

## **BUSINESS INVESTMENT FUND PANEL**

**Date: Tuesday 9 October 2018**

**Venue: HSBC, Europa Way, Sheffield Business Park, Sheffield, S9 1XE**

**Time: 4.00 pm**

## **AGENDA**

No.	Item	Method	Speaker	Page
1	Welcome and Apologies	Verbal	Chair	
	Declarations of Interest			
2	- In relation to any agenda item - In relation to any activity since the last formal meeting - In relation to any forthcoming activity	Verbal	All	
3	Notes of the Last Meeting and Matters Arising	Paper	Chair	1 - 6
<b>For Discussion</b>				
4	BIF Approval - Company Ref. 0073 - Reconsideration from 04.09.2018	Paper	D Wilkinson	7 - 10
5	BIF Approval - Company Ref. 0072 - Appeal	Paper	S Carroll	11 - 14
6	Concept Paper - Company Ref. 0079	Paper	K Bennett	15 - 18
7	BIF Pipeline Update	Verbal	A McKenna	
8	Any Other Business	Verbal	All	

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**SCR BUSINESS INVESTMENT FUND PANEL**

**4<sup>th</sup> SEPTEMBER, 2018 4pm - 6.30pm**

**HSBC, EUROPA WAY, SHEFFIELD**

No.	Item	Action
1	<p><b><u>Welcome and Apologies</u></b></p> <p>Present:</p> <p><u>Board Members</u>            David Grey - Chairman            Chris Scholey            Mary Broadhead            Mike Thomas            Lee Manterfield            Diana Terris            Helen Lazarus</p> <p><u>In Attendance</u>            Laura Wheatley            Andy McKenna            Steve Carroll            Dan Wilkinson            Rachel Fletcher            Kevin Bennett            Craig Tyler, Joint Authorities Governance Unit – minutes</p>	
2	<p><b><u>Declarations of Interest</u></b></p> <p>David declared a non-pecuniary interest in the matters to be discussed in relation to Company Ref. 0075 (Item 5), by virtue of an association with the business’s directors through the Cutlers’ Company.</p>	
3	<p><b><u>Minutes of the Previous Meeting</u></b></p> <p>The minutes of the previous meeting held on 17<sup>th</sup> July were agreed to be an accurate record.</p> <p>It was confirmed all actions against officers, where additional information was to be sought on the Panel’s behalf ahead of</p>	

	<p>advancing the decisions to fund grants, had been duly discharged.</p> <p>It was confirmed advice had been received from the S.73 officer in respect of how information pertaining to Regional Growth Fund (RGF) decisions should be published.</p>	
4	<p><b><u>BIF Approval – Company Ref. 0073</u></b></p> <p>A report was received to provide the information required to enable the Panel to take a decision in respect of whether to support the proposal to provide a BIF (LGF) grant of £108,000 to Company 0073 to support the Company’s investment in new machinery at expanded new premises. The report noted the business wishes to increase capacity, improve quality and raise profile to increase their share of a growing national market.</p> <p>It was confirmed that expansion without additional investment from BIF has been considered and it is believed this would reduce the scale of new job creation and delay the project by 12 months.</p> <p>Additional information was provided regarding the planned leasing arrangements for the new premises.</p> <p>The Panel gave close consideration to the financial information provided and noted some concerns with the size of the Company’s CID facility, questioning whether this should be expected to be larger. Potential reasons for the CID facility size were discussed. Additional financial diligence concerned an apparent drop in gross profits, the lack of recent management accounting information (including dividends payable to directors) and profit as a percentage of turnover.</p> <p><b>Action: Dan to address these matters with the Company’s in-house accountant.</b></p> <p><b>The Panel RESOLVED to DEFER the making of an award of £108,000 to Company 0073 subject to satisfactory responses being received in respect of the above financial questions and the additional conditions contained within the report.</b></p>	DW
5	<p><b><u>BIF Approval – Company Ref. 0075</u></b></p> <p>A report was received to provide the information required to enable the Panel to take a decision in respect of whether to support the proposal to provide a BIF (LGF) grant of £50,636 to Company 0075 to develop and implement new manufacturing</p>	

