

## **BUSINESS INVESTMENT FUND PANEL**

**Date: Tuesday 5 June 2018**

**Venue: Room 2, 1st Floor, Broad Street West, Sheffield**

**Time: 4.00 pm**

## **AGENDA**

No.	Item	Method	Speaker	Page
1	Welcome and Apologies	Verbal	Chair	
2	Registers and Declarations of Interest  - Any changes to register of interests - In relation to any agenda item - In relation to any activity since the last formal meeting - In relation to any forthcoming activity	Verbal	All	
3	Notes of the Last Meeting and Matters Arising	Paper	Chair	1 - 4
<b>For Discussion</b>				
4	BIF Approval - Company Ref. 0018	Paper	R Fletcher	5 - 18
5	BIF Approval - Company Ref. 0019	Paper	S Carroll	19 - 34
6	BIF Approval - Company Ref. 0020	Paper	R Fletcher	35 - 44
7	Potential BIF Case for Panel Feedback	Paper	A McKenna	45 - 52
8.1	BIF Programme Management Report	Paper	L Wheatley	53 - 62
8.2	BIF Pipeline	Verbal	A McKenna	
9	Any Other Business	Verbal	All	

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**BUSINESS INVESTMENT FUND PANEL**

**24<sup>th</sup> APRIL 2018**

**HSBC, EUROPA LINK, SHEFFIELD S9**

No.	Item	Action
1.	<p><b><u>Welcome and Apologies</u></b></p> <p>Present:</p> <p><u>Board Members</u></p> <p>David Grey Chris Scholey Mary Broadhead Diana Terris Lee Manterfield</p> <p><u>In Attendance</u></p> <p>Laura Wheatley Andy McKenna Rachel Fletcher Claire James (minutes)</p> <p><u>Apologies</u> Mike Thomas Helen Lazarus Mark Ross</p>	
2.	<p><b><u>Declarations of Interest</u></b></p> <p>No specific declarations of interest relating to the business to be transacted at the meeting were noted.</p>	
3.	<p><b><u>Minutes of the Previous Meeting</u></b></p> <p>The minutes of the previous meeting held on 20<sup>th</sup> March 2018 were presented for consideration and agreed to be an accurate record.</p> <p><b>Matters arising</b></p> <p>Further to a discussion at the previous meeting, prompted by the receipt of an application by a Community Interest Company (CIC), a slide was tabled which summarised the Business Investment Fund eligibility criteria. Members noted that</p>	

	<p>often CICs do not meet the criteria and this therefore explained why the panel had not been presented with other CICs applications prior to this. Members reviewed the criteria and confirmed that they were comfortable with the criteria and confident that Access to Finance (AFCoE) Advisors have the appropriate skills to access applications against it.</p>	
<p>4.</p>	<p><b><u>BIF Applications</u></b></p> <p><b>NB In their absence, Andy McKenna presented comments, provided by Mike Thomas and Helen Lazarus, on each of the applications.</b></p> <p><b>Company 0010</b></p> <p>Members received a report that, as requested at the meeting held on 20<sup>th</sup> March, provided additional information relating to the proposal to provide a grant to company 0010. This included:</p> <ol style="list-style-type: none"> <li>1. Final 2017 accounts, and draft 2018 accounts.</li> <li>2. Forecasts for 2019/2020; reflecting impact of project</li> <li>3. Details of income received from local authority</li> <li>4. Confirmation as to availability of other funding (asset finance)</li> </ol> <p>Members discussed the split of income across different streams noting that only 11% of income was generated through a Local Authority contract. Members were satisfied that the business was viable that the level of risk related to the grant was acceptable.</p> <p>Members resolved to recommend the award of a grant of £84,000 from the Business Investment Fund, in return of the creation of 9 new jobs (equivalent to 7 FTE), noting that 42% of the whole grant is eligible under De Minimis regulations, the BIF grant representing only 20% of the total project value.</p> <p>Members noted a clerical error in the figures provided in relation to revenue stream however this had no material impact.</p> <p><b>Company 0011</b></p> <p>At its meeting on 25<sup>th</sup> July 2017 the Business Investment Panel had recommended a grant award of £630k towards the estimated 2-year salary costs of £6.3m in respect of 155 jobs to be created in the City Region by 2019. This award however, was conditional on a satisfactory due diligence report, the provision of a parent company guarantee and the inclusion of a contractual obligation to provide monitoring information relating to capital investment.</p> <p>Members received a report that presented the results of the due diligence exercise undertaken to verify estimated costs in relation to the grant application previously submitted.</p> <p>Members noted that the business plan for Company 0011 had evolved since their original application and that the changes had been assessed to be sound from an operational perspective. However, the current business plan now included a</p>	

revised headcount of 81, of which 35 posts were already occupied. Despite this reduction, the same level of grant funding was being sought. Members also noted that Company 0011 remained committed to establishing their headquarters in the City Region.

