilient supply chains,
- investing in businesses where there is no requirement for wider social value and inclusion. All discussions have focused on what a something for something deal is and what the company will invest in local labour and other businesses.

4.4 Equality, Diversity and Social Inclusion

The premise of the engagement is based upon a deal where greater social value is negotiated and the business commits to supporting local supply chains, local labour market, training and taking on apprenticeships, for example. These indicators are being defined as part of the work on the economic plan.

5. Communications

5.1 Not applicable

6. Appendices/Annexes

6.1 Appendix 1 - Presentation slides for discussion

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