

BUSINESS GROWTH BOARD

17th July 2019

Business Investment Fund - Paper 1 – Background

Purpose of Report

This paper is to brief Executive Board members on the background and performance to date of Sheffield City Region's Business Investment Fund.

Thematic Priority

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

Freedom of Information and Schedule 12A of the Local Government Act 1972

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

Recommendations

Business Growth Board members are asked to consider:

1. The background to the Fund and its performance to date.
2. Meeting outside of the 8-week cycle in order to take decisions on the projects deferred at this meeting awaiting additional information and any other projects that may arise in the intervening period on an exceptional basis or as an ongoing arrangement.

1. Introduction

- 1.1 This paper sets out the background to the Business Investment Fund and provides the context to two further papers seeking approvals to the BIF fund and the Made Smarter / Productivity fund.
- 1.2 Approved by the Combined Authority in June 2015, the Business Investment Fund is an up to £52million SCR Local Growth Fund Scheme to:
 - i. support investment in indigenous companies where there is a demonstrable case for grant
 - ii. support significant inward investment into the Sheffield City Region.
- 1.3 The Business Investment Fund supports both inward investment and indigenous companies to deliver the maximum benefit of economic activity and growth at the lowest net cost to the public purse. SCR reports on jobs created, safeguarded and private sector investment levered as a consequence of BIF support.

2. Proposal and justification

- 2.1 To the end of Q1 2019/20 the Business Investment Fund has:
- supported 55 companies,
 - created 1,625 jobs,
 - safeguarded 721 jobs,
 - levered over £49m in private investment.
- 2.2 For indigenous applications, BIF has to date been positioned as a gap fund, with business applicants required to demonstrate how other sources of finance have not been able to fully support their development.
- 2.3 Grants to support inward investment are considered on the basis of regional economic impact and cases are usually presented by the relevant Local Authority. Any BIF investment is made on the understanding that 50% will be “repaid” from a future business rate uplift (or otherwise) by the relevant Local Authority, the terms of this repayment must be agreed at the time of the grant being submitted for approval. Exceptions being when business rates uplift will not occur, or if the development is located within an Enterprise Zone.
- 2.4 In March the LEP Board approved the creation of two new categories within the Business Investment Fund – Productivity Challenge and Made Smarter. With these new categories we were able to operate a time-limited competitive call and more proactively encourage relevant indigenous SMEs to apply for capital investment in support of their productivity or digital innovation projects. Those applications will be considered at this meeting.
- 2.5 Whilst there is no formal separate allocation within the BIF programme, £1million has been earmarked for each of the categories. SCR businesses could apply for funding in the range of £25k to £100k for the Productivity Challenge and £25k to £50k for Made Smarter. SCR may invest to a maximum 50% of project costs and businesses must provide match funding. The grant must be invested within 6 months of approval and supported projects must demonstrate the business benefit and not result in jobs reduction. The competitive nature of the process has been emphasised.
- 2.5 Under the revised LEP Board and MCA governance arrangements which came into effect on 1st April 2019, the Business Growth Board has delegated authority to consider and approve projects up to £2million. Applications of £2million plus must be considered by the Combined Authority.
- 2.6 Projects are independently appraised under the SCR assurance model and recommendations brought to the Executive Board or MCA for consideration. This appraisal includes the standard LGF considerations such as value for money, risk, private sector leverage.
- 2.7 As part of the Local Growth Fund, all disbursements under BIF are required to be made by 31st March 2021. The Fund is nearing full commitment and any new applications must be able to prove their ability to complete within this timescale.
- 2.8 Applications for the Business Investment Fund are received on an ongoing basis. The BIF Productivity Challenge and Made Smarter have been promoted as a time bound call for projects. Some applicants for the Made Smarter and Productivity Challenge have not provided enough detail particularly on the outcomes of their project and it is not possible therefore to conclude the value for money assessment. We are confident that it will be possible to obtain additional information within a short time frame.

Board members are therefore asked to consider meeting outside of the 8-week cycle in order to take decisions on the projects deferred at this meeting awaiting additional information and any other projects that may arise in the intervening period on an exceptional basis or as an ongoing arrangement.

3. Consideration of alternative approaches

- 3.1 Revised governance and assurance processes have only recently been approved by the MCA and LEP therefore it is not proposed to make any amendments to the BIF programme as it nears full commitment.
- 3.2 External specialist consultancy will be sought for appraisal on a case-by-case basis from the CIAT consultancy framework. This could be more expensive and require more time than the previous approach.
- 3.3 The appraisal of BIF cases could be wholly sub-contracted; however, this would not meet the SCR governance requirements.

4. Implications

4.1 Financial

There are no direct financial implications arising from this paper.

4.2 Legal

There are no direct legal implications arising from this paper.

4.3 Risk Management

As with all LGF projects, specially-close management of the current BIF pipeline is required to ensure that projects are able to deliver within the ever-shrinking timescales before March 2021.

4.4 Equality, Diversity and Social Inclusion

By increasing profitability the applicant organisations may safeguard current roles and are creating new jobs which supports more opportunities for residents within the SCR area. BIF aids businesses in improving productivity and enabling them to be more competitive; securing jobs creating new employment and helping to reduce social exclusion. Conditions of grant can include working with local suppliers and committing to apprenticeships, seeking to redress the equality and diversity issues facing business within the SCR by promoting skills and employment opportunities

5. Communications

- 5.1 There are no direct communications implications arising from this paper.

REPORT AUTHOR POST

Officer responsible
Organisation
Email
Telephone

Helen Lazarus
Assistant Director – Business & Investment
Ruth Adams
Sheffield City Region
Ruth.Adams@SheffieldCityRegion.org.uk
0114 220 3445

Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