	<p>methodologies, which will result in increased production and product range expansion.</p> <p>The Panel questioned the apparent omission of future forecast numbers in the report. It was suggested this may be consequent of the Company being focussed on its current relocation exercise, or the forecasts now being part of combined group forecast. The Panel also acknowledged the agreed principle that only a proportionate amount of information might sometimes be sought for smaller grant requests.</p> <p><b>The Panel RESOLVED to APPROVE the making of an award of £50,636 to Company 0075 subject to the adequate provision of additional (proportionate) financial information, and the conditions contained within the report, delegating responsibility to the SCR Senior Finance Manager to take a decision on whether the additional information received is satisfactory.</b></p>	
6	<p><b><u>BIF Approval – Company Ref. 0072</u></b></p> <p>A report was received to provide the information required to enable the Panel to take a decision in respect of whether to support the proposal to provide a BIF (LGF) grant of £500,000 to Company 0072 to secure the purchase of additional, updated equipment to enable increased automation and productivity at its new premises.</p> <p>It was noted the number of new jobs to be created as a consequence of this investment by 2020 is 60 and suggested an assurance would be needed that these are all genuinely new jobs.</p> <p>Consideration of the financial information raised a question regarding why the proposed increased Company activity is not apparently matched by a significant increase in turnover. Additional financial points discussed by the Panel were concerns regarding the level of directorial dividends, and the apparently significant differential between the Company’s highest and lowest salaries.</p> <p>It was suggested some additional risks should be highlighted, associated with the unknowns regarding where the Company’s new premises might be.</p> <p><b>The Panel RESOLVED to DECLINE the making of an award of £500,000 to Company 0072, primarily in recognition of the amount of money reported as being taken out of the business by shareholders’ dividends and directors’</b></p>	

	<p><b>remuneration, and also consequent of the additional concerns discussed.</b></p>	
7	<p><b><u>BIF Approval – Company Ref. 0074</u></b></p> <p>A report was received to provide the information required to enable the Panel to take a decision in respect of whether to support the proposal to provide a BIF (LGF) grant of £350,000 to Company 0074 to help facilitate a move from outdated premises on a constrained inner-urban site and diversify into new markets by developing new laboratory facilities and implementing innovative processes to enable the company's future growth opportunities.</p> <p>It was noted the making of this award is conditional on verifying the project's state aid compliance pertaining to the investment representing New Economic Activity, a query that the Managing Agent is in the course of exploring with the BEIS state aid unit.</p> <p>It was agreed the Company's business interests are representative of the types of industry the SCR is keen to grow.</p> <p>It was acknowledged that the parent company is financially well positioned and also noted the cost per job is significantly higher than the programme normally supports. A lower grant was therefore considered to be more appropriate/proportionate. The Board also noted the option of making a potential award under De Minimis (max €200,000) in the event the project does not satisfy the NEA criteria.</p> <p>It was agreed the parent company should be asked to guarantee the award.</p> <p><b>The Panel RESOLVED to APPROVE the reduced offer of an award of £250,000) to Company 74, with the award being subject to the grant conditions contained within the report (subject to the revised offer being accepted).</b></p>	
8	<p><b><u>Concept Paper – Company Ref. 0076</u></b></p> <p>A report was received to provide the information required to enable the Panel to take a decision in respect of whether a potential inward investment case for Company 0076 should proceed to full application.</p> <p>It was noted some critical information which will affect the validity of the application is due to be received shortly. It was confirmed this and all additional relevant information will be</p>	

	<p>considered by the Appraisal Panel as the application progresses.</p> <p>The Panel noted the opportunity to bolster the application's business case by referencing the potential knock-on positives that would be derived from this investment.</p> <p><b>The Panel RESOLVED to provide IN-PRINCIPLE SUPPORT for the business case proceeding to full application and agreed to not commit to a specified investment level at this stage.</b></p>	
9	<p><b><u>Concept Paper – Company Ref. 0077</u></b></p> <p>A report was received to provide the information required to enable the Panel to take a decision in respect of whether a potential inward investment case for Company 0077 should proceed to full application.</p> <p>The Panel was advised of reasons why this inward investment case is not be eligible for BIF funding (recognising the specific conditions and constraints on the BIF programme) and asked to consider whether to provide support for the case seeking alternate LEP programme funding.</p> <p><b>The Panel RESOLVED to provide IN-PRINCIPLE SUPPORT for officers determining whether the business case should proceed to full application as part of a LGF (non-BIF) funded programme.</b></p>	
10.1	<p><b><u>BIF Programme Update</u></b></p> <p>A report was received to provide the Panel with an update on the overall programme position in relation to expenditure and employment impact of both the Business Investment Fund and Regional Growth Fund programmes, and to address queries or issues arising in relation to individual projects.</p>	
10.2	<p><b><u>BIF Pipeline</u></b></p> <p>A list of projects within the BIF pipeline was tabled for information.</p>	
11	<p><b><u>Any Other Business</u></b></p> <p>None.</p>	

<b>12</b>	<b><u>Date of Next Meeting</u></b>  Tuesday 9 <sup>th</sup> October, 4.00 – 6.00pm at HSBC, Europa Way, Sheffield.	
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## **Business Investment Fund Panel**

**09.10.18**

### **Investment Proposal - Company 0073**

#### **Purpose of Report**

The purpose of this report is to provide additional information requested in support of the proposal for a BIF (LGF) grant of £108,000 to Company 0073, originally considered on 4 September 2018.

#### **Thematic Priority**

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

#### **Freedom of Information**

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

Annex A of this paper is exempt under paragraph 3, part 1, section 12A of the Local Government Act 1972.

#### **Recommendations**

The BIF Panel is asked to consider and agree the proposed grant, to enable the Head of Paid Service (or his appointed delegate) to enact the decision under the delegation made by the MCA.

## **1. Introduction**

- 1.1** The Business Investment Fund (BIF) strategy was approved by the MCA and LEP in 2015 with the purpose of enabling more companies within the City Region to access external finance to grow, modernise or sustain their activities.
- 1.2** To be eligible to make an application, businesses must:
  - Be located in the Sheffield City Region and paying business rates to: Barnsley, Bassetlaw, Bolsover, Chesterfield, Derbyshire Dales, Doncaster, Rotherham or Sheffield. Applications for BIF are also considered from businesses looking to locate into the above areas;
  - Be viable, demonstrating growth or potential to grow and operating from commercial premises;
  - Be able to demonstrate that their project would not go ahead in the City Region, either as quickly or at the same scale without grant support – i.e. a clear case for grant must

be demonstrated and the applicant can evidence that they have exhausted the traditional funding markets;

- Be a project that will create net new jobs in the region;
- Be planning expenditure, broadly in line with the following;
  - Capital equipment, machinery or tools;
  - Alterations to land and/or premises to meet the needs of the business
- Not use the award for working capital or research and development purposes.

**1.3** All BIF applications are appraised using the “Green Book” methodology, following the agreed SCR Assurance Framework for use of Local Growth Fund (LGF) – leading to a cost/benefit appraisal of each proposed investment. Further to unanimous agreement by the Panel the MCA has delegated authority to the Head of Paid Service (or his delegate – in this case Mike Thomas the SCR MCA / LEP Senior Finance Manager) to approve grants and loans of up to £2m LGF.

**1.4** For grants or loans of over £2m, the SCR Assurance Panel will recommend a decision for consideration by the BIF Panel prior to progressing to the MCA, who make the decision regarding financial approval and award of contract. The Statutory Officers may be given delegated authority by the MCA to agree the terms and conditions of any grant or loan award, within the parameters agreed by the MCA.

## **2. Proposal and justification**

**2.1** Company 0073 is a long-established family-owned Sheffield business delivering commercial services regionally and nationally. They have undergone significant recent growth and are planning expansion to meet future growth plans

**2.2** The company had requested BIF grant to support their investment into new machinery at expanded new premises. The business wishes to increase capacity, improve quality and raise profile to increase their share of a growing national market.

**2.3** Their application was considered by BIF Panel on 4 September 2018, who deferred their decision, requesting additional information regarding financial projections and CID facilities.

**2.4** Investment in Company 0073 will generate 8 new jobs by the end of 2019 and support significant income growth.

## **3. Consideration of alternative approaches**

**3.1** Company 0073 have been unable to secure the full amount of investment they require from the marketplace. The absence of the grant would have a significant impact upon the growth and sustainability of the company and prevent the project from progressing in its current form.

**3.2** Further loan and debt funding options have been explored with bank and alternative finance organisations.

**3.3** Expansion without additional investment from BIF has been considered; it is believed this would reduce the scale and delay the project by 12 months.

## **4. Implications**

### **4.1 Financial**

The total cost to the Business Investment Fund (LGF) for this project is:

- Total project costs: £768,000
- Grant request: £108,000
- £108,000 sought from the BIF (LGF) programme to support this project represents 14% of the total investment required, which is within the GBER State Aid limit.

### **4.2 Legal**

All approvals will be subject to a standard funding agreement, to include any scheme specific conditions as appropriate. For schemes under £2m LGF value these will be issued and managed by the Managing Agent (SCC). Over £2m LGF value 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 organisation may safeguard current roles and is creating 8 new jobs which supports more opportunities for residents within the SCR area.

## **5. Communications**

- 5.1 The BIF programme is funded through the LEP's LGF budget. Publicity regarding the award will therefore follow the standard protocols required for LGF award, with the applicant upon acceptance of the grant funding agreement.

## **6. Appendices/Annexes**

- 6.1 Annex A – exempt from publication under paragraph 3, part 1, section 12A of the Local Government Act 1972.

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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

Other sources and references:

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**Business Investment Fund Panel**

**09.10.18**

**Investment Proposal - Company 0072**

**Purpose of Report**

The purpose of this report is to provide further information in appeal regarding the proposal for a BIF (LGF) grant of £300,000 to Company 0072.

**Thematic Priority**

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

**Freedom of Information**

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

Annex A of this paper is exempt under paragraph 3, part 1, section 12A of the Local Government Act 1972.

**Recommendations**

The BIF Panel is asked to consider the additional information presented by Company 0072 in appeal against Panel's decision of 04 September 2018, to enable the Head of Paid Service (or his appointed delegate) to enact the decision under the delegation made by the MCA.

**1. Introduction**

- 1.1** The Business Investment Fund (BIF) strategy was approved by the MCA and LEP in 2015 with the purpose of enabling more companies within the City Region to access external finance to grow, modernise or sustain their activities.
- 1.2** To be eligible to make an application, businesses must:
- Be located in the Sheffield City Region and paying business rates to: Barnsley, Bassetlaw, Bolsover, Chesterfield, Derbyshire Dales, Doncaster, Rotherham or Sheffield. Applications for BIF are also considered from businesses looking to locate into the above areas;
  - Be viable, demonstrating growth or potential to grow and operating from commercial premises;
  - Be able to demonstrate that their project would not go ahead in the City Region, either as quickly or at the same scale without grant support – i.e. a clear case for grant must be demonstrated and the applicant can evidence that they have exhausted the traditional funding markets;

- Be a project that will create net new jobs in the region;
- Be planning expenditure, broadly in line with the following;
  - Capital equipment, machinery or tools;
  - Alterations to land and/or premises to meet the needs of the business
- Not use the award for working capital or research and development purposes.

**1.3** All BIF applications are appraised using the “Green Book” methodology, following the agreed SCR Assurance Framework for use of Local Growth Fund (LGF) – leading to a cost/benefit appraisal of each proposed investment. Further to unanimous agreement by the Panel the MCA has delegated authority to the Head of Paid Service (or his delegate – in this case Mike Thomas the SCR MCA / LEP Senior Finance Manager) to approve grants and loans of up to £2m LGF.

**1.4** For grants or loans of over £2m, the SCR Assurance Panel will recommend a decision for consideration by the BIF Panel prior to progressing to the MCA, who make the decision regarding financial approval and award of contract. The Statutory Officers may be given delegated authority by the MCA to agree the terms and conditions of any grant or loan award, within the parameters agreed by the MCA.

## **2. Proposal and justification**

**2.1** Company 0072 is a Doncaster-based provider of commercial services, seeking to expand its operations within the district. The company has grown significantly over the past 5 years, has now reached capacity at its current site and will be unable to meet its future growth projections without investment in premises, equipment and people.

**2.2** The company had requested BIF grant support to secure the purchase of additional, updated equipment to enable increased automation and productivity at its new premises. BIF Panel declined the application at its meeting on 4 September 2018.

**2.3** The company has reduced the size of its original grant request and submitted additional information for further consideration by Panel members.

**2.4** Investment in Company 0072 will generate 45 new jobs and safeguard a further 13 by March 2021.

## **3. Consideration of alternative approaches**

**3.1** Company 0072 has been unable to secure the full amount of investment they require from the marketplace. The absence of the grant would have a significant impact upon the growth and sustainability of the company and prevent the project from progressing.

**3.2** The business has re-estimated the costs of equipment and submitted a revised request for BIF grant support.

**3.3** The business has submitted additional information demonstrating why it believes the project would not be able to proceed without BIF support.

## **4. Implications**

### **4.1 Financial**

The total cost to the Business Investment Fund (LGF) for this project is:

- Total project costs: £4,110,000
- Grant request: £300,000

- £300,000 sought from the BIF (LGF) programme to support this project represents 7.3% of the total investment required, which is within the GBER State Aid limit.

#### **4.2 Legal**

All approvals will be subject to a standard funding agreement, to include any scheme specific conditions as appropriate. For schemes under £2m LGF value these will be issued and managed by the Managing Agent (SCC). Over £2m LGF value 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 organisation will safeguard 13 current roles and is creating 45 new jobs which supports more opportunities for residents within the SCR area.

### **5. Communications**

- 5.1** The BIF programme is funded through the LEP's LGF budget. Publicity regarding the award will therefore follow the standard protocols required for LGF award, with the applicant upon acceptance of the grant funding agreement.

### **6. Appendices/Annexes**

- 6.1** Annex A – exempt from publication under paragraph 3, part 1, section 12A of the Local Government Act 1972.

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**Business Investment Fund Panel**

**09.10.18**

**Concept Paper - Company 0079**

**Purpose of Report**

The purpose of this report is to provide a project outline for the Panel to assess whether a potential inward investment case for Company 0079 should proceed to full application.

**Thematic Priority**

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

**Freedom of Information**

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

Annex A of this paper is exempt under paragraph 3, part 1, section 12A of the Local Government Act 1972.

**Recommendations**

The BIF Panel are asked to consider the project outline and offer feedback on whether the case of Company 0079 should proceed to full application.

**1. Introduction**

- 1.1** The Business Investment Fund (BIF) strategy was approved by the MCA and LEP in 2015 with the purpose of enabling more companies within the City Region to access external finance to grow, modernise or sustain their activities.
- 1.2** To be eligible to make an application, businesses must:
- Be located in the Sheffield City Region and paying business rates to: Barnsley, Bassetlaw, Bolsover, Chesterfield, Derbyshire Dales, Doncaster, Rotherham or Sheffield. Applications for BIF are also considered from businesses looking to locate into the above areas;
  - Be viable, demonstrating growth or potential to grow and operating from commercial premises;
  - Be able to demonstrate that their project would not go ahead in the City Region, either as quickly or at the same scale without grant support – i.e. a clear case for grant must

be demonstrated and the applicant can evidence that they have exhausted the traditional funding markets;

- Be a project that will create net new jobs in the region;
- Be planning expenditure, broadly in line with the following;
  - Capital equipment, machinery or tools;
  - Alterations to land and/or premises to meet the needs of the business
- Not use the award for working capital or research and development purposes.

**1.3** All BIF applications are appraised using the “Green Book” methodology, following the agreed SCR Assurance Framework for use of Local Growth Fund (LGF) – leading to a cost/benefit appraisal of each proposed investment. Further to unanimous agreement by the Panel the MCA has delegated authority to the Head of Paid Service (or his delegate – in this case Mike Thomas the SCR MCA / LEP Senior Finance Manager) to approve grants and loans of up to £2m LGF.

**1.4** For grants or loans of over £2m, the SCR Assurance Panel will recommend a decision for consideration by the BIF Panel prior to progressing to the MCA, who make the decision regarding financial approval and award of contract. The Statutory Officers may be given delegated authority by the MCA to agree the terms and conditions of any grant or loan award, within the parameters agreed by the MCA.

## **2. Proposal and justification**

**2.1** Company 0079 is a potential inward investor considering moving into the City Region. A full application for BIF has not been submitted at this stage, and a cost benefit analysis will be prepared should the business’ interest in the region progress. Any potential award of BIF grant in due course would likely support job growth, enhance innovation and strengthen the region’s supply chains.

**2.2** At this stage a recommendation to the MCA is not being sought. Panel members are asked to consider the project outline, offer their feedback as to the potential benefits to the region and what further information would be required to develop a full application.

## **3. Consideration of alternative approaches**

**3.1** All sources of funding are currently under investigation by the business and alternatives will be explored in detail should the project reach full application stage.

## **4. Implications**

### **4.1 Financial**

There are no direct financial implications at this stage.

### **4.2 Legal**

Any subsequent approval will be subject to a standard funding agreement, to include any scheme specific conditions as appropriate. Contracts for schemes over £2m LGF value will be issued and managed by the SCR MCA in accordance with the approved terms and conditions.

### **4.3 Risk Management**

Any subsequent grant agreement will include 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**

Any subsequent full grant application shall consider the equality, diversity and social inclusion implications.

## **5. Communications**

5.1 There are no direct communications implications at this stage.

## **6. Appendices/Annexes**

6.1 Annex A – exempt from publication under paragraph 3, part 1, section 12A of the Local Government Act 1972.

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