

SCR BUSINESS INVESTMENT FUND PANEL

6th FEBRUARY, 2019

HSBC, EUROPA WAY, SHEFFIELD

No.	Item	Action
1	<p><u>Welcome and Apologies</u></p> <p>Present:</p> <p><u>Panel Members</u> David Grey - Chairman Mary Broadhead Mike Thomas Lee Manterfield Diana Terris Helen Lazarus</p> <p><u>In Attendance</u> Laura Wheatley Andy McKenna Steve Carroll Rachel Fletcher Jenny Holmes Craig Tyler, Joint Authorities Governance Unit – minutes</p>	
2	<p><u>Declarations of Interest</u></p> <p>No declarations of interest were reported in relation to any item of business on today’s agenda, any activity undertaken since the last formal meeting, or in relation to any forthcoming activity.</p>	
3	<p><u>Minutes of the Previous Meeting</u></p> <p>The minutes of the previous meeting held on 27th November, 2018 were agreed to be an accurate record.</p>	
4	<p><u>BIF Approval – Company Ref. 0078.</u></p> <p>A report was received to enable the Panel to take a decision whether to support the proposal of a BIF (LGF) grant of £95,000 to Company 0078.</p>	

It was reported this will generate 10 new jobs by Q4 2020/2021 at a cost per job of £9,500, considered acceptable value for money for the LGF investment.

It was noted Company 0078 is a Sheffield based innovative engineering company supplying testing solutions to national and international customers. The company is expanding and has recently moved to larger premises in Sheffield. The company has requested BIF grant to support investment in extending the premises including creating a demonstration space and facilities that meet the specification required to deliver services to UK Government.

The Panel considered the robustness of this investment citing similar companies which had gone into administration. Additional information was provided on the approach the company is adopting to managing the risk of over reliance on one customer. It was proposed that this investment would effectively enable the company to de-risk and expand its customer base.

A number of questions were raised regarding the Company's finances, noting the accounting figures provided suggest the Company has not made any money since September 2018 and apparently has very limited cash reserves. It was suggested that the assessment score of 3 for financial viability was too generous given this but ultimately it was agreed that a score of 2 would still result in acceptable value for money.

It was agreed that in addition to the stated conditions of grant, conditions should be included to provide additional assurance in respect of the Company's financial position, that planning permission for the new building is attained and that salaries and dividends be capped at 2018 levels.

RESOLVED, that the BIF Panel agree the proposed grant of £95,000 to Company 0078 to enable the Head of Paid Service (or his appointed delegate) to enact the decision under the delegation made by the MCA, subject to the conditions contained with the report and stated above.

5

BIF Approval – Company Ref. 0088

A report was received to enable the Panel to take a decision whether to support the proposal of a BIF (LGF) grant of £135,000 to Company 0088.

	<p>It was reported this Investment will generate 10 new jobs by Q4 2019/2020 at a cost per job of £13,500, considered acceptable value for money for LGF investment.</p> <p>It was reported that the Company is a Sheffield based specialist manufacturer seeking to relocate within Sheffield to accommodate growth. The company operates in UK and international markets supplying precision manufacturing machine components to a range of sectors. The company has requested BIF grant to support investment in fitting out new premises and in new more efficient equipment incorporating new technologies to improve productivity.</p> <p>It was noted a non-Executive Director of the Company is a serving Local Councillor and requested an additional check be undertaken to ascertain this has been appropriately declared.</p> <p>The Panel queried the quality of the property and staffing information provided. It was questioned why capital for this investment has not been part-funded from the sale of the Company's old premises and further information was requested in respect of what the Company's intentions are for their old premises. It was also suggested that the information provided by Company 0088 does not provide enough clarity on what the 10 new roles would be, or what the company's intentions were with regards to the current staff. Potential discrepancies were also identified in the management accounts.</p> <p>RESOLVED, that the Panel DEFER a decision on the proposed grant to Company 0088 pending the receipt of more information from the Company to address the Panel's comments</p>	
6	<p><u>BIF Approval – Company Ref. 0089</u></p> <p>A report was received to enable the Panel to take a decision whether to support the proposal of a BIF (LGF) grant of £100,000 to Company 0089.</p> <p>It was reported this investment will generate 9 new jobs by Q4 2019/2020 at a cost per job of £11,111, considered acceptable value for money for LGF investment.</p> <p>It was reported this is a Bassetlaw based industrial manufacturing and distribution company seeking support to invest in upgrading processing machinery to better customise production in response to changing and new market opportunities. The Company has recently invested in new premises within the SCR and is growing.</p>	

