

BUSINESS GROWTH BOARD

17th July 2019

Business Investment Fund Approvals

Purpose of Report

This paper requests approval for 13 schemes with a total value over all years of £900,915 and seeks delegated authority be given to the Head of Paid Service in consultation with the S73 and Monitoring Officer to enter into legal agreements for the schemes.

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 however, appendix O is exempt from publication under paragraph 3, part 1, section 12A of the Local Government Act 1972.

Recommendations

Business Growth Board members are asked to consider and approve:

1. Award of £40,000 to company 47 as set out in appendix A.
2. Award of £42,555 to company 46 as set out in appendix B.
3. Award of £35,000 to company 30a as set out in appendix C.
4. Award of £36,584 to company 19 as set out in appendix D.
5. Award of £50,000 to company 40a as set out in appendix E.
6. Award of £89,000 to company 6 as set out in appendix F.
7. Award of £75,000 to company 7 as set out in appendix G.
8. Award of £100,000 to company 4 as set out in appendix H.
9. Award of £32,788 to company 3 as set out in appendix I.
10. Award of £100,000 to company 49 as set out in appendix J.
11. Award of £99 988 to company 2 as set out in appendix K.
12. Award of £100,000 to company 30b as set out in appendix L.
13. Award of £100,000 to company 47 as set out in appendix M.
14. Delegated authority be given to the Head of Paid Service in consultation with the S73 and Monitoring Officer to enter into legal agreements for the schemes covered in 1-13. above

1. Introduction

- 1.1** The LEP Board and MCA have approved revised governance arrangements and associated constitution with delegated approval authority for projects below £2m which came into effect on 1st April 2019. The Business Growth Board will consider projects below the £2m LGF threshold including the Business Investment Fund (BIF).

- 1.2 Made Smarter in SCR and the Productivity Challenge are two new categories within the SCR Business Investment Fund (approved by the LEP Board 4.3.19). Thirteen projects securing improvements in SCR business performance are recommended for approval at this stage totalling a value of £900,915, with appraisal summaries provided in Appendix A-M.

2. Proposal and justification

2.1 Productivity Challenge and Made Smarter

The demand for BIF investment has slowed in recent months resulting from hesitancy in the UK economy. Well-documented caution in business investment largely related to indecision around Brexit has resulted in the pipeline of potential inward investors slowing and indigenous business appetite for investment slowing.

- 2.2 In response to the changing external environment in March the LEP Board approved two investment categories within the existing approved BIF designed to target segments of the market and stimulate investment amongst the region's indigenous businesses.

- 2.3 The SCR Strategic Economic Plan sets out the productivity challenge faced by the Sheffield City Region. Gross Value Added is one of the lowest in the country. GVA per head in the SCR CA in 2017 was £18,652 compared to the UK average of £27,555. The types of businesses being created in the SCR are generally not strongly innovative or knowledge based. Looking to future capabilities, there is a low level of adoption of Industrial Digital Technologies; the technologies and capabilities that will deliver future economic growth. The two categories – Productivity Challenge and Made Smarter are designed to focus on these challenges.

- 2.4 In May SCR launched a 6 week call for projects under the two new categories and received Expressions of Interest from 58 companies. After providing an initial check on eligibility SCR then received 27 full applications for investment under the Productivity Challenge theme and 11 under the Made Smarter theme. Total applications amounted to over £2.37m, of which around £1.93m is for Productivity Challenge, the remainder for Made Smarter.

- 2.5 The projects have been appraised by an external expert organisation procured using the SCR CIAT Framework. The appraisal has covered all aspects of the business case – Strategic, Commercial, Economic, Financial and Management. Each part of the case has been awarded a score out of 5. The scoring has been weighted towards the Strategic and Economic cases. The projects have been ranked and the highest scoring projects recommended for approval. We are recommending a minimum threshold of 50% to reflect the competitive nature of the call. Where job numbers are lower in the SCR Appraisal Summaries these have been adjusted to test value for money during the appraisal process. Appendix A-M contains the appraisal summaries for the projects recommended for approval.

- 2.6 Some applicants 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. There are a number of projects where we intend to undertake additional financial review which are currently also not recommended at this stage.

Company 46, 30a, 19 and 40a are recommended to proceed for a decision but we shall seek final clarifications on minor aspects of project benefits prior to entering into contract.

- 2.7 Under item 7 Board members have been asked to consider meeting outside of the 8-week cycle in order to take a decision on the projects deferred from the Made Smarter and Productivity Challenge and any other schemes that may arise in the intervening period.

- 2.8 Projects recommended for approval are as follows with summary appraisal information appended for each scheme. These projects are deemed to offer acceptable value for money for LGF and will deliver against the objectives set for the BIF Productivity Challenge and Made Smarter.