Members noted that whilst the parent company of Company 0011 had provided significant support to establish the operation, they had been unable to secure additional investment from the market place and lack of investment would significantly impact the growth and sustainability of the company.

Members discussed the location of the premises Company 0011 intended to lease, how this had altered since the Panel had first endorsed the proposal and the implications of this. It was agreed that the Panel should consider location as a 'condition of award' where appropriate for any future schemes.

Members discussed the options presented in the paper and resolved to recommend the award of a proportionately reduced grant to be paid in arrears, of £329,184 for the creation of 81 jobs (at a cost per job of £4,064) by December 2019.

### **Company 0012**

Members received a proposal to provide a loan of £250k to Company 0012. The Company has requested a £250k loan (in total), to be repaid over 3 years to cover working capital requirements during the first year and, in particular, initial set-up costs including the employment of new staff ahead of the Company actually being income-producing.

Members noted that Company 0012 is a subsidiary company whose parent has provided start-up capital for the business. To support their ambition, Company 0012 has begun to commercialise. Overall, they have raised £500k of investment from several investors (typical investment £10-50k) and £80k from another source. Whilst revenue is confirmed from April, the business is still too early-stage to attract mainstream funding and has therefore submitted an application for a loan to cashflow the start-up phase of their business.

Members were advised that the amount of loan being requested had reduced since the paper had been finalised and that Company 0012 were now seeking £150k reducing the maximum exposure to the Combined Authority from £125k to £75k.

Members discussed the detail of the proposal and examined the risks balanced against the strategic fit of the proposition with CA priorities.

Members resolved to recommend the award of a loan to Company 0012 dependent on the relevant conditions outlined in the paper and on the condition that the parent company loan of £150k is subordinate to the BIF loan and in addition, the receipt of a £50k personal guarantee from Directors of Company 0012.

Diana Terris left the meeting.

5.	<p><b><u>BIF Process</u></b></p> <p>Members reviewed the Business Investment Fund process map which provided a high-level representation of the process and roles/responsibilities relating to Business Investment Fund.</p> <p>Members noted the introduction of the SCR Appraisal Panel into the process in relation to applications seeking in excess of £2m.</p> <p>Members requested that the process reflected the requirement for the Panel to be re-presented with any schemes above £2m they had resolved to recommend to the Combined Authority, should the details of the scheme change prior to its submission to the Combined Authority meeting. In addition, the Panel requested that the minutes of the Combined Authority relating to any recommendation made by the Panel be provided to the next BIF meeting.</p>	
6.	<p><b><u>BIF Programme Update</u></b></p> <p><b>Programme Management Report</b></p> <p>Members received a monitoring report which updated them on the overall programme position in relation to expenditure and employment impact of both the Business Investment Fund and Regional Growth Fund programme.</p> <p>Members discussed the programme position including cases where the final outturn position is below the acceptable performance threshold and noted the clawback position.</p> <p><b>BIF Pipeline</b></p> <p>Members were presented with the pipeline of indigenous and inward investment applications.</p>	
7.	<p><b><u>Any other business</u></b></p> <p>Members noted that whilst the next meeting would be held at Europa Way, the 17<sup>th</sup> July meeting would be held at Broad Street West, Sheffield.</p>	
<p><b>Date of Next Meeting – 5<sup>th</sup> June 2018</b></p>		

**Business Investment Fund Panel**

**Date 05.06.18**

**Investment Proposal - Company 0018**

**Purpose of Report**

The purpose of this report is to provide the information required to support the proposal to provide a BIF (LGF) grant of £184,000 to Company 0018.

**Thematic Priority**

Ensure new businesses receive the support they need to flourish.  
Facilitate and proactively support growth amongst existing firms

**Freedom of Information**

This paper will be available under the Combined Authority Publication Scheme.

Annex A of this paper is exempt under paragraph 3, part 1, section 12A of the Local Government Act 1972.

**Recommendations**

The BIF Panel are asked to consider and agree the proposed grant, to enable the Head of Paid Service (or his appointed delegate) to enact the decision under the delegation made by the MCA.

**1. Introduction**

- 1.1** The Business Investment Fund (BIF) strategy was approved by the MCA and LEP in 2015 with the purpose of enabling more companies within the City Region to access external finance to grow, modernise or sustain their activities.
- 1.2** To be eligible to make an application, businesses must:
- Be located in the Sheffield City Region and paying business rates to: Barnsley, Bassetlaw, Bolsover, Chesterfield, Derbyshire Dales, Doncaster, Rotherham or Sheffield. Applications for BIF are also considered from businesses looking to locate into the above areas;
  - Be viable, demonstrating growth or potential to grow and operating from commercial premises;
  - Be able to demonstrate that their project would not go ahead in the City Region, either as quickly or at the same scale without grant support – i.e. a clear case for grant must be demonstrated and the applicant can evidence that they have exhausted the traditional funding markets;

- Be a project that will create net new jobs in the region;
- Be planning expenditure, broadly in line with the following;
  - Capital equipment, machinery or tools;
  - Alterations to land and/or premises to meet the needs of the business
- Not use the award for working capital or research and development purposes.

**1.3** All BIF applications are appraised using the “Green Book” methodology, following the agreed SCR Assurance Framework for use of Local Growth Fund (LGF) – leading to a cost/benefit appraisal of each proposed investment. Further to unanimous agreement by the Panel the MCA has delegated authority to the Head of Paid Service (or his delegate – in this case Mike Thomas the SCR MCA / LEP Senior Finance Manager) to approve grants and loans of up to £2m LGF.

**1.4** For grants or loans of over £2m, the SCR Assurance Panel will recommend a decision for consideration by the BIF Panel prior to progressing to the MCA, who make the decision regarding financial approval and award of contract. The Statutory Officers may be given delegated authority by the MCA to agree the terms and conditions of any grant or loan award, within the parameters agreed by the MCA.

## **2. Proposal and justification**

**2.1** Company 0018 has identified an opportunity to significantly increase its current productivity levels, through the creation of a new purpose-built factory which will allow it to bring together existing operational capabilities and expand its service offering. The new larger premises would allow Company 0018 to increase delivery, allowing them to take on new contracts to drive forward ambitious growth plans.

**2.2** The company has requested grant support to enable it to deliver its growth project encompassing land purchase, construction of a bespoke factory and fit out. It has been ascertained that all expenditure to be incurred will be classified as capital and as such is eligible expenditure.

**2.3** The company has prepared a Risk Assessment highlighting key risks associated with the project.

**2.4** Investment in Company 0018 will generate 25 new jobs and significant income growth. This is a good exemplar of value for money for the region with new job creation.

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

**3.1** Company 0018 have been unable to secure the full amount of investment they require from the marketplace. The absence of the grant would have a significant impact upon the growth and sustainability of the company and prevent the project from progressing in its current form. The ‘Do nothing’ approach would potentially prevent the organisation from growth which is a fundamental of the ‘Industrial Strategy’, it is important that businesses across the UK can access the finance and management skills they need to grow. SCR in order to achieve their strategic objective are creating the right conditions for companies to invest for the long term.

## **4. Implications**

### **4.1 Financial**

The total cost to the Business Investment Fund (LGF) for this project is:

- Total project costs: £1,837m
- Grant request: £184,000



£184,000 from the BIF (LGF) is sought to support this project. The BIF grant represents 10% of the total investment required which is within the GBER State Aid limit.

#### **4.2 Legal**

All approvals will be subject to a standard funding agreement, to include any scheme specific conditions as appropriate. For schemes under £2m LGF value these will be issued and managed by the Managing Agent (SCC). Over £2m LGF value will be issued and managed by the SCR MCA in accordance with the approved terms and conditions.

#### **4.3 Risk Management**

All grant recipients' agreements have contractual milestones and performance reviews as standard clauses. These form the basis of robust project management and are reviewed on a monthly basis. Underperforming projects will be subject to clawback.

#### **4.4 Equality, Diversity and Social Inclusion**

By increasing profitability, the organisation may safeguard current roles and is creating 25 new jobs which supports more opportunities for residents within the SCR area.

### **5. Communications**

- 5.1** As BIF is funded utilising the LEP LGF allocation, publicity regarding the award will follow the standard protocols for the award of LGF with the applicant upon receipt and acceptance of the grant funding note.

### **6. Appendices/Annexes**

- 6.1** Annex A – exempt from publication under paragraph 3, part 1, section 12A of the Local Government Act 1972.

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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:

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**Business Investment Fund Panel**

**Date: 05.06.18**

**Investment Proposal - Company 0019**

**Purpose of Report**

The purpose of this report is to provide the information required to support the proposal to provide a BIF (LGF) grant of £119,654 to Company 0019.

**Thematic Priority**

- Ensure new businesses receive the support they need to flourish.
- Facilitate and proactively support growth amongst existing firms

**Freedom of Information**

This paper will be available under the Combined Authority Publication Scheme.

Annex A of this paper is exempt under paragraph 3, part 1, section 12A of the Local Government Act 1972.

**Recommendations**

The BIF Panel are asked to consider and agree the proposed grant, to enable the Head of Paid Service (or his appointed delegate) to enact the decision under the delegation made by the MCA.

