
Report to: Cabinet **Date of Report:** 12 September 2013

Subject: Liverpool City Region Business Grant Programme

Report of: Director of Built Environment **Wards Affected:** All

Is this a Key Decision? Yes **Is it included in the Forward Plan?** No
Rule 27 Consent given

Exempt/Confidential: No

Purpose/Summary

The purpose of the report is to update Cabinet about the £10m and £5m Liverpool City Region (LCR) Business Growth Grant Programme (funded by Regional Growth Fund Rounds 3 &4) and approve the way forward in delivering these funds in Sefton.

Recommendations:

That Cabinet:

1. Authorises the Director of Built Environment in consultation with the Head of Corporate and Legal Services to sign the Partnership agreement between the Liverpool City Region Local Enterprise Partnership and Sefton MBC for the delivery of the LCR Business Growth Grant Programmes in Sefton, as set out in Annex A to the report
2. Authorises the Director of Built Environment to approve completed business applications with final sign-off of grant offer letters by Cabinet Member - Regeneration and Tourism.
3. Notes the proposed mechanism and approach to be used to deliver the funds to Sefton businesses including the establishment of a Sefton RGF Grant Steering Group as set out in Annex B of the report
4. Notes that the proposal was a Key Decision but had not been included in the Council's Forward Plan of Key Decisions. Consequently, the Leader of the Council and the Chair of the Overview and Scrutiny Committee (Regeneration and Environmental Services) had been consulted under Rule 27 of the Access to Information Procedure Rules of the Constitution, to the decision being made by the Cabinet as a matter of urgency on the basis that it was impracticable to defer the decision until the commencement of the next Forward Plan because the Partnership agreement to deliver the fund has only recently been issued by the LCR Local Enterprise Partnership and to delay a decision could result in a late start to programme delivery and potential grant funding opportunities for Sefton businesses

How does the decision contribute to the Council's Corporate Objectives?

	<u>Corporate Objective</u>	<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		/	
2	Jobs and Prosperity	/		
3	Environmental Sustainability	/		
4	Health and Well-Being			
5	Children and Young People		/	
6	Creating Safe Communities		/	
7	Creating Inclusive Communities		/	
8	Improving the Quality of Council Services and Strengthening Local Democracy	/		

Reasons for the Recommendation(s):

To enable progress to be made in respect of developing the process and strategy for Sefton grant awards to businesses

What will it cost and how will it be financed?

(A) Revenue Costs

Regional Growth Funding is for capital projects only. However the Economy & Tourism service (via Invest Sefton) will receive an income of at least £1,500 for each grant award made. The actual remuneration method and amount is the subject of ongoing discussions with the LCRLEP. The current level of grant is sufficient to cover the estimated costs of grant processing.

(B) Capital costs

All grants payments will be met by Regional Growth Funding. Delivery will be managed by the Invest Sefton service. There is no call on Council funding. However Council financial procedures will be used to make grant payments to businesses which are reclaimed directly from a dedicated RGF Escrow account managed by the Liverpool City Region Local Enterprise Partnership (LCRLEP).

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Legal The LCRLEP is the accountable body for the Business Growth Grant Programme. In order to participate in the programme the council is required to enter into a partnership agreement with LCRLEP. (Annex A)

Human Resources Delivery in Sefton will be managed by the Invest Sefton service through existing resources.

Equality

- | | |
|---|-------------------------------------|
| 1. No Equality Implication | <input checked="" type="checkbox"/> |
| 2. Equality Implications identified and mitigated | <input type="checkbox"/> |
| 3. Equality Implication identified and risk remains | <input type="checkbox"/> |

Impact on Service Delivery:

The programme will enhance service delivery by allowing Invest Sefton to support business growth propositions with RGF grants. The work can be absorbed through the existing team.

What consultations have taken place on the proposals and when?

The Head of Corporate Finance and ICT (FD2494) has been consulted and notes the report indicates:

1. the revenue costs of grant processing will be covered
2. the benefits to the Sefton economy for grants successfully awarded

The Head of Corporate Legal Services has been consulted and comments have been incorporated into the report (LD1799)

Are there any other options available for consideration?

