

Business Recovery and Growth Board

01 September 2021

Business Pipeline Criteria Development

Is the paper exempt from the press and public? No

Purpose of this report: Policy Decision

Funding Stream: Not applicable

Is this a Key Decision? Yes

Has it been included on the Forward Plan? Yes

Director Approving Submission of the Report:
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Executive Summary:

The purpose of this work was started in order to develop a methodology to qualify enquiries from both indigenous companies and new inward investors for possible funding support.

To manage the expectations of such companies so that they understand:

- The criteria
- The process and the timescale of the process
- The funding options

To have a process that is consistent, transparent endorsed by the BRGB and the MCA and would stand up to review by audit or overview and scrutiny.

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

Opportunities for significant growth programmes to be realised which create new jobs and supply chain opportunities for businesses within South Yorkshire

Recommendations:

It is recommended that the Board:

1. Approve the headline criteria that allows officers to engage with businesses as outlined in the paper;
2. Agree that officers will further develop metrics in relation to criteria 9 in line with the emerging SYMCA Inclusion Policy for approval at a future Board; and
3. Approve the MCA Executive Team to work with Local Authority colleagues to further develop the processes that should be adopted for referring clients with growth projects in the SYMCA.

Consideration by any other Board, Committee, Assurance or Advisory Panel
None

1. Background

- 1.1 The current business pipeline for projects for future funding has emerged from work led by the LEP Chair, some projects falling out of the previous Local Growth Funding/Business Investment Fund workstreams.
This work focuses purely on the large growth projects of indigenous businesses and inward investment and is one element of business support that the region will offer. Other parts of the business support agenda will be the subject of follow-on papers to the Business Recovery and Growth Board. These will include those potential interventions raised in discussions with local authority officers, including exploring opportunities to follow-up on schemes that have previously demonstrated value to the region.
All the companies on the pipeline have a focus on significant growth through innovation as both indigenous and inward investment projects.
- 1.2 In some cases, the LEP Chair had challenged businesses to bring forward their growth plans for consideration within a pipeline for future funding much earlier than the business was planning.
Projects are in different stages of development with some moving towards Full Business Case at pace and expected to seek approval by the Business Recovery and Growth Board (BRGB) and Mayoral Combined Authority (MCA).
- 1.3 This initial set of business pipeline proposals has identified 40 business opportunities, mixed across indigenous growth and inward investment and covering all 4 local authority areas.
- 1.4 The current project portfolio that is being developed and potentially could be brought to the Board by the end of this financial year includes 8 projects with a total value of £40m. However, it must be noted that a number of variables make this a fluid estimate of demand and it is to be expected that the timetable for projects coming forward for approval may change.
- 1.5 A challenge was set by the BRGB to establish a criteria for entry to the pipeline to address the main concerns expressed by the Board:
 1. Transparency of the process for businesses coming onto the pipeline

2. Having an agreed scope that would allow the Board to make informed decisions when projects were brought for funding approval and
3. Managing expectations and reputation of the MCA and LEP.

2. Key Issues

2.1 An informal BRGB meeting was held to discuss an initial approach to criteria that had been developed by the team.
The approach to establishing criteria has since been discussed internally within the MCA along with the queries and reputational risks that the Board have raised in previous discussions.
Further input on the criteria and process has been secured from Local Authority officers.

2.2 The selection criteria outlined at the previous informal BRGB meeting has been updated to reflect the comments of the Board and MCA and Local Authority Officers and is provided below:

1. Have a 'significant presence' in South Yorkshire already in the case of indigenous businesses, or be prepared to commit to this for inward investment.
4. Have (or commit to creating) a presence and operating from commercial premises in the region.
5. Be viable, with the Client business demonstrating previous growth or potential to grow; (Innovation is referenced throughout the SEP but it must be recognised as the mechanism for driving growth and productivity and therefore growth and productivity metrics to be used to assess this criteria).
6. Be able to demonstrate that the business would not proceed with this project in South Yorkshire or would only do so at a lot slower pace or smaller scale without the support.
7. Be able to demonstrate a clear case for funding.
8. Evidence that the business can access or raise sufficient funds to meet the required Intervention rate.
9. Be a project that will create economic and social impact for the region and be prepared to sign up to a social outcomes contract.
10. Be able to demonstrate GVA growth

2.3 The following table demonstrates how the criteria would be applied in different scenarios and where the lead support for the project will be provided:

<u>Criteria</u>	<u>Company A</u> <u>Indigenous</u> <u>High growth</u> <u>business</u>	<u>Company B</u> <u>Indigenous</u> <u>spin out</u>	<u>Company C</u> <u>Indigenous</u> <u>company</u>	<u>Company D</u> <u>New</u> <u>investor</u>

Key sector from the SEP for support	✓	✓	N	✓
Presence in SCR	✓	✓	✓	N
More than 6 employees	✓	N	✓	✓/N
Profitable	✓	N	✓	✓
Project fit with SEP – improve productivity, increase in higher value jobs, increase in wage levels, contribute to net carbon zero, GVA uplift	✓	✓	N	✓
Size of project £m must be £2m+	✓	✓	✓	✓
Funding ask of MCA £ minimum £500k	✓	✓	✓	✓
12 + Jobs to be created	✓	✓	N	✓
Has the company the balance of funding required or can funds be raised in a timely manner.	✓	N	✓	✓
Score = max 10 y	9	6	6	8
Action: who leads the project	Agree with MCA project is a candidate for potential funding	Local Authority	Local Authority	MCA

- 2.4 Following on from this there is a requirement to further develop metrics in relation to the criteria that assesses if a project will create economic and social impact for the region and this will need to be developed in relation to the Authority's emerging Inclusion Policy.
- 2.5 Additionally, there will need to be agreed processes established between the MCA Executive Team and Local Authority teams for referring growth projects into the SYMCA. Work has commenced on developing this process and an initial approach is attached at appendix 1 for reference.
- 2.6 In recognition of a more formal process to engaging with businesses within this scope of work it is proposed that the title 'Business Pipeline' is changed to a working title of "Gainshare Business Assistance Criteria".
- 2.7 There is not an identified budget for this programme of activity at this stage. It is proposed that funds will be made available as required by an approved project and it is accepted that this may impact on the details of the funding agreement with the business, in terms of drawdown.

3. Options Considered and Recommended Proposal

3.1 Option 1

Agree the core criteria outlined in this paper and develop further metrics in line with other emerging MCA policy to refine the model, continuing to engage with Local Authority partners to develop and adopt a process for referring in-scope clients in the SYMCA.

3.4 Option 1 Risks and Mitigations

Further delay in establishing criteria increases concerns about transparency of the programme, this approach allows a core understanding to be agreed with an opportunity to refine detailed measures to match emerging policy.

This is a key programme for the region and it is essential that partners are on board in the development and implementation of the new policy for it to be successful.

3.5 Option 2

Develop a broader scope which includes growth at a range of scales, inward investment and retention projects.

3.8 Option 2 Risks and Mitigations

The approaches to different levels and types of business support are very different and must be matched to the target audience and the outcome the Authority wishes to achieve.

This option would not allow a transparent solution to be developed at pace with the potential programme of projects.

3.9 Option 3

Continue the current model of operation.

3.12 Option 3 Risks and Mitigations

The risks of this option are a continued lack of transparency and the potential damage to the reputation of the organisation on how projects are identified and supported.

3.13 Recommended Option

Option 1

4. Consultation on Proposal

4.1 Local Authority partners have been consulted on this area of work and continue to provide support to the development of the criteria and implementation.

5. Timetable and Accountability for Implementing this Decision:

5.1 Within 2021/2022 financial year

6. Financial and Procurement Implications and Advice

- 6.1 There are no direct financial implications from this report but the principles established will shape how funding is allocated in the future

7. Legal Implications and Advice

- 7.1 Any funding provided will need to show they are UK Subsidy Control compliant. Any funding offered will be the subject of appropriate contractual and security documentation

8. Human Resources Implications and Advice

- 8.1 No implications have been identified at this time

9. Equality and Diversity Implications and Advice

- 9.1 No implications have been identified at this time

10. Climate Change Implications and Advice

- 10.1 No implications have been identified at this time

11. Information and Communication Technology Implications and Advice

- 11.1 No implications have been identified at this time

12. Communications and Marketing Implications and Advice.

- 12.1 Working closely with the marketing team so that effective marketing and communications levers the business cases, development and scope into the content engagement programme placing South Yorkshire prominently and positioning our narrative behind Stronger Greener Fairer. In support of the SEP vision: **We will grow an economy that works for everyone.**
- 12.2 We will develop inclusive and sustainable approaches that build on our innovation strengths and embrace the UK's 4th Industrial Revolution to contribute more to UK prosperity and enhance quality of life for all.

List of Appendices Included

- 1 Targeting Business Clients
- 2 Selection Criteria Form

Background Papers:

None