

## Business Recovery and Growth Board

16 December 2021

### Business Support Funding and Evaluation

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**Is the paper exempt from the press and public?** No

**Purpose of this report:** Policy Decision

**Funding Stream:** Gainshare

**Is this a Key Decision?** Yes

**Has it been included on the Forward Plan?** Yes

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#### Director Approving Submission of the Report:

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#### Executive Summary:

Funding for the 16 RAP Advisors, through Gainshare, to deliver emergency business support across the South Yorkshire region, in 2021/22 is due to expire by the end of March 2022. This paper provides an evaluation of the current provision for business support, funded by the Mayoral Combined Authority (MCA), and includes some comparisons to other models of delivery and how they are funded, in other city regions. The paper provides several options on the future provision for delivering and funding business support in the future (post March 2022) with some key recommendations provided to the Board.

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

The nature and delivery of business support services for local businesses in the South Yorkshire region could be altered as a result of the decisions made by the Board, after considering the options for delivery and funding, in this paper. Businesses and people will still be able to receive support and business advice via the MCA's primary communication channels including the website, email and phone, through its Gateway.

However, referral routes for further advice and support could be affected if the type and level of provision is changed.

### **Recommendations:**

The Board are recommended to support the continued provision of RAP Business Advisors for a further 12 months, following the expiration of the current funding at the end of March 2022. The Board are asked to recommend to the MCA Board that the redeployment of Gainshare for business support, from other budgets, be used for funding.

It is recommended that the Board support Option 3 (subject to future funding provision being agreed) as the preferred method for delivery. Option 3 is an Enhanced business support delivery model, including an inhouse team of business advisors (funded through the MCA's grant allocation from BEIS), working closely with up to 16 RAP Business Advisors (funded by Gainshare), to deliver comprehensive and coordinated business support to local businesses within each local authority area and across the region.

**Consideration by any other Board, Committee, Assurance or Advisory Panel**  
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## **1. Background**

- 1.1 At the October Business Recovery & Growth Board, a discussion paper was presented to the Board on the current arrangements for delivering business support through the South Yorkshire Mayoral Combined Authority's (SYMCA) Growth Hub/Gateway. The paper provided details on the financial model used to procure and fund business advisor activity and it explained the current arrangements for coordinating and managing advisor activity managed by our local authority partners. Following this, the Board requested the development of an options paper, to consider alternative ways to fund and manage future business support activity across the region.
- 1.2 The paper begins by providing some context on the provision of business support and its funding by the MCA, prior to the pandemic/lockdown. It goes on to provide some useful comparisons to business support models operated by other LEPs/Combined Authorities (of a similar size or larger) – with more detail included in the Appendix. Finally, the paper provides a range of delivery options on the provision for business support/advice post March 2022, delivered by the Growth Hub and its partners, for consideration by the Board.

## **2. Key Issues**

- 2.1 Prior to the outbreak of the pandemic, the MCA provided limited funding for business advisors, due to minimal resources being available. Since 2015, funding for business advisors was financed through either reserves or underspends in other budgets.
- 2.2 In January 2021, £6.91 million of Gainshare funding was allocated to the priorities identified in the Renewal Action Plan (RAP). This included up to £989,707 to fund up to 16 RAP Business Advisors for a period of 14 months – **up till March 2022** (including management costs).

- 2.3 Currently there is no other means of continuing to fund the provision for the 16 RAP Advisors, after March 2022.
- 2.4 Separately, a further £2.8 million of funding (part of the £6.91 million above) was allocated to the creation of a Framework for Specialist /intensive Advice to businesses, for the same period (ending March 2022).
- 2.5 . The Specialist Framework has not been established and the monies allocated to this activity remain unspent.
- 2.6 The model of delivery of business support funded through the MCA, prior to the pandemic, was formed through business advisors that worked across the region, with businesses being referred on to any business advisor with a specialism correlating to their needs.
- 2.7 Following the pandemic, the 16 RAP business advisors were allocated to the 4 partner authorities, focusing on supporting clients and activities in their respective Authority. This has reduced the ability of cross-regional referrals, in many cases.

See Appendix 1 – which illustrates the customer journey under the ‘current delivery model’ showing how enquiries received through the MCA’s Gateway team are managed.