Made Smarter

Company 47 – As set out in Appendix A is a Sheffield company that designs and develops industrial equipment using the latest data driven technologies. The company is seeking a

grant of £40,000 to create a new data platform prototype to drive new business. 3 new jobs will be created as a result of the project.

Company 46 – As set out in Appendix B is a specialist engineering company in Chesterfield. The company is seeking a grant of £42,555 to improve process control utilising electronic sensors and a bespoke software control system. The company is forecasting cost savings and 4 new jobs.

Company 30a – As set out in Appendix C operates in the advanced manufacturing and materials sector specialising in complex parts, precision engineering and bespoke engineering projects. The company, based in Rotherham, is seeking a grant of £35,000 to install a data integration system to support operational improvements. The project will support winning additional orders and safeguarding 5 jobs.

Company 19 – As set out in Appendix D is a Sheffield company operating in the online retail sector. The company is seeking a grant of £36,584 towards a paperless warehouse management system enabled with WiFi technology to improve efficient stock management. The project is forecast to result in 6 new jobs in 2020.

Company 40a – As set out in Appendix E designs and manufactures products for the commercial vehicle market and delivers a diverse range of sub contract engineering. The company, which is based in Sheffield, is seeking a grant of £50,000 to invest in specialist robotic equipment to improve the quality of the product, improve consistency and reduce waste. The project will create 2 jobs within 24 months.

Productivity Challenge

Company 6 – As set out in Appendix F is a Chesterfield based company operating in electronics manufacturing and is seeking £89,000 towards purchasing machinery that will reduce set up time and increase production capacity. The project is estimated to result in an increase in productivity of 199% and create 2 new jobs.

Company 7 – As set out in Appendix G is a Sheffield company operating in the plastics sector innovating using digital technology and is seeking £75,000 funding to invest in a digital printing machine to double printing speeds and eliminate material costs. The project will result in a 31% increase in productivity and 4 new jobs.

Company 4 – As set out in Appendix H is a Barnsley based company operating in the advanced manufacturing and materials sector, is seeking a grant of £100,000 to support automation and reduce lead times. The project will result in an increase in productivity of 25% and has indicated it will support safeguarding existing jobs.

Company 3 – As set out in Appendix I is a Rotherham based company operating in the healthcare technologies sector creating innovative products for national and international customers and is seeking a grant of £32,788. The project is forecast to result in a 32% increase in productivity and result in 10 new jobs.

Company 49 – As set out in Appendix J is a Sheffield based company operating in the transport equipment manufacturing sector and has identified the need to improve efficiency in machining operation processes. The company is seeking a grant of £100,000 towards investment in a semi-automated machining cell. The project will result in an estimated 25% increase in productivity.

Company 2 – As set out in Appendix K is a Sheffield based company operating in the environmental services sector and is seeking a grant of £99,988 to purchase additional equipment to respond efficiently to increased demand. The project is forecast to result in a 15% increase in the company's productivity and result in 4 jobs.

Company 30b – As set out in Appendix L is a Sheffield based company operating in the advanced manufacturing and materials sector specialising in complex parts, precision engineering and bespoke engineering projects. The company is seeking £100k grant to invest in equipment to incubate technology related to the aerospace sector. The project is forecast to result in a 9% increase in productivity and 2 new jobs.

Company 40b – As set out in Appendix M is a Sheffield based company that designs and manufactures for the commercial vehicle market and delivers sub contract engineering. The

company is seeking £100k grant to invest in specialist equipment. The project is forecast to result in a 31% increase in productivity and create 6 new jobs.

3. Consideration of alternative approaches

- 3.1 The Programme Assurance team considered different approaches to scoring and appraising the applications. This included weighting each part of the Business Case equally and weighting all projects according to their costs. The preferred option places the most value on the contribution towards the strategic objective of improving business performance.
- 3.2 The Business Growth Board will want to evaluate the impact of this scheme and consider which, if any, elements should be replicated through future calls for projects or in the design of future business finance programmes.

4. Implications

4.1 Financial

The Made Smart and Productivity Challenge projects recommended for approval at this meeting are seeking a total of £900,915 from BIF invested in 2019/2020.

4.2 Legal

All approvals will be subject to a standard funding agreement, to include any scheme specific conditions as appropriate. These 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 applicant organisations may safeguard current roles and are creating new jobs which supports more opportunities for residents within the SCR area. Conditions of grant can include working with local suppliers and delivering apprenticeships.

5. Communications

- 5.1 Proactive communications materials will be released, including an online news story, social media and a press release, following the Business Growth Board meeting. There may also be opportunities to use businesses who have received these grants as case studies for future communications work.

6. Appendices/Annexes

Appendices A-M Made Smarter/Productivity Challenge Appraisal Summaries for recommended projects and the CIAT project review summaries

Appendix N Table of scores

Appendix O Index of companies(Exempt)

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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