

Executive Decision Report

**Agreement for Council to be the accountable body for
the RGF SME Growth Fund on behalf of the Leicester
& Leicestershire Enterprise Partnership**

Decision to be taken by: City Mayor

Decision to be taken on: 1 March 2013

Lead director: Andrew Smith



City Mayor

Useful information

- Ward(s) affected: All
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- Report version number: One

1. Summary

Cabinet, on 6th September 2010, approved: the submission to Government of a proposal to establish the Leicester and Leicestershire Local Enterprise Partnership (LLEP), and; the key features of its governance structure and operational arrangements, including the City Council becoming the accountable body for the LLEP.

In November 2012, the LLEP received a conditional scheme offer letter from Government under the Regional Growth Fund (RGF) awarding the LLEP £8m of RGF to the LLEP for the delivery of its SME Growth Fund Programme.

The LLEP SME Growth Fund Programme will establish a £7.8m Fund to provide 25% capital investment grants of up to £150k to businesses in the manufacturing sector located in Leicester City and Leicestershire. The investment of this fund in local SME's will create 312 direct jobs 936 indirect jobs and lever £23.4m of private investment.

It is a requirement of the Council's Constitution that where the Council is required to act as an accountable body in relation to any project or funding programme in excess of £100,000 that the City Mayor approves this decision.

2. Recommendations

It is recommended that the City Mayor:

- (i) Notes the decision of Cabinet on 6th September 2010 which approved the key features relating to establishing the LLEP, specifically the City Council acting as the accountable body for the LLEP;
- (ii) Approves that the City Council becomes the accountable body for the Regional Growth Fund grant monies from central government and
- (iii) Delegates authority to the Strategic Director for City Development and Neighbourhoods, in consultation with the Director of Finance, to formally approve the outgoing grants(as between the City Council and third parties), as recommended by the LLEP Board and thereafter to authorise the City Barrister/ Head of Standards to complete Agreements with the grant recipients.

3. Supporting information including options considered:

In establishing Local Enterprise Partnerships (LEPs) the Government required that a

local authority would act as the accountable body for the administration of grant and other funding received on behalf of the LEP. The City Council was considered to be best placed to be the accountable body for the LLEP and has acted as such since April 2011. The LLEP's Support Team are employed by the City Council and based within the Planning, Transport and Economic Development Division. The LLEP Support Team will manage the operation of the SME Growth Fund programme.

As part of the Appraisal Process there will be a two tier system of application and appraisal

- An Expression of Interest
- A full application form

All Expressions of interest for the RGF SME Growth Fund will be appraised by the LLEP Programme Managers to establish that the business is stable the proposal is state aid compliant and that the SME has a strong business case which will result in the creation of jobs whilst complying with RGF requirements. This will ensure that the EOI meets the basic criteria to proceed to the full application fits with the overall aims for the RGF programmes

The results from the appraisal of EOI's will be sent to the SME Growth Fund Panel for information in a summary document. This will provide details of applicants that can proceed to the full application and those that were unsuccessful at the EOI stage. The SME's with the successful EOI's will then complete a full application form. This full application form will undergo a more rigorous due diligence assessment which will be conducted by an independent specialist procured by the LLEP programme manager. This specialist will have demonstrable expertise in assessing capital grant applications and will be procured in line with the Leicester City Councils procurement policies. This due diligence process will entail a robust assessment of the applicants:

- Professional standing of business
- Conflict of interest
- Litigation, organisational, technical capability/technical feasibility of application
- Project plan
- Financial information including last 2 years audited accounts, profits and loss statements and forecasted cash flow
- Financial viability of application
- Procurement methods
- Type of jobs to be created through the grant (outputs)
- Sustainability of jobs to be created through the grant
- Additionality of proposal (e.g. wider economic and social benefits)
- Risk management processes
- Monitoring techniques
- Governance structures
- Policies and procedures – including equal opportunities, sustainability and health and safety etc.
- Insurances including employer and employee.

The SME applications that successfully come through this due diligence process will be reviewed by the LLEP programme manager and then presented to the SME Growth Fund Panel for final approval.

The applications that are approved by the SME Growth Fund Panel will be submitted to the LLEP Board for final sign off. The LLEP Board may delegate this Authority to its executive Group to avoid delays in the SME Grant process.

The Council as the accountable body for the LLEP will be party to the Grant

Agreements awarded under the RGF SME Grant Fund and agrees to make grant funding available to those recipients as approved by the LLEP Board.

4. Details of Scrutiny

None

5. Financial, legal and other implications

5.1 Financial implications

The LLEP's SME Growth fund Programme will contribute significantly to realising the Government's growth objectives by generating private sector jobs and providing investment in the manufacturing sector.

As the LLEP is not a legal entity, the Government will pay the funding to the Council, to be used for grants to SME's. The Government therefore sees the Council acting as the Accountable Body,

Allocations from the funding are approved by the LLEP Board following a rigorous assessment process. A senior Finance officer will review the approvals on behalf of the Council.

Colin Sharpe, Head of Finance, City Development and Neighbourhoods, ext. 29 7390

5.2 Legal implications

This report requests that the City Mayor formally approves and records his decision that the Council acts as accountable body for the RGF LLEP SME Growth fund. This is required under the Council's constitution and the City Mayor's scheme of delegation.

Central government has issued a draft Conditional Grant Offer Letter to the City Council following an application made by the LLEP for RGF funding. The City Council has been asked to consider this by 17 Jan 2013 and when it confirms that it is in a form acceptable, the Department for Business, Innovation & Skills (BIS) will issue the final form of the Conditional Offer letter on 18 Jan 2013. The final Grant Offer Letter will be issued by BIS in April 2013. Between now and then, BIS will be undertaking its due diligence to satisfy itself of the Council's procedures and the integrity of the process by which applications will be considered.

The City Council has legal powers to accept grant funds and act as accountable body for the purposes outlined in the RGF draft Conditional Offer Letter, in general terms, the general power of competence would enable the City Council to undertake this.

The other legal implications are in respect of the following:

Grant Conditions

The grant conditions from central government are contained in their “Conditional Grant Offer Letter”. Client officers have been advised as to these and in particular the circumstances in which BIS may vary, withhold or demand repayment of any grant monies. The City Council is familiar with acting as accountable body for grant monies where applications made by third parties are considered by non-City Council bodies (the LLEP in this instance). In order to mitigate the risk of any withholding or clawing back of grant monies, the City Council must ensure that robust procedures are in place to ensure that the RGF grant conditions are not breached.

Onward Funding

The applications from organisations for RGF funding will be considered by a panel set up by LLEP. Those successful will enter into agreements between themselves and the City Council. Client officers are taking legal advice in relation to this, the Agreements will need to step down appropriate obligations which are in the Grant Offer Letter.

State Aid

The City Council must be mindful of state aid rules in respect of funding private organisations. In general terms, BIS state that for the RGF, certain categories of aid are compatible and are covered under the General Block Exemption Regulation. However the GBER upon which this funding is compatible with state aid rules, expires on 31.12.13. Client officers are advised to ensure that no promises or commitment to funding is given for the period beyond this date, and to check what will be replacing the GBER. It is likely that some form of GBER will be made at EU level but as BIS have reserved their position about state aid funding beyond this date, the Council must do so as well. Again, clients should take appropriate legal advice at the relevant stage.

Grants for organisations outside the City’s boundary

Client officers have been advised that as the City Council has no legal power in this respect, it should enter into appropriate agreements with the relevant local authority (in whose administrative area the organisation is) in order to delegate to the City Council the relevant function and enable the City Council to make the grant funding. Again, this will be on-going legal advice.

Beena Adatia, Senior Solicitor ext 29 6378

5.3 Climate Change and Carbon Reduction implications

No climate change implications.

5.4 Equality Impact Assessment

The LLEP SME growth fund is funded from the Regional Growth fund and is designed to ensure the provision of state funds to 'beneficiaries' in support of projects that meet the objectives of the Regional growth Fund in particular in support of the creation of new, sustainable, private sector jobs in areas vulnerable to public sector job losses.

5.5 Other Implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

No other implications

6. Background information and other papers:

None

7. Summary of appendices:

None

8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?

No

9. Is this a "key decision"?

Yes.

10. If a key decision please explain reason

The Council will be making grants of between £25,000 and £150,000 on behalf of the LLEP to recipients. Payments of state funds already drawn down from the funding account may be withdrawn if arrangements for financing the scheme are changed, or if progress on the scheme including progress towards the job target is not satisfactory. Or if scheme deemed to be in jeopardy or if information given in relation to the scheme changes substantially during implementation or is shown to be incorrect or misleading and any claim is based on misleading information..