- 2.8 In terms of the financial costs for the current provision of 16 RAP Advisors see below:
- The projected **annual** cost for 16 RAP Advisors for 2021/22 is estimated to be £621,341, (this is based on an actual cost for the first 7 months of the current financial year).
  - The Bloom platform, which is used to contract with each RAP Advisor, charges a management fee of 5% for facilitating this arrangement, which equates to £31,067 for the current financial year (5% of the projected cost above).
  - The typical day rate for a RAP advisor (who are self-employed consultants) is £421. However, they charge by the hour, so time spent with clients is aggregated.
  - The **average** annual cost per advisor is £38,833 (total annual projected cost / 16 advisors).
  - Each advisor is providing the equivalent of an average of 92 days of business support per annum or 1.8 days per week. However, this can vary by Advisor, depending upon the type of specialist support in demand by businesses. The actual amount of days per advisor, provisioned under the original budget was 118 days.
- 2.9

A key challenge that has faced the Growth Hub team preparing reports on activity and interventions is in the gathering of strategic intelligence on RAP Advisor activity/performance/demand, with advisors inputting into several separate CRM

systems. Recently when completing the bi-annual report for BEIS (the government department for Business, Innovation and Skills) on business support activity and outputs, the Gateway /Growth Hub were unable to provide comprehensive data on the level of support delivered by the MCA and the outcomes /outputs generated from interventions.

By way of comparison – two alternative delivery models are listed below, **with more detail provided in Appendix 2.**

## **1. The WEST YORKSHIRE GROWTH HUB MODEL (WYCA)**

The West Yorkshire Combined Authority have used several sources of funding to develop their team of business support advisors, including:

- BEIS Core Funding.
- EU/ERDF funding – matched with the above.
- Local Authority contributions for some advisors.

Some of WYCA's BEIS core funding is used to pay for 50% of the salaries of 12 SME Growth Managers (advisors – equating to 10.5 FTE) with the remaining 50% being provided by the local authority partners.

For the calendar year (2021/22), WYCA will be paying a total of £1,042,000 for the salaries of their SME Growth Managers, (figures also include on-costs and some p/t support activity).

## **2. The LIVERPOOL LEP GROWTH HUB MODEL**

Similar to the West Yorkshire model, Liverpool Growth Hub have a multi-funded approach to delivering business support in their region.

The Liverpool City Region is of a similar size and scale to the South Yorkshire economy and is often used as a comparator for economic analysis.

Liverpool LEP's Growth Platform (GH) is a joint venture between the Combined Authority and the LEP. A hub and spoke model is operated with 6 local authority (LA) areas and an additional spoke that serves hard to reach communities and businesses. Their annual BEIS funding is £780k, which is matched with ERDF (extended to 2023).

The LEP tenders for business support with either a LA or a Chamber of Commerce delivering in each area. An example of this is delivery in the Wirral – where the Growth Hub procured a delivery partner for business support, rather than an individual. Hence, recruitment becomes the responsibility of the delivery partner, and may be one individual or a team. Typically, each partner's KPIs includes engaging with at least 500 business per quarter with a proportion of this being new start-ups or high growth firms.

This is a resilient model and has taken 6 years to develop. Delivery partners were procured /commissioned with the knowledge that business support funding through BEIS is not guaranteed, with the potential to reduce activity and provision if core funding was stopped or reduced.

### 3. Options Considered and Recommended Proposal

#### 3.1 Option 1 - Reallocate funding from the Specialist Framework budget to fund the 16 RAP Advisors for a further 12 months.

Firstly, in order to address the lack of future funding for the provision of RAP Business Advisors, funding would be re-allocated from the unspent Specialist Framework budget (£2.5 million) in the RAP, and used to fund the 16 RAP Business Advisors for a further 12 months, whilst other funding sources are identified.

Interestingly, as the MCA are currently re-procuring their provision for training and development for businesses via the Skills Bank – which may be able to offer much of the support that was identified under the Specialist Framework. The Skill Bank can provide businesses and their employees with intensive support focused on skills and business support needs. It has been operating in South Yorkshire for several years and has a network of over 200 specialist providers (many local). Also, it is both flexible and demand/employer led and could offer local businesses with any training and intensive support they need to help them with recovery and growth.

Also, under this option, the current arrangements would continue, so that RAP Advisors are attached to a partner local authority, with performance management and arrangements remaining the same. Advisors would continue to use local authority CRMs to record performance and KPIs/outputs.