Not to deliver Regional Growth Funding in Sefton would be to forego a major funding opportunity, at a time of financial and economic constraint. If Sefton did not participate in the programme monies would simply be utilised in other LCR local authority areas.

Implementation Date for the Decision

Following the expiry of the “call-in” period for the Minutes of the Cabinet

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Background Papers:

None

The following documents can be accessed on the Council's web site via these links:

Annex A

<http://modgov.sefton.gov.uk/moderngov/ecSDDisplay.aspx?NAME=SD1621&ID=1621&RPID=7503607&sch=doc&cat=13197&path=13158%2c13197>

Annex B

<http://modgov.sefton.gov.uk/moderngov/ecSDDisplay.aspx?NAME=SD1622&ID=1622&RPID=7503611&sch=doc&cat=13197&path=13158%2c13197>

Background

1. LCRLEP has been successful in securing £10m Regional Growth Fund (RGF) Round 3 for a new investment fund to support business growth projects from £50,00 up to £1,000,000 in the city region. Invest Sefton contributed to the bid by identifying a range of potential 'oven ready' projects that, with grant support, could create new job opportunities. LCRLEP has also been successful in securing an additional £5m to deliver a smaller grants (sub £50,000) programme in the LCR. The latter programme is has been approved by the Department of Communities and Local Government and is now subject to due diligence which should be completed by 30 September.
2. The Business Growth Grant is a £10 million investment programme funded by the Government through the RGF. It is administered by LCRLEP in conjunction with the City Region's Local Authorities (LA's). The Business Growth Grant has been designed for companies who are unable to bid directly into the Government RGF programme which has a grant application limit of £1 million. Typically the Programme will look to award grants of between £50,000 and £1,000,000. The pending Round 4 programme will support sub £50,000 applications. The Partnership agreement covers both funds.
3. The Programme has several stated objectives, although its overarching aim is to create jobs and secure private sector investment within the Liverpool City Region. Preference will be given to those projects that make the greatest contribution to these objectives. For each £1 of grant the expectation is that the project will generate at least £5 of private sector leverage, this means if a grant of £100,000 is awarded the beneficiary must demonstrate how they will leverage in a further £500,000 of investment. This Programme target should be adhered to wherever possible.
4. Eligible costs can include:
 - Capital Expenditure including: plant, equipment, buildings, and adaptations.
 - Investment in new technologies
 - Systems
 - Software
 - Employment aid
 - Training aid

The list is not exhaustive and other eligible expenditure that leads to business growth can be considered.
5. In the event of a Combined Authority being agreed for the City Region, then the current proposal is that accountable body arrangements would not be altered or novated, and would remain with the LEP. For avoidance of doubt – Sefton Council is neither the funder nor the accountable body for this project, but performs a delivery role.

How the project will work in Sefton

6. The LCRLEP is the lead organisation for the Programme and will work alongside LA partners to develop workable expressions of interest. In order to have a clear separation of duties the full appraisal will not be carried out by the LCRLEP.
7. LA's have responsibility for appraisal and payment with monies reclaimed from the LCRLEP. Invest Sefton, part of the Economy and Tourism service, will manage delivery in Sefton. Invest Sefton already manages the existing Stepclever Legacy Fund programme and has the necessary expertise, with over 18 years experience of similar initiatives, to deliver a wider programme..
8. The scheme would utilise the existing Invest Sefton grant appraisal process used for the Stepclever Legacy Fund. Invest Sefton's Business Support and Finance Specialists will undertake full appraisal of eligibility, state aid compliance, value for money and fit with scheme objectives. (Corporate Legal Services will be advised of any State Aid implications.) The team also has a dedicated Access to Finance Business Support Specialist working in the field and will develop on the ground propositions with Sefton businesses
9. However the final approval mechanism is to be revised as the existing Stepclever Investment Steering group is restricted to just two wards in Sefton (Derby/Linacre). Instead the Sefton project will establish its own internal RGF Grant steering group to oversee awards in the borough. The group will be chaired by Cabinet Member Regeneration, Housing and Tourism with membership drawn from Economy & Tourism, Finance and potentially the private sector. The group will have its own Terms of Reference, to be shared with Corporate Legal Services in due course. The Sefton application process is shown in Annex B.
10. In terms of Appraisal the LEP is proposing delegated approval to LA members. In Sefton this will involve Invest Sefton bringing forward completed applications which have been appraised internally, and vetted by the LCRLEP's Consistency and Competitiveness Group, for final approval by Cabinet Member Regeneration Housing and Tourism following consideration by the aforementioned Sefton RGF steering group.
11. Upon approval this will trigger an offer letter to the applicant with associated terms and conditions. Invest Sefton will then arrange to pay the grant on key milestones, most notably defrayed expenditure incurred by the company and job creation. The latter will include automatic referral to Sefton@Work. The monies will then be repaid to the council by the LCRLEP from an Escrow account within 30 days of grant award.
12. The LEP is proposing a payment of £1,500 per successful application to LA's. However this is the subject of further discussions as the general consensus is that remuneration should properly reflect both risk and local project management accountabilities. Discussions on remuneration to LA's will

continue. However based on awarding 4 grants the minimum Sefton would receive is £6,000 in income. The cost of processing this (based on two days per award) is £681 per award (total=£2,724). Invest Sefton will absorb these costs through existing staff resources.

12.1 The company and its Directors must be solvent

Each appraising authority has access to a recognised credit check facility which can identify the credit score of a registered UK company.

As part of the appraisal process, the appraising authority will identify the current financial status of the company.

12.2 Non-displacement

The applicant must detail why the project will not disadvantage any local competitors or displace any jobs within the city region. Jobs created must be newly created posts thus adding to the net employment figures within the city region. This information will be authenticated through research and knowledge of local businesses.

12.3 The project must result in job creation and / or jobs safeguarded

The project must result in job creation and a view will be taken on value for money against the number of jobs being created. It is expected that each new job created will cost circa £10-12K. This is the benchmark on how value for money will be appraised. It is important to note however that the process will also factor in both longevity and sustainability of any jobs created.

Full time job = one job of 30 or more hours per week or two part time jobs at 15 or more hours per week

Job safeguarded = a job that would otherwise be lost without the intervention of the grant

12.4 Value for money

The Business Growth Grant is open and competitive and therefore only the projects that can demonstrate outstanding value for money will be successful. The below criteria will all be fully assessed and benchmarked in the project appraisal:

- Grant Requested
- Number of Jobs Created
- Number of Jobs Safeguarded
- Private Sector Investment Leveraged
- Total Investment resulting
- Total eligible project costs
- Cost per job in relation to Grant funding provided
- Inward Investment

12.5 Additionality

The Appraisal will include a narrative on *additionality*. This, in basic terms, is measuring what would happen without grant investment. The aim of the programme is to deliver investment to the city region that would otherwise be lost.

12.6 The Programme must lever in private sector investment as a ratio of at least £5:£1 of grant funds

This is a key element of the Programme and should be the goal of each project. Evidence of investment and its origin must be documented at full application stage. Private sector investment can include bank funding and equity investment.

12.7 The business must be located in the Liverpool City Region

Applicants must be located in one of the boroughs of the Liverpool City Region (Liverpool, Wirral, Sefton, Knowsley, St. Helens, Halton)

12.8 Must comply with EU State Aid regulations on support to undertakings

State Aid refers to forms of assistance from public funds which have the potential to distort competition and affect trade between member states of the European Union.

State Aid rules allow aid that promotes economic development and other legitimate policy objectives where the benefit outweighs any distortion of competition

The European Commission is obliged by law to order the recovery of any aid from the beneficiaries that has not been properly notified to and approved by the Commission and that has later been found to be in breach of the rules. This involves repayment with interest to the public authorities that granted the aid, which could be devastating to firms awarded the aid. Money must be clawed back even if this means the company concerned goes bankrupt. This condition is built into all grant offer letters to successful applicants.

