

SCR BUSINESS INVESTMENT FUND PANEL

4th SEPTEMBER, 2018 4pm - 6.30pm

HSBC, EUROPA WAY, SHEFFIELD

No.	Item	Action
1	<p><u>Welcome and Apologies</u></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><u>Declarations of Interest</u></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><u>Minutes of the Previous Meeting</u></p> <p>The minutes of the previous meeting held on 17th 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><u>BIF Approval – Company Ref. 0073</u></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>Action: Dan to address these matters with the Company’s in-house accountant.</p> <p>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.</p>	DW
5	<p><u>BIF Approval – Company Ref. 0075</u></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>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.</p>	
6	<p><u>BIF Approval – Company Ref. 0072</u></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>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’</p>	

	<p>remuneration, and also consequent of the additional concerns discussed.</p>	
7	<p><u>BIF Approval – Company Ref. 0074</u></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>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).</p>	
8	<p><u>Concept Paper – Company Ref. 0076</u></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>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.</p>	
9	<p><u>Concept Paper – Company Ref. 0077</u></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>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.</p>	
10.1	<p><u>BIF Programme Update</u></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><u>BIF Pipeline</u></p> <p>A list of projects within the BIF pipeline was tabled for information.</p>	
11	<p><u>Any Other Business</u></p> <p>None.</p>	
12	<p><u>Date of Next Meeting</u></p>	

	Tuesday 9 th October, 4.00 – 6.00pm at HSBC, Europa Way, Sheffield.	
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