

## Business Recovery and Growth Board

28 October 2021

### Programme Approvals

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

**Purpose of this report:** Funding Decision

**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:**  
Gareth Sutton, Chief Finance Officer/s73 Officer

**Report Author(s):**  
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#### **Executive Summary**

This report details the results of the assurance processes undertaken on three proposed business investments totalling c. £12m.

The report recognises that whilst all three proposals meet the threshold for consideration for investment, there is currently insufficient headroom within the MCA's residual LGF allocation (£4.4m) to support all proposals.

The report requests that the Board endorse all proposals on their technical merit, consider how the balance of the LGF funding should be deployed, and request that the MCA consider providing gainshare funding to support the balance of proposals.

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

Subject to available funding, this report is seeking to progress a number of schemes that would see investment into the region and the creation of good, well-paid jobs.

## Recommendations

The Board consider:

1. Progression of “D0004 - R&D 2025” to SYMCA for full approval and award of £4.8m grant to, a Sheffield based company subject to funding being available;
2. Progression of “D0011 - Manufacturing, Research and Development” to SYMCA for full approval and award of £2m grant and £3.2m loan to a company looking to locate in South Yorkshire subject to funding being available;
3. Progression of “D0003 - Accelerate” to full approval and award of £1.98m grant to a Sheffield based company subject to funding being available;
4. Deployment of the residual LGF allocation to the schemes presented;
5. Recommendation to the SYMCA to consider committing gainshare funding to support those schemes that cannot be progressed from the residual LGF allocation;
6. Delegated authority be given to the Head of Paid Service in consultation with the Section 73 and Monitoring Officer to enter into legal agreements for the schemes 1 – 3 covered above subject to funding being available

## Consideration by any other Board, Committee, Assurance or Advisory Panel

Assurance Panel

15 September 2021

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## 1. Background

- 1.1 The Local Enterprise Partnership (LEP) Board (14th January 2021) agreed an approach to adopt a more targeted focus in its work with business. This approach has been seeking to build long term relationships with business leadership teams, leveraging private investment into the city region from businesses currently located outside of the city region or supporting local businesses meet expansion objectives. Alongside this, the ambition was to drive greater social and local value in the propositions for support to ensure benefits from investment going beyond the immediate business and having impact across South Yorkshire.
- 1.2 The Local Growth Fund (LGF) programme ended in March 2021. During the programme the MCA entered into several agreements which were seeking loan funding and subsequently some of these loans have been repaid and resulted in a fund of £13m becoming available. In September 2021 the MCA approved two awards to businesses which totalled £8.63m leaving a residual balance of £4.37m.
- 1.3 There are a further two schemes that have been submitted into the MCA's Assurance process and seven schemes are also being actively developed. These projects collectively are seeking an additional £51.23m.
- 1.4 This paper is seeking endorsement of three schemes requesting funding of £11.98m. The proposals are a mixture of grant and loans. The MCA has entered into non-disclosure agreements with the three applicants for funds, therefore appendices are included within private papers.
- 1.5 This report recognises that the schemes presented cannot be resourced in full from the residual LGF allocation. Accordingly, the report requests that the Board consider how to deploy that residual allocation, and recommends that the Board request that the MCA

consider the deployment of additional gainshare funding to support the balance of requests.

## 1.2 Proposal and Justification

This report is seeking endorsement for three schemes requesting in aggregate £8.78m grant funding and £3.2m loan for three private sector applicants to grow their business in South Yorkshire subject to funding availability. Two projects are indigenous Sheffield businesses who are looking to expand their activity and a third project is a company who is looking to locate within South Yorkshire following grant approval. The paper is also proposing a recommendation to the SYMCA to consider allocating gainshare funding to support those schemes that cannot be resourced from the residual LGF allocation and future business schemes

### Project Summaries

1.3 The following table details the metrics for each proposal:

<b>Proposal Metrics</b>	<b>D0004 £m</b>	<b>D0003 £m</b>	<b>D0011 £m</b>
Funding Required	£4.80	£1.97	£2.00
Finance Required	£0.00	£0.00	£3.20
	£4.80	£1.97	£5.20
Jobs Created	97	44	495
GVA Created	£48	£14	£161
£ GVA Per £ of MCA Investment	£11	£8	£69

## 1.4 Project D0004

The applicant is seeking £4.8m grant funding to support R&D which will build state of the art infrastructure. The applicant is aiming to secure private sector investors alongside the grant in order to grow an important entrepreneurial business sector.

The project is estimated to deliver 97 net additional jobs and GVA (Gross Value Added) of £48m over 10 years. This is equivalent to £11.39 for every £1 that SYMCA invests and on that basis the overall value for money is deemed acceptable.

The project reaches the threshold for investment and endorsement is sought subject to conditions, notably to have confirmed £7.1m match funding prior to entering into the funding agreement and the contract will include clawback clauses related to jobs outcomes.

This project cannot be supported in its entirety from the residual LGF allocation and would require additional funding support.

## 1.5 Project D0003

The applicant is seeking £1.98m grant funding to support R&D (Research and Development) which will enable the creation of three new demonstration manufacturing cells which are planned to secure long term contracts and create jobs.

The project is estimated to deliver 44 net additional jobs and GVA (Gross Value Added) of £14.4m over 10 years. This is equivalent to £8 for every £1 that SYMCA invests and on that basis the overall value for money is deemed acceptable.

The project reaches the threshold for investment with endorsement sought subject to conditions, notably to have confirmed £5.7m match funding prior to entering into the funding agreement and the contract will include clawback clauses related to jobs outcomes.

Considered in isolation from other calls upon the resource, this project could be supported from the residual LGF allocation in full.

## 1.6 Project D0011

The applicant is seeking £2m grant funding and £3.2m loan to support establishing a manufacturing facility for battery technology. For the avoidance of doubt, resource totalling £5.2m will need to be earmarked to this project to mitigate the risk of default on future loan repayments.

The project is estimated to deliver 495 net additional jobs and GVA of £161m over 10 years. This is equivalent to £69 for every £1 that SYMCA invests and on that basis the overall value for money is deemed acceptable.

The project reaches the threshold for investment subject to conditions, notably to have confirmed £22.9m match funding prior to entering into the funding agreement and the contract will include clawback clauses related to jobs outcomes.

This project cannot be resourced in full from the residual LGF allocation and would require additional funding support.

## 1.7 Funding Position

In the current financial-year the MCA has limited funding available for business investments. Available funding can be sourced most readily from the residual legacy LGF funding. Following awards made this year, this funding currently stands at c. £4.37m but may increase over time as LGF business loans fall due for repayment.

The aggregate resource required to support the proposals in this report totals c.£11.97m, consisting of grant and loan. To mitigate against the risk of loans not being repaid, the full £11.97m must be matched to a funding source.

The tables below highlight that the aggregate asks are in excess of the available LGF funding by £7.60m:

Proposals	Grant £m	Loan £m	Total £m
D0004	£4.80	£0.00	£4.80
D0011	£2.00	£3.20	£5.20
D0003	£1.97	£0.00	£1.97
	£8.77	£3.20	£11.97
<b>Funding Available:</b>			
LGF			£4.37
<b>Additional Funding Required</b>			<b>£7.60</b>

Proposals	Capital £m	Revenue £m	Total £m
D0004	£4.80	£0.00	£4.80
D0011	£5.20	£0.00	£5.20
D0003	£1.97	£0.00	£1.97
	£11.97	£0.00	£11.97
<b>Funding Available</b>			
LGF	£4.37	£0.00	£4.37
<b>Funding Required</b>			<b>£7.60</b>

Considered in isolation from one another, only one of the proposals could be resourced from the residual LGF allocation:

<b>Ability to Fund</b>			
Proposal	Requirement £m	Available £m	Deficit £m
D0004	£4.80	£4.37	-£0.43
D0011	£5.20	£4.37	-£0.83
D0003	£1.98	£4.37	£2.39

## 1.8 Additional Funding

To meet the costs of these proposals in full an additional £7.60m of capital funding is required. In addition to the proposals presented in this report further capital schemes totalling over £50m are progressing through the business case pipeline.

This report notes that to support the current and emerging ask new resource will be required beyond the residual LGF allocation.

The report notes that the Board could ask the MCA Board to consider supporting the current and emerging proposals with new funding such as gainshare.

Should gainshare be the only route to support, capital required would come from within the £18m p/a capital allocation, and should proposals require borrowing to accelerate investment ahead of those annual allocations, interest costs would be incurred that would need to be resourced from within the £12m p/a allocation.

## 2. **Options Considered and Recommended Proposal**

2.1 Do not approve the recommendations in this report due to funding availability.

### 2.2 **Option 1 Risks and Mitigations**

Inability to approve the projects presented may result in a slower pace of delivery and potential subsequent loss of jobs to the region.

- 2.3 **Option 2**  
Approve all recommendations subject to funding availability and the applicant having their private sector match funding in place. All projects should be considered for overage clauses which allow any “super-profits” to be paid back up to the full value of the grant offer
- 2.4 **Option 2 Risks and Mitigations**  
Risk that projects may be lost to the region due to lack of funding availability. Overage contract clauses could be considered whereby grant is returned to SYMCA if the applicant is highly successful in their venture (e.g. using an overage “super-profit” clause)
- 2.5 **Option 3**  
Approve all recommendations but look to negotiate on the mixture of grants and loans to maximise future funding availability.
- 2.6 **Option 3 Risks and Mitigations**  
All funding awards associated with the projects have been fully appraised in line with the MCA Assurance Framework to ensure value for money. Any projects approved to develop FBC’s have their costs and funding tested on submission of their FBC alongside financial due diligence of the applicant. Therefore, it may not be possible to secure an improved grant/loan ratio for the SYMCA.

## 2.7 **Recommended Option**

Option 2.

## 3. **Consultation on Proposal**

- 3.1 Discussions for these projects has continued with thematic boards during project development.

## 4. **Timetable and Accountability for Implementing this Decision**

- 4.1 Subject to the approval of the recommendations, the Head of Paid Service in consultation with the Section 73 Officer and Monitoring Officer will progress to enter into legal agreements with each promoter.
- 4.2 The promoter is responsible for the further development of projects that have gateway approval to the next stage of the MCA Assurance process

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

- 5.1 Resource available to support the MCA’s business investment pipeline currently comes from its residual LGF funding allocation. This allocation stood at c. £13m, and in recent months £8.63m of commitments have been made against it.

The residual balance of £4.37m is available to support the proposals within this report in full or in part. Where schemes cannot be fully funded from the LGF allocation the Board may request the MCA to consider releasing other funding, such as gainshare.

The residual LGF allocation may increase in future years as further loans fall due for repayment.

## **6. Legal Implications and Advice**

- 6.1 The legal implications of the projects have been fully considered by a representative of the Monitoring Officer and included in the recommendations agreed within the Assurance Summaries as presented in the Appendices. Projects have taken full legal advice regarding subsidy control with legal letters supporting applications included.
- 6.2 Prior to awarding the grants, the MCA shall ensure contracts are put in place to ensure the recipients comply with the grant conditions

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

- 7.1 N/A

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

- 8.1 Appropriate equality and diversity considerations are taken into account as part of the assurance of the project business cases

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

- 9.1 A number of the projects include new and/or enhanced energy efficiency measures. This aims to deliver benefits for emissions, positively contributing to the MCA's climate change aspirations.

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

- 10.1 N/A

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

- 11.1 The approvals provide positive opportunities to highlight the difference the MCA's investments will make to people and passengers, businesses and places across South Yorkshire and how Members are taking action to support the region's recovery from COVID

### **List of Appendices Included\***

- A Assurance Summary – D0004  
B Assurance Summary – D0003  
C Assurance Summary – D0011

### **Background Papers**

None