**1. Introduction**

- 1.1** The Business Investment Fund (BIF) strategy was approved by the MCA and LEP in 2015 with the purpose of enabling more companies within the City Region to access external finance to grow, modernise or sustain their activities.
- 1.2** To be eligible to make an application, businesses must:
- Be located in the Sheffield City Region and paying business rates to: Barnsley, Bassetlaw, Bolsover, Chesterfield, Derbyshire Dales, Doncaster, Rotherham or Sheffield. Applications for BIF are also considered from businesses looking to locate into the above areas;
  - Be viable, demonstrating growth or potential to grow and operating from commercial premises;
  - Be able to demonstrate that their project would not go ahead in the City Region, either as quickly or at the same scale without grant support – i.e. a clear case for grant must be demonstrated and the applicant can evidence that they have exhausted the traditional funding markets;

- Be a project that will create net new jobs in the region;
- Be planning expenditure, broadly in line with the following;
  - Capital equipment, machinery or tools;
  - Alterations to land and/or premises to meet the needs of the business
- Not use the award for working capital or research and development purposes.

**1.3** All BIF applications are appraised using the “Green Book” methodology, following the agreed SCR Assurance Framework for use of Local Growth Fund (LGF) – leading to a cost/benefit appraisal of each proposed investment. Further to unanimous agreement by the Panel the MCA has delegated authority to the Head of Paid Service (or his delegate – in this case Mike Thomas the SCR MCA / LEP Senior Finance Manager) to approve grants and loans of up to £2m LGF.

**1.4** For grants or loans of over £2m, the SCR Assurance Panel will recommend a decision for consideration by the BIF Panel prior to progressing to the MCA, who make the decision regarding financial approval and award of contract. The Statutory Officers may be given delegated authority by the MCA to agree the terms and conditions of any grant or loan award, within the parameters agreed by the MCA.

## **2. Proposal and justification**

**2.1** Company 0019 has identified an opportunity to acquire a new machine for installation at its current site. This new machine will increase the company’s capacity to service its customers, both new and existing. There is a strong order book and the new machine will both meet demand and allow the company to generate additional growth. The project also includes some ancillary costs required at the site to accommodate the machine.

**2.2** The grant request of £119,654 will contribute towards a funding package to acquire and install the machine. Other funding includes new external asset finance funding and the company’s own working capital.

**2.3** The company has prepared a Risk Assessment highlighting key risks associated with the project.

**2.4** Investment in Company 0019 is forecast to result in a 32% increase in turnover and 41% increase in profitability of the company, with the creation of 13 new jobs. This is a good exemplar of value for money for the region with new job creation.

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

**3.1** Company 0019 have explored many alternative funding options but have been unable to secure the full amount of financing at a level they can service. The absence of a grant would seriously delay or delay the project which would have a significant impact on the growth and sustainability of the Company. The ‘Do nothing’ approach would potentially prevent the organisation from growth which is a fundamental of the ‘Industrial Strategy’, it is important that businesses across the UK can access the finance and management skills they need to grow. SCR in order to achieve their strategic objective are creating the right conditions for companies to invest for the long term.

## **4. Implications**

### **4.1 Financial**

£119,654 from the Business Investment Fund (LGF) is sought to support this project. BIF grant represents 17% of the total investment required which is within the GBER State Aid limit. Total project costs are: £729,540

## 4.2 Legal

All approvals will be subject to a standard funding agreement, to include any scheme specific conditions as appropriate. For schemes under £2m LGF value these will be issued and managed by the Managing Agent (SCC). Over £2m LGF value will be issued and managed by the SCR MCA in accordance with the approved terms and conditions.

## 4.3 Risk Management

All grant recipients' agreements have contractual milestones and performance reviews as standard clauses. These form the basis of robust project management and are reviewed on a monthly basis. Underperforming projects will be subject to clawback.

## 4.4 Equality, Diversity and Social Inclusion

By increasing profitability the organisation may safeguard current roles and is creating new jobs which supports more opportunities for residents within the SCR area.

## 5. Communications

- 5.1 As BIF is funded utilising the LEP LGF allocation, publicity regarding the award will follow the standard protocols for the award of LGF with the applicant upon receipt and acceptance of the grant funding note.

## 6. Appendices/Annexes

- 6.1 Annex A – exempt from publication under paragraph 3, part 1, section 12A of the Local Government Act 1972.

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**Business Investment Fund Panel**

**Date 05.06.18**

**Investment Proposal - Company 0020**

**Purpose of Report**

The purpose of this report is to provide the information required to support the proposal to provide a BIF (LGF) grant of £28,500 to Company 0020.

**Thematic Priority**

Ensure new businesses receive the support they need to flourish.  
Facilitate and proactively support growth amongst existing firms

**Freedom of Information**

This paper will be available under the Mayoral Combined Authority Publication Scheme.

Annex A of this paper is exempt under paragraph 3, part 1, section 12A of the Local Government Act 1972.

**Recommendations**

The BIF Panel are asked to consider and agree the proposed grant, to enable the Head of Paid Service (or his appointed delegate) to enact the decision under the delegation made by the MCA.

**1. Introduction**

- 1.1** The Business Investment Fund (BIF) strategy was approved by the MCA and LEP in 2015 with the purpose of enabling more companies within the City Region to access external finance to grow, modernise or sustain their activities.
- 1.2** To be eligible to make an application, businesses must:
- Be located in the Sheffield City Region and paying business rates to: Barnsley, Bassetlaw, Bolsover, Chesterfield, Derbyshire Dales, Doncaster, Rotherham or Sheffield. Applications under this scheme are also considered from businesses looking to locate into the above areas;
  - Be viable, demonstrating growth or potential to grow and operating from commercial premises;
  - Be able to demonstrate that their project would not go ahead in the City Region, either as quickly or at the same scale without grant support – i.e. a clear case for grant must be demonstrated and the applicant can evidence that they have exhausted the traditional funding markets;

- Be a project that will create net new jobs in the region;
- Be planning expenditure, broadly in line with the following;
  - Capital equipment, machinery or tools;
  - Alterations to land and/or premises to meet the needs of the business
- Not use the award for working capital or research and development purposes.

**1.3** All BIF applications are appraised using the “Green Book” methodology, following the agreed SCR Assurance Framework for use of Local Growth Fund (LGF) – leading to a cost/benefit appraisal of each proposed investment. Further to unanimous agreement by the Panel the MCA has delegated authority to the Head of Paid Service (or his delegate – in this case Mike Thomas the SCR MCA / LEP Senior Finance Manager) to approve grants and loans of up to £2m LGF.

**1.4** For grants or loans of over £2m, the SCR Assurance Panel will recommend a decision for consideration by the BIF Panel prior to progressing to the MCA, who make the decision regarding financial approval and award of contract. The Statutory Officers may be given delegated authority by the MCA to agree the terms and conditions of any grant or loan award, within the parameters agreed by the MCA.

## **2. Proposal and justification**

**2.1** Every musician automatically generates royalties from playing gigs, radio airplay, YouTube plays etc. Much of this income is never collected as it is very difficult for bands and artists to coordinate and achieve this in a cost-effective manner due to the small sums involved. Company 0020 has identified an opportunity to develop an on-line platform to claim all the income generated by the music they write and to be coached to become independent music businesses.  
This new business will generate income through artists using the platform and will also create new local jobs.

**2.2** The company has requested a grant support the development of the platform. It has been ascertained that all expenditure to be incurred will be classified as capital and as such is eligible expenditure.

**2.3** Investment in Company 0020 will generate 4 new jobs and significant income for both the company and artists as it will support artists to collect previously uncollected royalties.

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

**3.1** Company 0020 have been unable to secure the full amount of investment they require from the marketplace. The absence of the grant would have a significant impact upon the growth and sustainability of the company. The ‘Do nothing’ approach would potentially prevent the organisation from growth which is a fundamental of the ‘Industrial Strategy’, it is important that businesses across the UK can access the finance and management skills they need to grow. SCR in order to achieve their strategic objective are creating the right conditions for companies to invest for the long term.

## **4. Implications**

### **4.1 Financial**

- The total cost to the Business Investment Fund (LGF) for this project is: £95,000
- BIF Grant request: £28,500

£28,500 from the BIF (LGF) is sought to support this project. The BIF grant represents 30% of the total investment required which is within the GBER State Aid limit.

## 4.2 Legal

All approvals will be subject to a standard funding agreement, to include any scheme specific conditions as appropriate. For schemes under £2m LGF value these will be issued and managed by the Managing Agent (SCC). Over £2m LGF value will be issued and managed by the SCR MCA in accordance with the approved terms and conditions.

## 4.3 Risk Management

All grant recipients' agreements have contractual milestones and performance reviews as standard clauses. These form the basis of robust project management and are reviewed on a monthly basis. Underperforming projects will be subject to clawback.

## 4.4 Equality, Diversity and Social Inclusion

By increasing profitability, the organisation may safeguard current roles and is creating 4 new jobs which supports more opportunities for residents within the SCR area.

## 5. Communications

- 5.1 As BIF is funded utilising the LEP LGF allocation, publicity regarding the award will follow the standard protocols for the award of LGF with the applicant upon receipt and acceptance of the grant funding note.

## 6. Appendices/Annexes

- 6.1 Annex A – exempt from publication under paragraph 3, part 1, section 12A of the Local Government Act 1972.

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## **Business Investment Fund Panel**

**Date 05.06.18**

### **BIF Case for Panel Feedback Company 0023**

#### **Purpose of Report**

The purpose of this report is to provide the information required to assess whether a potential grant case being reviewed by AFCOE for Company 0023 should proceed to full application.

#### **Thematic Priority**

Ensure new businesses receive the support they need to flourish.  
Facilitate and proactively support growth amongst existing firms

#### **Freedom of Information**

This paper will be available under the Mayoral Combined Authority Publication Scheme.

Annex A of this paper is exempt under paragraph 3, part 1, section 12A of the Local Government Act 1972.

#### **Recommendations**

The BIF Panel are asked to consider and offer feedback to AFCOE regarding whether the case of Company 0023 should proceed to full application.

## **1. Introduction**

- 1.1** The Business Investment Fund strategy was approved by the MCA and LEP in 2015 with the purpose of enabling more companies within the City Region to access external finance to grow, modernise or sustain their activities.
- 1.2** To be eligible to make an application, businesses must:
  - Be located in the Sheffield City Region and paying business rates to: Barnsley, Bassetlaw, Bolsover, Chesterfield, Derbyshire Dales, Doncaster, Rotherham or Sheffield. Applications under this scheme are also considered from businesses looking to locate into the above areas;
  - Be viable, demonstrating growth or potential to grow and operating from commercial premises;
  - Be able to demonstrate that their project would not go ahead in the City Region, either as quickly or at the same scale without grant support – i.e. a clear case for grant must

be demonstrated and the applicant can evidence that they have exhausted the traditional funding markets;

- Be a project that will create net new jobs in the region;
- Be planning expenditure, broadly in line with the following;
  - Capital equipment, machinery or tools;
  - Alterations to land and/or premises to meet the needs of the business
- Not use the award for working capital or research and development purposes.

**1.3** All BIF applications are appraised using the “Green Book” methodology, following the agreed SCR Assurance Framework for use of Local Growth Fund (LGF) – leading to a cost/benefit appraisal of each proposed investment. Further to unanimous agreement by the Panel the MCA has delegated authority to the Head of Paid Service (or his delegate – in this case Mike Thomas the SCR MCA / LEP Senior Finance Manager) to approve grants and loans of up to £2m LGF.

**1.4** For grants or loans of over £2m, the SCR Assurance Panel will recommend a decision for consideration by the BIF Panel prior to progressing to the MCA, who make the decision regarding financial approval and award of contract. The Statutory Officers may be given delegated authority by the MCA to agree the terms and conditions of any grant or loan award, within the parameters agreed by the MCA.

## **2. Proposal and justification**

**2.1** The Panel are asked to provide a steer on a potential BIF application that is being worked on by the AFCE team. A full application for BIF has not been submitted at this stage, and whilst the application will fit the BIF criteria described above, the cost benefit analysis will likely be lower than the typical levels seen in previous cases approved by the Panel. The award of a grant in due course would likely support small job growth and also the potential safeguarding of the existing workforce.

**2.2** In this instance, a full decision is not required. The Panel are asked to review this outline, the limited job growth and safeguarding being considered, and what further information is required to develop a full application.

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

**3.1** Other sources of funding are still under investigation by the business and AFCE and this will be explored in more detail if the project reaches full application stage.

## **4. Implications**

### **4.1 Financial**

As this report requests a steer prior to potential full application there is no financial implication at this current time.

### **4.2 Legal**

Any subsequent approval will be subject to a standard funding agreement, to include any scheme specific conditions as appropriate. For schemes under £2m LGF value these will be issued and managed by the Managing Agent (SCC). Over £2m LGF value will be issued and managed by the SCR MCA in accordance with the approved terms and conditions.

### **4.3 Risk Management**

All grant recipients' agreements have contractual milestones and performance reviews as standard clauses. These form the basis of robust project management and are reviewed on a monthly basis. Underperforming projects will be subject to clawback.

### **4.4 Equality, Diversity and Social Inclusion**

By increasing technical abilities and productivity the organisation may safeguard current roles and is creating new jobs which supports more opportunities for residents within the SCR area.

## **5. Communications**

- 5.1** As BIF is funded utilising the LEP LGF allocation, publicity regarding the award will follow the standard protocols for the award of LGF with the applicant upon receipt and acceptance of the grant funding note.

## **6. Appendices/Annexes**

- 6.1** Annex A – exempt from publication under paragraph 3, part 1, section 12A of the Local Government Act 1972.

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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:

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## **Business Investment Fund Panel**

**5<sup>th</sup> June 2018**

### **BIF Programme Management Report**

#### **Purpose of Report**

This report provides an update on the overall programme position in relation to expenditure and employment impact of both the Business Investment Fund and Regional Growth Fund programmes, and addresses queries or issues arising in relation to individual projects.

#### **Thematic Priority**

Ensure new businesses receive the support they need to flourish.  
Facilitate and proactively support growth amongst existing firms

#### **Freedom of Information**

This paper will be available under the Mayoral Combined Authority Publication Scheme.

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

#### **Recommendations**

The BIF Panel are asked to review the performance monitoring report and identify any issues.

## Business Investment Fund and Regional Growth Fund

### Programme Management Report June 5<sup>th</sup> 2018

1.	<b><u>Introduction</u></b>
1.1	This report provides an update on the overall programme position in relation to expenditure and employment impact of both the Business Investment Fund and Regional Growth Fund programmes, and addresses queries or issues arising in relation to individual projects.
2.	<b><u>Programme Update - BIF</u></b>
	<p><b>BIF Outturn 2017/18:</b></p> <ul style="list-style-type: none"> <li>• Further to completion of the Q4 claims the programme has achieved an outturn of £10,849,528 for 2017/18.</li> <li>• 10 projects reached their contract completion date of 31<sup>st</sup> March, of which 8 had a shortfall against the contracted targets, with the following actions taken:             <ul style="list-style-type: none"> <li>○ 3 were within the acceptable 80% threshold and will be moved onto project closure</li> <li>○ A closure letter outlining a claw back liability has been issued to 1 Company                 <ul style="list-style-type: none"> <li>➤ Construction and fit out of test centre; shortfall against proportionate job creation target due to difficulty recruiting staff.</li> </ul> </li> <li>○ A contract extension has been awarded to 1 Company:                 <ul style="list-style-type: none"> <li>➤ Purchase of die-casting machine; shortfall against expenditure as a result of investment in die-casting machine being delayed due to change in supplier. Contract extension of 6 months approved subject to provision of PO.</li> </ul> </li> <li>○ Claw back has been enforced against 1 Company:                 <ul style="list-style-type: none"> <li>➤ Acquisition of company assets; shortfall against job creation and safeguarding targets due to client failing to honour sales agreement, resulting in a claw back liability of £6.4k. The MD has agreed to repay this sum in full.</li> </ul> </li> </ul> </li> </ul>



- The Managing Agent is confirming next steps on the other projects. Decisions within the discretion of the Mayoral Combined Authority will be confirmed in the July report, and/or project recommendations will be brought for decision at the July meeting.

**BIF Profile:**

- Total BIF awarded to date = £32,025,297; representing 62% of the total programme budget of £52m. This increases to £36m, or 69% of the total allocation, when you include the endorsement of Company 0001.
- Total active BIF pipeline to 2020/21 of c£10.8m (£1.5m indigenous, £9.3m inward investment projects); equating to a programme commitment of c88%.

2.1 **BIF – Indigenous Strand**

Latest position - Indigenous	Number	Total BIF	Total Private Sector Leverage	Jobs Created	Jobs S'guarded	Other Outputs	Location				
							BARN	CHD	DON	ROTH	SHF
<b>Total Projects Approved</b>	44	£7,705,313	£52,200,592	775.0	720	30kT Cargo	1	6	6	14	17
<b>Contracts signed</b>	40	£7,025,313	£47,633,255	654	720	30kT Cargo	1	5	6	13	15
<b>Projects that have commenced claims</b>	40	£4,805,025	£24,088,947	316.5	721.5	11kT Cargo	1	5	6	13	15
<b>Projects complete</b>	8	£456,860.32	£2,533,500.96	55	61		1			2	5

- Current average cost per job £5,156 including safeguarded jobs (slightly up from £5,056 in the April report)
- Average Intervention Rate 15% (no change)

2.1.1 **Project Updates**

- **Company 0021:** the company is reviewing its capex and manpower requirements. The project investment is on hold in the meantime. Further grant payments will be withheld until the company can confidently forecast jobs growth commensurate to the profiled expenditure / grant draw down.

2.2	<b><u>BIF – Inward Investment Strand</u></b>																																																												
	<table border="1"> <thead> <tr> <th rowspan="2">Latest position - Inward Investment</th> <th rowspan="2">Number</th> <th rowspan="2">Total BIF</th> <th rowspan="2">Total Private Sector leverage</th> <th rowspan="2">Jobs Created</th> <th rowspan="2">Other Outputs</th> <th colspan="5">Location</th> </tr> <tr> <th>BARN</th> <th>CHD</th> <th>DON</th> <th>ROTH</th> <th>SHF</th> </tr> </thead> <tbody> <tr> <td>Total Projects Approved</td> <td>5</td> <td>£21,429,184</td> <td>£104,792,496</td> <td>1,458</td> <td>£242m GVA</td> <td></td> <td></td> <td></td> <td>2</td> <td>4</td> </tr> <tr> <td>Contracts signed</td> <td>2</td> <td>£17,750,000</td> <td>£50,150,000</td> <td>255</td> <td>£242m GVA</td> <td></td> <td></td> <td></td> <td>1</td> <td>1</td> </tr> <tr> <td>Projects that have commenced claims</td> <td>3</td> <td>£7,839,163</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>1</td> <td>1</td> </tr> <tr> <td>Projects complete</td> <td>0</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Latest position - Inward Investment	Number	Total BIF	Total Private Sector leverage	Jobs Created	Other Outputs	Location					BARN	CHD	DON	ROTH	SHF	Total Projects Approved	5	£21,429,184	£104,792,496	1,458	£242m GVA				2	4	Contracts signed	2	£17,750,000	£50,150,000	255	£242m GVA				1	1	Projects that have commenced claims	3	£7,839,163							1	1	Projects complete	0									
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2.2.1	<p><b>Project Updates</b></p> <ul style="list-style-type: none"> <li><b>Company 0011:</b> Further to the due diligence exercise confirming a reduction in the proposed SCR job creation, the company has accepted the proportionately reduced grant offer. Contracting is subject to provision of a Parent Company Guarantee: as the parent is based outside of the UK, Local Authority legal have commissioned external advisers to provide assurance as to the enforceability of the proposed PCG. This exercise is also expected to complete imminently if at which point contract negotiations can commence.</li> </ul>																																																												
2.3	<b><u>BIF - Other Investments</u></b>																																																												
2.3.1	<p><b>Company 0015</b> The Managing Agent was notified that Company 0015 entered administration in March 2018. We registered the SCR MCA as a creditor.</p>																																																												
3.	<b><u>Programme Update - RGF</u></b>																																																												

3.1

RGF Programme			
Funding	Contracted	Proportionate Target	Outturn
RGF	£32,000,000	£28,250,136	£28,250,136
Other Private Investment	£129,579,000	£114,551,553	£167,622,899
<b>Total</b>	<b>£161,579,000</b>	<b>£142,801,689</b>	<b>£195,873,035</b>

Funding	Contracted	Proportionate Target	Outturn
RGF	£32,000,000	£28,250,136	£28,250,136
Other Private Investment	£129,579,000	£114,551,553	£167,622,899
<b>Total</b>	<b>£161,579,000</b>	<b>£142,801,689</b>	<b>£195,873,035</b>

Employment Impact	Contracted	Proportionate Target	Outturn
New Jobs Created	1,986	1,753	2,158
Jobs Safeguarded	872	770	493
<b>Total</b>	<b>2,858</b>	<b>2,523</b>	<b>2,650</b>

**MI**

- Average Intervention Rate across the programme remains at 17%.
- Average Cost Per Job, Jobs Created and Jobs Safeguarded combined, of £10,646 (slight reduction from last report).

3.2

**Claw Back Update****Project Recommendation**

The final project claw back recommendation has been supported by the RGF Accountable Body since the last report. Please see Appendix 1 for the recommendation; observations / advisory comments from BIF board members are welcomed.

3.3

**Overview**

The following tables confirm the status of all projects that have been subject to the claw back process.

3.3.1

**Technical Breach** - relating to cases where the company has delivered insufficient leverage, resulting in the grant intervention rate being above the allowable state aid ceiling

- All 14 claw back repayment plans now formally in place. Claw back has been enforced against the following beneficiaries, and either settled in full or formalised into a repayment plan.

Business Name	Claw Back Value	Status
4 Companies	£12,490	Paid in Full
4 Companies	£793,773	Repayment plan agreed, 24 monthly instalments commenced July 17
1 Company	£35,886	Repayment plan agreed, 16 monthly instalments commenced June 17
1 Company	£119,538	Repayment plan agreed, 12 monthly instalments commenced May 17
1 Company	£86,204	Repayment plan agreed, 6 quarterly instalments commenced Dec 16
1 Company	£19,233	Repayment plan agreed, 20 monthly instalments from Apr 18
2 Companies	£268,782	Companies Entered Administration. SCC has registered as a creditor.

3.3.2

**Underperformance** - relating to cases where the final outturn is below the performance threshold deemed acceptable under the Programme Performance Policy.

- Claw back has been enforced against the following project:

Claw Back Value
£7,114

- The following project recommendations have previously been supported by the RGF Accountable Body and Board members:

Claw Back Value	Status
£86,847.55	1 Company Claw back SUSPENDED; with request to provide PO demonstrating further expenditure
£79,054.05	1 Company Claw back SUSPENDED; with requirement to continue monitoring job creation

		£51,402	2 Companies Claw back SUSPENDED	
		£36,959	3 Companies Post Mar 17 job creation identified resulting in acceptable outturn.	
		£52,430	2 Companies Entered Administration.	
	<b>RGF Accountable Body and BIF Managing Agent Delivery Team</b>			
	<b>Author:</b> <b>Laura Wheatley</b>			

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