	<p>It was noted the Company requests the grant to support investment in new automated machinery to minimise downtimes and allow customisation of production runs which in turn will create new market opportunities.</p> <p>The Panel considered potential discrepancies between the salaries paid in this sector, and the proposed salaries of the new jobs to be created. It was requested officers undertake further diligence to ensure all the figures and stated VFM assumptions are accurate.</p> <p>Further consideration was given to how the Company's other premises were being factored into its longer term ambition.</p> <p>It was therefore agreed that additional conditions of award should be applied in respect of the value of existing properties and rationale for keeping it (a decision on this matter delegated to officers), that dividends and salaries stay at current levels, and that the salaries of the existing staff are comparable with the new posts being created.</p> <p>RESOLVED, that the BIF Panel AGREE the proposed grant of £100,000 to Company 0089 to enable the Head of Paid Service (or his appointed delegate) to enact the decision under the delegation made by the MCA, subject to the conditions contained with the report and stated above.</p>	
7	<p><u>BIF Concept Paper – Company 0091</u></p> <p>A report was received for the Panel to consider whether a potential investment case for Company 0091 should be brought to full application.</p> <p>It was reported this is a chemicals company based in Barnsley seeking investment into an R&D project. It is anticipated that the resulting innovative product would be successful in UK and international markets.</p> <p>It was noted that at this stage a recommendation to the MCA is not being sought. Panel members are asked to consider the project outline, offer their feedback as to the potential benefits to the region and highlight what further information would be required to develop a full application</p> <p>The Panel questioned why the Company was not intending to use its own significant reserves to fund the expansion. It was suggested the reason may be that this has been earmarked for statutory product registrations (given the nature of the Company).</p>	

	<p>The Panel considered whether the reserves might lead to any offer being commuted to a loan rather than a grant.</p> <p>It was agreed this Company is operating in a research and development field that this area of activity is eligible for BIF grant.</p> <p>The Panel noted expectations that any formal bid will demonstrate appropriate value for money and will include further detail around the demand on the reserves. Clarity regarding its relationship with its American sister company and more information regarding project costs would be required.</p> <p>It was noted that similar approved R&D cases have faced delays in delivery due to compliance or regulatory issues. Job creation can also occur considerably later than capital expenditure. Both of these issues would need to be considered in relation to the end of the BIF programme in March 20/21.</p> <p>The Panel RESOLVED to SUPPORT the business case proceeding to full application.</p>	
8	<p><u>Board Update</u></p> <p>The Panel was advised of the changes in governance structure approved by the SCR Mayoral Combined Authority and to be implemented from April 2019.</p> <p>The Chairman detailed a conversation with a business who was critical of the increasing time and energy required in an application. The Chairman explained that the regime to date had carefully balanced the need for solid governance with the need to provide flexibility to clients operating in a commercial world.</p> <p>He reported that he had been told that the proposed scrapping of the existing management of the programme had been mandated by the demands of central government. His view was, however, this was in the gift of the combined authority and cautioned strongly against process damaging the very thing that the programme had successfully achieved over the past years. It was suggested that there is a risk that adherence to process would take over from our collective ability to drive economic change in the economy.</p> <p>The panel looked forward to the conclusion of the review but the private sector made clear that it saw absolutely no merit in becoming an advisory board.</p>	

	Officers advised panel members of their recommendation that the involvement of private sector expertise was important and should be retained.	
9	<p><u>Programme Management Update</u></p> <p><u>a) Programme Management Report</u></p> <p>Provided for information</p> <p><u>b) BIF Pipeline</u></p> <p>A list of projects within the BIF pipeline was tabled for information.</p>	
10	<p><u>Any Other Business</u></p> <p>No further matters noted.</p>	
9	<p><u>Date of Next Meeting</u></p> <p>Thursday 21st March, 8.30-10.30 at BSW, Sheffield</p>	