In order to grant legitimate aid from public funds they must meet either the General Block Exemption Regulations (GBER), meet the De Minimis requirements, or be located in a designated Assisted Area.

Assisted Areas

13. For the most part the Liverpool City Region is a designated Assisted Area. This means that the European Commission has identified this area as being particularly exposed to market failure and businesses located here can be considered for grant support. It is important to note that there are some notable exceptions to this coverage; parts of Sefton, Wirral, and all of Halton are not

designated assisted areas and as such will be eligible for different levels of support. Each potential project needs to be aware of their status before an expression of interest is submitted.

14. Different levels of aid apply depending on the size of a company. Company classification for state aid purpose is shown below:
- A **large-sized** company is defined as employing over 250 staff and turnover greater than 50m Euros. (£40.6m), balance sheet greater than 43m Euros (£35m).
 - A **medium-sized** enterprise is an enterprise satisfying all of the following criteria:
 - has fewer than 250 employees and
 - has either an annual turnover not exceeding EUR 50m (£40.6m), and/or a balance-sheet total not exceeding EUR 43m,(£35m).
 - A **small enterprise** is an enterprise that satisfies all of the following criteria:
 - has fewer than 50 employees and
 - has either an annual turnover and/or a balance-sheet total not exceeding EUR 10m. (£8.1m)
 - A **micro-enterprise** is an enterprise that satisfies all of the following criteria:
 - has fewer than 10 employees and
 - has either an annual turnover and/or a balance-sheet total not exceeding EUR 2m, (£1.6m).

Monitoring & Compliance

15. Each LA will have responsibility to ensure that projects are carried out in compliance with offer letters. While offer letters will carry standard RGF terms and conditions LA's will be able to include additional milestones which must be met before grant is paid to approved projects. A key milestone is job creation and LA's are required to monitor these on a regular basis. From a Sefton perspective there is the opportunity to maximise local job opportunities through Sefton@Work services.
16. There are inherent risks arising from the delivery of any grant related programme, most notably claw back in the event of maladministration or default. These are mitigated through robust financial and internal project management arrangements. Invest Sefton already has well developed grant procedures built up over the past 18 years through various regeneration led programmes which includes the current Stepclever Legacy Fund. This will be enhanced with the introduction of Sefton RGF grant steering group to oversee awards in the borough.

17. In addition to standard RGF terms and conditions LA's are able to build in additional requirements in grant offer letters to businesses. This includes grant claw back in the event of any default.
18. Invest Sefton business staff will support Sefton applicants through this process. Expressions of interest will be received by the LCRLEP and LAs, these will be shared and a joint decision taken on whether they should be invited to full application. A Consistency and Competitiveness group will have sight of all full applications before they can be approved by the LA. Each LA will be represented on this group. The group will determine if the application demonstrates value for money against an agreed criteria and also if there is sufficient resource in the Programme to fund the project. It is important to note that the group does not approve or reject projects but decides if they are able to go forward to the LA process.
19. If applications successfully pass through the value for money process they can go forward to appraisal. Local Authorities have responsibility for appraisal. The LEP will act as Accountable Body for the Programme and will be responsible for ensuring programme performance and compliance to ensure that activities supported fit within the objectives, value for money and an efficient use of public resource. The LCRLEP has appointed dedicated a Programme Manager to deliver and manage the Programme. Robust monitoring, evaluation and audit systems are in place to ensure the specific requirements of the Programme are met.
20. The programmes provide an excellent opportunity to support business growth and job creation in Sefton in what still is a particularly challenging economy and regular updates will be reported to Cabinet Member Regeneration, Housing and Tourism. There is also an opportunity to generate income for Economy and Tourism through fees paid for each grant awarded.
21. The same procedures and delivery arrangements will also apply to the pending RGF programme which will offer smaller grants of up to £50,000.