

## Business Recovery and Growth Board

16 December 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. £4.35m and requests entry onto the pipeline for one business investment.

The report recognises that whilst one of the proposals meets the threshold for consideration for investment, there is currently only gainshare funding to support 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 “D0012 – “UK Operations Growth Plan” to the MCA for full approval and award of £1.75m to a Barnsley based company subject to funding being available.

2. Progression of “D0027 – Glide Acceleration” from Strategic Business Case (SBC) to Full Business Case (FBC) for a Sheffield based company.
3. Progression of “D0028 – Research Centre of Excellence” from SBC to FBC for a Sheffield based company.
4. Acceptance onto the pipeline for “D0034 – Community Project”
5. Recommendation that officers should seek as strong a deal as possible with regards to loan and overage.

**Consideration by any other Board, Committee, Assurance or Advisory Panel**  
Assurance Panel 08 November 2021

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## **1. Background**

### **1.1 Business Growth Schemes**

Investments into business has previously been funded from the Local Growth Fund (LGF) programme, which ended in March 2021. During the programme the MCA entered into several business support arrangements where loan funding was provided. Subsequently some of these loans have been repaid and during September and November the MCA approved awards to businesses resourced from this recycled fund.

- 1.2 This report details the assurance results of three schemes at various stages of the business case cycle requesting aggregate funding of c£4.35m. The MCA has entered into non-disclosure agreements with the three applicants for funds, therefore appendices are included within private papers.

- 1.3 The report recognises that residual LGF resource is now exhausted and recommends the board request that the MCA consider – subject to a number of conditions - the deployment of additional gainshare funding to support scheme D0012.

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. Progression of schemes to full approval and award of funding**

### **2.1 Project D0012**

The applicant is seeking £1.75m funding to expand its existing site in the Barnsley district. The total project cost is £23.8m, leading to an MCA intervention rate of c. 7%.

The new development for this privately owned company will comprise a new 75,000 sqft building which will be equipped from the outset with automation equipment. It will also house new process equipment.

The project is estimated to create 87 net additional jobs at a cost of £20,115 per net job to the MCA. The project is also forecast to generate £16.2m net additional GVA

(or £9.7m accounting for optimism bias) over a 10 year period, equating to a return of £9.25 per £1 of MCA investment (or £5.54 per £1 accounting for optimism bias).

This project is expected to generate significant value following the initial investment. Pre-tax profits returning to the company are forecast in the region of £2m p/a, whilst there is expected to be business-rate uplift accruing to the sponsoring authority.

The project reaches the threshold for investment subject to conditions, notably to have confirmed the match funding prior to entering into the funding agreement, to seek a value share arrangement that supports gainshare principles, and provision within the contract for clawback clauses related to jobs.

Further details and conditions of funding are in **Appendix A**

### **3. Progression of schemes from SBC to FBC**

The paper is seeking progression from SBC to FBC for 2 projects which are detailed in Appendix B and C. The total amount of funding requested is £2.6m. The projects are located within Sheffield.

### **3. Pipeline Entry**

The paper is requesting admittance to the pipeline for D0034 and to approve the development of the project to OBC/FBC.

This project is to support the construction of a sports/leisure facility with an associated health and wellbeing centre, which will provide nationally leading research and development in healthcare diagnostic and screening.

Total project cost is anticipated to be around £15m and will create up-to 200 direct and indirect jobs. The total amount of funding requested is anticipated to be c. £1m.

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

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

### **4.2 Option 1 Risks and Mitigations**

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

### **4.3 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 funding or financing arrangements that allow the MCA to share in the value that its investment generates. This may be achieved through profit shares, shares from uplift in local taxation, or providing interest bearing loan finance.

### **4.4 Option 2 Risks and Mitigations**

Risk that projects may be lost to the region due to lack of funding availability.

- 4.5 **Option 3**  
Approve all recommendations but look to negotiate on the mixture of grants and loans to maximise future funding availability.

- 4.6 **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 FBCs 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.

- 4.7 **Recommended Option**

Option 2.

## **5. Consultation on Proposal**

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

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

- 6.1 Subject to the approval of the recommendations and approval by the MCA, the Head of Paid Service in consultation with the Section 73 Officer and Monitoring Officer will progress to enter into a legal agreement with the promoter.
- 6.2 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 This report proposes that the Board request that the MCA consider the deployment of gainshare funding totalling £1.75m in support of a business investment.

The report notes that gainshare principles support negotiation of the best possible deal for the taxpayer, seeking a return on the MCA's investment wherever possible. This report recommends that the MCA seek to enter into an arrangement that would see the MCA share in the forecast value its investment generates.

Such an arrangement would support the recycling of funding, enabling more investment into the future.

## **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 – D0012
- B Assurance Summary – D0027
- C Assurance Summary – D0028

**Background Papers**

None