Similarly, Advisors would be procured and contracted through the Bloom platform.

The costs for this option have been included above, assuming a similar level of demand for RAP Advisors, in future years.

The table below shows the implications of this option for the respective parties:

Stakeholder	Implications
Businesses/beneficiaries	No change – clients would continue to access RAP advisor support referred on by the Growth Hub or local authorities.
Partner local authorities	No change. Local authorities have expressed a preference for the continuation of this model, as it provides them with the expertise/experience of specialist advisors and offers greater capacity and flexibility in how they deliver local business support.
SYMCA/Growth Hub	The financial commitment for this provision would continue as now, with RAP Advisors funded through Gainshare.

3.2 Following consultation with our local authority partners, a slight alternative was proposed – see below:

3.3 **Option 1b** – Continue as now, but RAP Advisors employed rather than commissioned by each local authority and funded by the MCA.

With this option, business advisors would be employed by each of the partner Authorities, rather than procured via the Bloom contract, with funding provided by the MCA. Advisors would be managed by each local authority and be employed on their respective terms and conditions.

Each authority would be responsible for managing the recruitment process, with this option.

The key advantage over Option 1 is the saving of the fees for the Bloom framework i.e. 5% of total costs.

### **3.4 Option 1 Risks and Mitigations**

- The MCA Board may not support any further funding of RAP Advisors using Gainshare funding, particularly as this was only intended as an emergency measure. Related to this the MCA Board may not approve the reallocation of monies allocated to the Specialist Framework. In which case, there is very little alternative funding available to make up shortfall for this provision.
- The cost of provision relative to the quantity of time spent with businesses could increase if a greater need for RAP Advisor support was required - drawing upon more Gainshare. This could be mitigated by placing an upper limit on the amount of funding available.
- The current fragmentation of strategic intelligence on business support activity across South Yorkshire will continue, affecting the Growth Hub's ability to plan for greater flexibility in the delivery of support services to SMEs.
- The ability to harness the expertise of the 16 RAP Business Advisors i.e. regional referrals will be limited. This could be mitigated by ensuring that the terms of reference for RAP Advisors are amended so that they are obligated to support businesses from other local authorities that may require their expertise.
- In terms of Option 1b, all existing RAP Advisors are self-employed and many of them would prefer to remain so. Hence, obligating RAP Advisors to be employed by a local authority is likely to lead to many of them leaving.

### **3.5 Option 2 – MCA Employed /inhouse delivery**

Funding under this Option would be similar to Option 1 above i.e. by reallocating Gainshare from the Specialist Framework.

In terms of the delivery model, under this Option, all 16 Business Advisors would be recruited and employed by the Growth Hub, managed directly by the MCA, using a regional approach to provide advice where required. This option is illustrated in Appendix 1 – titled Option 2

### **3.6 Annual cost of operation**

- The typical average annual salary for a generalist business advisor (37hrs per week) is approximately £35-37k (based on market information from other areas).
- There would also be on-costs for the MCA which include pension and employers N.I etc of £10k

- Hence the overall cost for an employed Business Advisor would be £47k approximately.
- Therefore, the cost of 16 Advisors, to replace the current provision of RAP Advisors would £752,000 per annum.
- In addition, there would be additional costs related to overheads and management, of at least 10% of the above total i.e. +£75,000.

### 3.8 **Option 2 Risks and Mitigations**

- The recruitment, induction, and training of a team of 16 business advisors would take a considerable amount of effort and time for the Growth Hub staff, requiring significant management resource to complete.
- Many RAP Advisors delivering business support under the current arrangements would be unlikely to apply for roles under this option, as they are self-employed and may prefer to remain that way. Hence, there would also be a risk of losing some highly experienced senior industry /business specialists if this option was chosen.
- The Growth Hub budget alone will not cover the cost of the provision for 16 in-house business advisors and therefore Gainshare, currently allocated to other budgets would need to be redeployed.
- Employing only generic business advisors would reduce the overall quality of current business support provision, since many businesses require more specialist help and advice.
- The overall financial cost for this option would be higher than the current model, despite there being no procurement fee (5% charged by a procurement platform), which is due to both on-costs for inhouse Advisors and also the need for some overhead provision for managing them.

### 3.9 **Option 3 – Enhanced Delivery Model**

Funding under this option would be similar to Option 1 i.e. reallocating Gainshare from other budgets for a further 12 months.

This option would involve the recruitment of a core team of inhouse business advisors, complementing the work of the specialist RAP Advisors and providing a balance between general and specialist business advice. This is similar to the mixed provision for business support delivered in other areas, as highlighted in the examples above.

3.10 Assuming the grant funding settlement for the Growth Hub, from BEIS, is similar to the current level (£700k) there may be provision to employ up to 4 inhouse business advisors/partners i.e. up to £188,000 – based on the average salaries mentioned above.

3.11 Inhouse business advisors could be either recruited or seconded from partner authorities and would work closely with local authorities. Their roles and duties would include:

- Initial diagnostic support for businesses and more generic advice and guidance.

- Account management – with a target number of client businesses assigned to each advisor, ensuring that client referrals are managed to satisfactory outcomes to help them achieve business growth and development.
- Product managers – referring clients through to the most appropriate business support intervention available across the region, including those delivered by the MCA, BEIS funded initiatives and local authority and private sector schemes.
- Brokerage for more specialist advice and support provided through the RAP Business Advisors or the Skills Bank.
- Performing a business partner role, working closely with local authorities to manage demand, including organising local events to promote regional and local business support programmes.

The current arrangement of RAP Business Advisors allocated to local authorities would continue. However, RAP Advisors would be required to dedicate a minimum amount of time to respond to and work with regional referrals and enquiries via the MCA's Gateway. Also, Advisors would be mandated to input all core performance information (especially relating to BEIS's core intervention data) into the MCA's CRM, relating to businesses they have worked with.

See Appendix 1 – Option 3 for an illustration of this model.

### **3.12 Option 3 Risks and Mitigations**

- The funding risk indicated in Option 1 applies to both the availability of future funding from BEIS and also to the availability of Gainshare to fund the 16 RAP Advisors.
- Recruitment of up to 4 inhouse advisors will involve management time and resource to complete and will take a few months to complete.
- This is a temporary extension in funding for intensive business support (until March 2023), through the further use of Gainshare. Alternative sustainable funding will need to be identified and accessed to ensure intensive business support provision continues beyond March 2023.

### **3.13 Recommended Option**

Option 3 – see Appendix 3 for further details

## **4. Consultation on Proposal**

4.1 Internal stakeholders and all 4 local authority representatives.

## **5. Timetable and Accountability for Implementing this Decision:**

5.1 Decision required is urgent as provision for business support comes to an end in March 2022

## **6. Financial and Procurement Implications and Advice**

6.1 The Gainshare allocations referred to in paras 2.2 to 2.4 of the report were considered by the BRGB on 6 January 2021 and 1 September 2021 and formed



part of a first tranche of £5.2m to deliver immediate Business Growth Renewal Action Plan priorities. There are no further allocations from Gainshare towards Business Growth priorities above and beyond the overall total already committed of £6.91m

- 6.2 BEIS are looking to agree 3 year settlements with Growth Hubs from 2022/23 to replace the annual allocations awarded in previous years. This will increase stability. However, at this stage, as the settlement has not been agreed, the amount of funding available to support the team of inhouse business advisors under the enhanced delivery model is not yet known.

## **7. Legal Implications and Advice**

- 7.1 There are no legal implications arising from the report, depending which option is chosen the appropriate contractual and partnership arrangements will be put in place.

## **8. Human Resources Implications and Advice**

- 8.1 No implications arising from the report.

## **9. Equality and Diversity Implications and Advice**

- 9.1 No implications arising from the report.

## **10. Climate Change Implications and Advice**

- 10.1 No implications arising from the report.

## **11. Information and Communication Technology Implications and Advice**

- 11.1 For Option 3, provision for licenses and training will need to be planned for RAP Advisors to input into the Growth Hub's CRM system.

## **12. Communications and Marketing Implications and Advice.**

- 12.1 Communications will be crafted to support consultation on the agreed approach, supported by a revised marketing approach that promotes the service delivery available to businesses, and the core sources of information that is regularly provided on programmes and business support across South Yorkshire.

## **List of Appendices Included**

- 1 Alternative Models of Delivery
- 2 Alternative models for delivering business support.
- 3 Detailed Recommendations

## **Background Papers:**

See Business Support evaluation and options **Appendix**