

14<sup>th</sup> January 2021

## Businesses Pipeline Development and Selection

### Purpose of Report

This report seeks to provide for LEP Board Members an update on the significant investment opportunities that have been identified from LEP led business engagement. The report recommends selection of 13 identified schemes onto the pipeline in order that Business Cases may be developed

### Thematic Priority

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.
4. 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

The paper is available under the MCA Publication Scheme.

### Recommendations

1. The Board notes the update on the development of the business pipeline
2. The Board accepts the schemes detailed in section 2.6 and Appendix A of this report to the programme pipeline, noting that projects will only be supported if future funding is received and assurance requirements are met.

## 1. Introduction

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

As at Q4 2019/20 the £46.8m fund has achieved the following:

- Direct jobs created or safeguarded = 2,827 (cost per job of £16,554.65)
- Private sector leverage = £92.1m

Despite these successes, evidence shows that the region continues to underperform on many indicators and our relative position has not materially improved.

- 1.2 Furthermore, the unfolding Covid-19 crisis, and the work undertaken to develop the new economic plan, has highlighted a number of factors.

1. A significant economic recession is underway
2. There is great uncertainty about how long it will last and the extent to which it will impact upon lives and the economy
3. The vulnerabilities and weaknesses in the SCR economy prior to the Covid-19 crisis will be exacerbated. SCR may escape some of the worst initial impacts due to the structure of our economy but in the medium to long term we are even more exposed.

4. 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 However, despite the pressures on the local economy there are signs of opportunities emerging, and it will be important to position the region to be ready to exploit these in support of a sustainable recovery. To affect transformational change, it is understood that a new approach to business investment is required.
- 1.4 Led by the LEP Chair, a programme of engagement with businesses (both indigenous companies and potential inward investors) has taken place, engaging with the highest levels of leadership in these businesses. Businesses have been engaged based on referrals, existing relationships built primarily with the Growth Hub and other LGF related activity and following desk-based research regarding growth potential.
- 1.5 To-date, discussions have taken place with 65 businesses. These consist of a mix of old industry, new digital and technology businesses, locally owner managed as well as multinational companies at different stages of maturity.

## 2. Proposal and justification

- 2.1 This engagement activity has evolved and intensified over the past 12 months and reports on progress have been made to the Business Recovery and Growth Board. The opportunity to work intensely with a focussed group of businesses has enabled sufficient assessment to be made to evaluate those growth opportunities most likely to progress to completion and within what timescale. An initial priority of 35 projects have been identified for pipeline development with the potential for more than 6,000 direct jobs being created. The public funding required for these schemes is significant and will be in the region £110m, but would leverage in around £600m of private sector investment.
- 2.2 Having regard to the fact that not all opportunities will be realised or realised in full a further review has identified that investment in 13 of the most likely projects could have an immediate impact: 37% of these projects can achieve 70% of the total job creation within the next 12-18 months. These 13 projects are likely to need in the region of £74m public investment to realise c£400m of private investment. Within this cohort of 13 projects, 4 are critical in terms of size and timing as winning these investments ahead of other regions or countries is dependent upon public funding being available. These four projects combined will create 3700 jobs and are all new inward investments from outside the Region and will impact on each of the four constituent authorities. Public investment to support these 4 projects will be in the region of £32m and will realise £200m private investment.
- 2.3 A further 21 projects are under pipeline development and have the potential to be operationalised within the next 36 months and will create more than **2,000** direct skilled jobs and generate at least an equal number of indirect job opportunities. It is estimated that MCA funding of **£50 million** will leverage at least **£110 million** of private sector investment.
- 2.4 Schemes selected represent both inward investment and the growth of indigenous businesses. Of the schemes 66% are new to the region with the rest being indigenous. Of the potential inward investors, 36% have yet to settle on a location within the city region which creates an opportunity to influence their decision.
- 2.5 The businesses operate across the spectrum in the Digital, Energy, Creative, Advanced Manufacturing, Scientific Research and the Food and Drink sectors. Investment would return quality jobs to the region: 80% of jobs are at a high level with 30% at Skills Level 5+, 30% Level 4, and 40% Level 3.
- 2.6 This investment would further support the LEP in leveraging a level of influence in the board rooms of businesses who, to date, have not had a reason to engage with the LEP,

or were sceptical of the benefits of such engagement. Through this approach, there is an opportunity to co-design interventions and investments with businesses, thereby ensuring that the policy objectives of the new economic plan (growth, inclusion and sustainability) are being delivered. This includes the introduction of agreements to deliver social value returns from the business in return for public investment.

**2.7** This evolving approach to LEP led business engagement could eventually involve:

1. Co-investment to deliver agreed objectives and outputs
2. Positioning local businesses to better exploit supply chain opportunities
3. Building stronger business networks to enhance joint working and interaction
4. Embedding universities as a key player to get greater leveraging in the
5. deployment of research into economic outcomes
6. Aligning business skills needs with the strategies and plans of our training
7. providers, thus opening new horizons for local residents and learners
8. Exploiting every opportunity to deepen the roots of new and established

**2.8** Work is being undertaken in close dialogue with these businesses to develop strategic business cases required to fulfil the requirements of submitting a funding application, enabling these growth projects to be “oven-ready” for consideration for public funding. Most of these have confidentiality requirements due to non-disclosure agreements being in place to protect commercial sensitivities.

Appendix A presents a list of the schemes anonymised.

### **3. Consideration of alternative approaches**

#### **3.1 Business as Usual**

Business as usual would involve the existing reactive posture as opposed to pro-actively identifying businesses with the ability to scale up and locate in the region.

It is likely an element of the business as usual programme can and should continue as it remains a priority to consider a range of financial interventions to assist businesses to adopt more innovative products or processes.

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

#### **3.2 Prioritise work with out of area new investment only**

Whilst it remains a priority to market to national and international businesses, solely relying on generating enquiries from national and international companies that will be new to the UK, is a high- risk strategy.

### **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 cases, and the availability of funding.

#### **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.

#### **4.3 Risk Management**

By proactively engaging with businesses and potential investment opportunities and taking a pre-emptive approach to funding being available from March 2021 to extend/replace LGF, this supports the mitigating the risk of local innovative business relocating outside of the City region to get greater support.

There is a risk that if we are unable to make decisions on funding support by Q1 of 2021 some investment opportunities will be lost to the region.

#### **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** 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 – Business Development Pipeline Summary

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

Other sources and references: