

BUSINESS GROWTH BOARD

17th July 2019

REVIEW OF CURRENT CITY REGIONAL AND LOCALLY LED ACTIVITY

Purpose of Report

This report has been commissioned by the Co-Chairs of the Business Thematic Board to illustrate the current business support and business investment activity being undertaken at the city regional level and directly by local partners.

Freedom of Information

The paper will be available under the Combined Authority Publication Scheme

Recommendations

That new Members review the content of the report and note the current arrangements for the delivery of business support in SCR.

That Members consider the context set out in section 3 as background for discussions to develop the future work plan.

1 Introduction

- 1.1** Business growth support is funded and delivered by the public and private sector and through national, regional and local government. This paper summarises the current activity undertaken in the SCR at the regional level and by local partners and outlines the key contextual and national frameworks that the Board will need to be cognisant of as it sets the agenda for the coming years.
- 1.2** As part of the Growth Deal negotiation we agreed the following outcomes: GVA uplift (productivity uplift) of £3.2bn and Job creation and safeguarding leading to 70,000 new jobs (of which 30,000 would be higher skilled roles). We also agreed a target of 6,000 businesses created. The SCR Business Growth work currently directly delivers towards these targets and outcomes.

2 Business Growth

2.1 Business Growth services activity at the City Regional level can be grouped as follows:

Business Support:

- Growth Hub gateway and specialist advisor support, including Access to Finance
- The Business Investment Fund (Local Growth Fund)
- Skills Support including a Skills Hub and the Skills Bank
- Innovation Support

Inward Investment and Trade

- Marketing and promotion to attract direct foreign investment
- Trade missions and investment shows
- Business Investment Fund to support landing investment projects

This paper will consider these under the following 3 organising themes:

- **Business Support** as organised through the Growth Hub model
- **Inward Investment and Trade** - all international business work
- **The Business Investment Fund (BIF)** (the LGF grant scheme for which the Business Growth Board is responsible).

Each section will cover the nature of the work, its funding, success measures and performance.

2.2 Business support

The SCR Growth Hub is one of 38 in England providing a 'gateway' to access specialist growth support including innovation, exporting, finance and skills training. The SCR Growth Hub is part of the delivery infrastructure of the LEP and is overseen by the Business Growth Board. Details of this model is included in appendix 1 to this report. The customer journey and overview of the offer to business is illustrated in appendix 2. An independent review of the Growth Hub operation was undertaken in 2018, in light of the new governance arrangements it is proposed this review and suggested recommendations is a future substantive debate at the Board.

Prior to the new governance arrangements, a Growth Hub Operational Board, chaired by a LEP Board member, conducted detailed monitoring of Growth Hub business activities and considered the performance of the Growth Hub in detail. Board Members are asked to consider the continuing role of the Operations Board in the context of the new governance arrangements.

BEIS allocated budget for Growth Hub delivery from the Local Growth Fund (LGF) from 2015/16 to 2019/20 totalling £4m, this is held in a ringfence reserve and is called upon each year. In addition, BEIS has provided top up funding to date of £1.64m from 2016 to 2020. Growth Hub has until recently co-funded business support services in partnership with the LA's including Launchpad, RISE, Growth Hub Enhancement project and Y Accelerator. It should also be noted that some business support programmes are co-funded by the European Structural Funds, final programme commitments will be made by the end of 2019/20. Further details of these programmes are included in appendix 1.

There are a number of metrics reported to BEIS as part of an annual return for the Growth Hub, listed in Appendix 1. The following annual targets have been agreed:

Outputs	16/17	17/18	18/19	19/20	20/21
Jobs Created	350	450	550	650	500
Businesses Supported	800	1200	1200	1000	800
Outcomes					
Businesses engaged	1100	1300	1500	1300	1300
Businesses referred to support	100	150	250	250	250

2.3 Inward Investment and Trade

Working in partnership with the Department for International Trade (DIT) and Local Authorities the SCR Invest Team work to generate new investment leads for the SCR, both foreign and domestic. In partnership with DIT, the SCR is supporting the delivery of a small-scale Foreign Owned Key Account Management pilot programme working with foreign owned businesses to support and accelerate their expansion and growth.

The team is funded through core SCR budget, and the small Key Account Management function is funded by DiT on an annual programme. The SCR reports brand new investment and re-investment from foreign owned businesses into DiT on a quarterly basis.

Foreign-owned investment successes for 18/19 have been positive considering the challenging and uncertain environment with 40 project successes likely to be confirmed¹. This is on a par to the previous financial year. New job creation as a direct result of new investment projects continues to be around the 1,000 target. In 17/18 foreign direct investment (FDI) resulted in 30 project successes with 1611 new jobs created. In 16/17 there were 46 project successes with over 2000 new jobs created.

2.4 Business Investment Fund

The Business Investment Fund (BIF) is an £52m SCR Local Growth Fund Scheme supporting inward investment projects and indigenous businesses to create growth and new employment. To date the Business Investment Fund has supported 55 companies, creating 1,625 jobs and leveraging over £49m in private investment. Two recent calls have specifically targeted productivity and industrial digitisation in indigenous businesses.

Business Investment Fund projects under £2m will be approved by the Business Growth Board. As part of the Local Growth Fund, all disbursements under BIF are required to be made by 31st March 2021. The SCR reports on businesses supported, jobs created and private sector leverage in line with the requirements of the Local Growth Fund.

SCR is also a partner of the Northern Powerhouse Investment Fund, representation at the Board being by SCR's private sector chair of the Business Growth Executive Board. Offering debt, equity and micro-finance the NPIF programme has supported 51 SCR businesses across the past two years with funds totalling £8.72million.

2.5 Activity undertaken locally by Local Authorities and partners

Local Authorities have different approaches to and resources for business support service delivery. There are however common activities undertaken by all Local Authorities. Local Authorities have an interface with the business community in the provision of statutory services for example licencing, permits and regulation as well as planning. Related to this some Local Authorities support businesses with property advice.

2.6 Some Local Authorities are active in supporting local businesses to access local market opportunities and in particular opening up local public sector/anchor institution procurement opportunities.

2.7 Local Authorities undertake key account management work with their business base and work to secure and retain inward investors. SCR Teams work collaboratively with Local Authorities. This might be supported by the provision of discretionary grants for example to

¹ Official figures will be confirmed by the Department for International Trade in July 2019

support employment creation. Supporting new growth produces increases business rate income.

2.8 Local Authorities support the start-up and incubation of businesses. The Growth Hub does not directly deliver any start up support or activity itself. Currently Local Authorities work together to deliver the Launchpad start up programme. Some Local Authorities also own business incubation and workspace facilities.

3. Consideration of alternative approaches

3.1 This section considers the context to inform additional or alternative approaches that the Board might want to develop or influence in the future.

3.2 Economic Conditions

Uncertainty around the UK's impending departure from the EU has impacted upon SCR business confidence, and investment from both indigenous and inward investors has notably slowed over the past 12 months. Brexit could impact upon inward investment and exporting in a negative manner (e.g. scale and relationships with existing export and investment origin countries) or a positive way (such as seeking further investors and trade opportunities in faster growing developing nations). Board members might want to consider the tools and approaches necessary to support the SCR to continue to build economic resilience in turbulent times.

3.3 National policy frameworks

The government's Industrial Strategy has focused on a small number of 'Grand Challenges' (AI, Mobility, Ageing Society, Clean Growth) with associated Challenge Funds. Innovate UK has invested significantly in SCR (£388m from 2004 to date) in particular due to the strength of the University of Sheffield Advanced Manufacturing Research Centre. The Government is trialling a programme to support the adoption of industrial digital technology in the North West delivered through the Growth Hubs (Made Smarter). Board members might want to consider whether there is opportunity to deliver the government's and our ambitions through aligning with the mission orientated challenges, through sector-based approaches and through the delivery of any Made Smarter national programme. National political changes might also impact on policy direction and speed of national government decision making.

3.4 Strategic Economic Plan and Local Industrial Strategy

The business growth challenge remains (see Appendix 3) and whilst some of our key indicators have improved the SCR is not narrowing the gap with other parts of the UK. Driving improvements in productivity is fundamental to SCR. Whether this is led by innovation or by sectors that don't yet exist or are only nascent, which is inclusive and distributed, which connects companies to opportunities in international value chains and that builds resilience in turbulent times. The forward plan suggests a detailed session on the economic evidence is imminently scheduled to enable the Board to consider the future Business Growth portfolio, approaches, tools, resources and infrastructure required to deliver growth.

4. Implications

4.1 Financial

There are no financial implications arising from this report. The report highlights that the Local Growth Fund and European Structural Funds are coming to an end and therefore there is an imperative to scope out the programme required in order to secure additional resource from the successor funding – the Shared Prosperity Fund.

4.2 Legal

There are no legal implications arising from this report.

4.3 Risk Management

The report highlights a number of risks – external economic environment, financial, political and the Board will want to consider how to monitor and manage these.

4.4 Equality, Diversity and Social Inclusion

There are no specific issues arising from this report. The Board will want to consider this in more detail as it develops its work programme.

5. Communications

5.1 There are no specific issues arising from this report.

6. Appendices/Annexes

- 6.1 Appendix 1 - Business Support activity
Appendix 2 - Growth Hub operational model
Appendix 3 - Business Growth in SCR – Recent Economic Performance

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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: