

21st October 2020

Business Investment Pipeline

Purpose of Report

This is a further update paper that follows on from the last board meeting where an overview was given on the pipeline of projects that are currently being worked on both in growth of business already located in South Yorkshire and in brand new investment projects where businesses don't have a base within the region and the rationale for the approach.

This paper goes onto to describe how the Business investment pipeline fits into the ambitions of the Strategic Economic Plan (SEP) and forms the basis of our ask within the Comprehensive Spending Review submission (CSR)

Thematic Priority

1. Facilitate and proactively support growth amongst existing firms.
2. Attract investment from other parts of the UK and overseas and improve our brand.
3. Increase sales of SCR's goods and services to other parts of the UK and abroad

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

Appendix A is exempt from publication under paragraph 3, part 1, section 12A of the Local Government Act 1972.

Recommendations

There are a number of recommendations:

1. To acknowledge the work that has started in this area and agree to further support the development of a pipeline of new investible projects which align to the SEP.
2. To start to lead a discussion on new funding models required in a post LGF environment which will be needed to advance these types of investment opportunities.
3. To lead the work on how we develop innovative transformational projects that lead to the development of new clusters. For example: Gene therapy or Satellite manufacturing.

1. Introduction

- 1.1 Working across the organisation there has been a proposal included within the South Yorkshire Comprehensive Spending Review (CSR) submission 2020 that covers this area of work.

A summary of these are provided in this paper. These are linked to activity to develop a pipeline of investment ready business growth projects. An overview and update on this workstream is provided.

2. Proposal and justification

2.1 CSR Submission Proposals aligned to Business Growth

A number of initiatives supporting business growth and investment have been proposed which align with the key themes of the CSR and provide South Yorkshire with the resources to advance the economy by investing in a pipeline of businesses with high growth potential, developing supply chains, improving leadership and adopting digital and industry 4.0 technologies.

2.1.1 CSR Theme 1: Strengthening the UK's economic recovery from COVID by prioritising jobs and skills

Initiatives

- £900m Scale-up and Investor Attraction fund enabling the creation of 6000 jobs and leveraging private sector matched investment of at least £900m

In recent years, the MCA/LEP has invested in McLaren Automotive, Boeing, Curvalux and the UKAEA to anchor operations in the region. Building on this model of attracting transformational businesses to the region, we have developed a new cohort of high growth / high potential businesses both in the region and those looking to locate or grow their footprint in the region. It is proposed that this work is undertaken through the MCA/LEP Business support function building on the pipeline of scale up and inward investment opportunities already identified. **(See Appendix A for discussion)**

- £194m High Growth Business Support Function, incorporating a £140m capital investment fund, delivering a step change in innovation, business leadership, supply chain development, digital adoption and access to finance.

As our work with high growth potential businesses has identified, a gap currently exists in the ability to fund innovative businesses to commercialise new concepts. A flexible investment fund would support up to 10,000 businesses and enable significant investment (including equity stakes) to be made in up to 500 businesses. This would work in tandem with support for digitisation, exploitation of supply chains and leadership and management.

2.1.2 CSR Theme 2: Levelling-up economic opportunity by investing in infrastructure, innovation and people

Initiative

- £203m capital and revenue fund to provide wrap around cluster development to invest in innovation.

Our work with the pipeline of high growth potential businesses demonstrates engagement or the potential to engage with the Sheffield University AMRC or the Sheffield Hallam AWRC, promoting innovation in the fields of manufacturing, materials, well-being and clean energy.

2.1.3 CSR Theme 3: Making the UK a scientific superpower - leading in the development of technologies to support net zero

Initiative

- £215.2m Investing in Translational Research

Translational research and the commercialisation of ideas are at the heart of the innovation-led Strategic Economic Plan and the key to boosting productivity by targeting investment in specific innovation clusters in sustainable manufacturing, clean energy and net zero technologies. These are central themes to many of the business on our high growth pipeline.

2.2 Business Growth Projects Pipeline

2.2.1 Overview

In alignment with the Sheffield City Region Renewal Action Plan (RAP) and the Acceleration Growth theme related to Business Support, the LEP Chair supported by the Investment team have identified a number of indigenous businesses and potential inward investment projects which could be candidates for financial support in the form of grants, loans or equity to be determined by a future, flexible funding model which incentivises advanced innovation from concept to commercialisation to support strategic growth sectors.

- Initial scoping meetings have been held with businesses to explore their future growth plans and any barriers in achieving those ambitions
- Third party consultancy support has been used to interrogate their business plans and develop them into strategic business cases which may be considered at a future point for financial assistance from the MCA following external/internal appraisal and the relevant Board approvals process.

2.3 Business Growth Pipeline update

- Of the projects identified to date, there is the potential for up to 6000 jobs to be created with private sector investment of c. £900m and SCR LEP financial support of c. £900m
- Due to commercial confidentiality projects within the pipeline are subject to Non-Disclosure Agreements, we are limited on the detail that can be provided
- Key sectors represented by these projects include advanced manufacturing and engineering, materials, digital (transformation within manufacturing)
- Potential market opportunities offered by these projects include; aviation, defence, automotive, space, low carbon energy production and medical
- There is potential to secure IP within innovative world leading specialisms within South Yorkshire and provide leverage to secure inward investment through further collaborations and agglomeration effects.

2.4 Rationale for approach

Providing bespoke solutions to these businesses offers;

- Opportunities to accelerate business growth, associated job creation/retention and the development and securing of IP based on commercialisation of research in niche innovative sectors in South Yorkshire.
- Opportunities to create and deliver a holistic, coordinated business growth approach as aligned to proposals in the CSR which in addition to business funding provides support for digitalisation, business leadership and management, supply chain exploitation, embedding business opportunities in the region and connecting

- with our skills and talent agenda through the creation of highly skilled roles and apprenticeship opportunities in emerging and innovative technologies
- Potential to create specialist clusters in areas such as space manufacturing building on our existing strengths in aerospace, advanced manufacturing and materials

3. Consideration of alternative approaches

3.1 N/A

4. Implications

4.1 Financial

There have been some costs associated with supporting the development work of business cases for these investments and in supporting the pilot phase undertaken by the Chair. At this stage there is not a commitment to fund any of the projects beyond March 2021 as this is dependent upon the emerging business case, and the availability of new sources of investment.

Deliverability of successful outcomes for projects highlighted in the high growth business pipeline is contingent on funding being confirmed through the CSR process.

4.2 Legal

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. There is also the potential of signing non-disclosure agreements before companies disclose commercial confidential information

4.3 Risk Management

N/A

4.4 Equality, Diversity and Social Inclusion

N/A

5. Communications

5.1 Currently all developments are at the exploratory stage and covered by Non-disclosure agreements. Communications will be jointly progressed in the future with the businesses and government if there is the potential for a significant investment deal to be realised.

6. Appendices/Annexes

6.1 Appendix A – Provides a summary of potential business growth projects which the CSR funding could support

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Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ

Other sources and references: