

# Executive Decision Report

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**Agreement for Council to be the accountable body on behalf of the LLEP to agree and sign the deed of Grant with EMB Ltd for the £3.3m ERDF funding to the LLEP SME Growth Fund Programme.**

Decision to be taken by: City Mayor

Decision to be taken on: April 2014

Lead director: Frank Jordan

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**City Mayor**

## Useful information

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

### 1. Summary

It is the City Mayors decision that the Council acts as LLEP accountable body. The Catalysing Growth Project has been established to help address the shortage of investment finance identified by businesses in the East Midlands. The Project provides ERDF grant funding to top-up three RGF3 programmes already established by Local Enterprise Partnerships in the area. These are:

The LLEP SME Growth Fund in Leicester and Leicestershire

The Northamptonshire Enterprise Partnership (NEP) High Performance Technologies Investment Fund in Northamptonshire

The Derby, Derbyshire, Nottingham and Nottinghamshire Local Enterprise Partnership (D2N2) Unlocking Investment for Growth Fund in Derbyshire and Nottinghamshire

The additional ERDF funding will extend the amount of grant funding available through the LLEP SME Growth Fund RGF Programme, enabling the LLEP to support a greater number of businesses wishing to invest in innovation and growth and create sustainable new jobs.

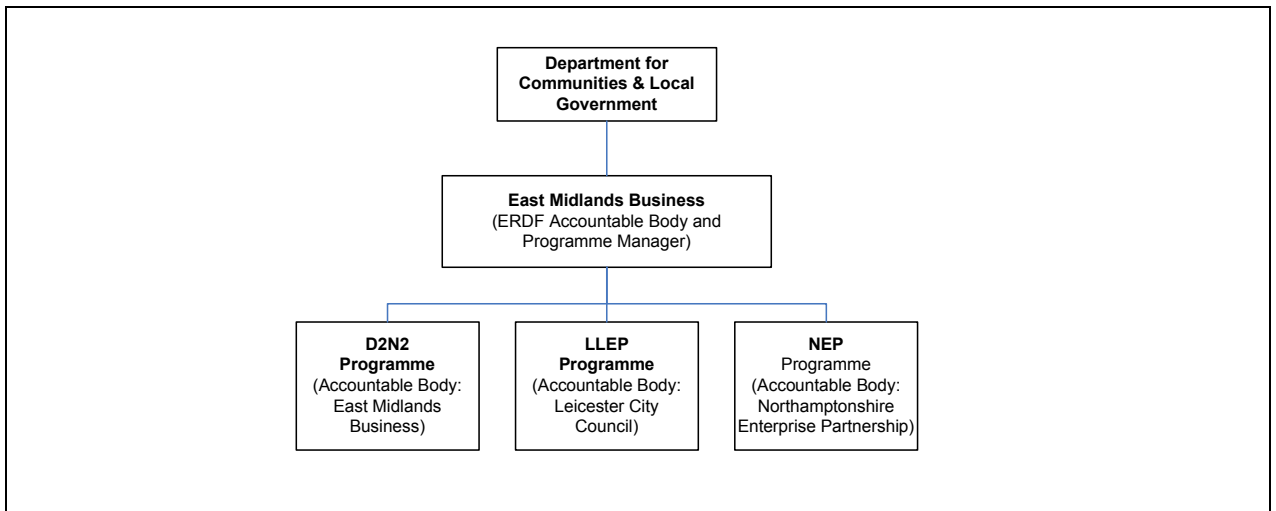
A further £3.3m of ERDF funding has been awarded to the LLEP to extend the size of the grant fund available to SMEs, which is additional to the £8m RGF funding.

The LLEP SME Growth Fund Programme has established a £7.8m RGF fund to provide grant of up to 25% capital investment from £25k to £150k to businesses in the manufacturing sector located in Leicester City and Leicestershire. The ERDF top-up provides a further £3.172m for grants to businesses, with £0.132m to cover additional LLEP running costs of the Programme. ERDF funding levered using £6.0m of RGF funding as match.

Outputs aligned to LLEP Growth Plan. The extended Programme will achieve

- 1,323 new private sector jobs in the local economy
- Invest £10.972m in local manufacturing businesses
- Lever in £32.9m in additional private sector investment

The Catalysing Growth Project is a partnership between East Midlands Business Ltd, the Accountable Body for the ERDF grant and the D2N2 RGF Unlocking Investment for Growth Programme, LLEP and NEP.



## 2. Recommendations

It is recommended that the City Mayor:

- (i) Notes the decision of Executive on January 2013 which approved the key features relating to agreement for Council to be the accountable body for the RGF SME Growth Fund on behalf of the Leicester and Leicestershire 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

Non

## 4. Details of Scrutiny

DCLG RGF and ERDF teams in BIS local (DCLG) to undertake Project Engagement Visits, Article 13 and Article 16 audits.

## 5. Financial, legal and other implications

### 5.1 Financial implications

This report is concerned throughout with the financial implications of the Council accepting and administering £3.3m of ERDF funding, in its role as LLEP accountable body. Grant allocations are recommended by the LLEP Board following a rigorous assessment process, and are reviewed by a senior Finance officer on behalf of the Council prior to the release of funding.

### 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 4 funds. This is required under the Council's constitution and the City Mayor's scheme of delegation.

East Midlands Business Limited ("EMB") has issued a draft Deed of Grant to the City Council in circumstances as outlined in the main report. The City Council has agreed the offer in principle subject to City Mayor approval.

The City Council has legal powers to accept grant funds and act as accountable body for the purposes outlined in the Deed of Grant, 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 EMB are contained in their Deed of Grant. Client officers have been advised as to these and in particular the circumstances in which EMB 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. The Agreements will need to step down appropriate obligations which are in the Deed of Grant.

#### State Aid

The City Council must be mindful of state aid rules in respect of funding private organisations. In general terms, EMB state that for the RGF, certain categories of aid are compatible and are covered under the General Block Exemption Regulation. Client officers should take appropriate legal advice at the relevant stage. De minimus rules permit state aid to organisations up to a value of 200,000 euros over a three year period.

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, Principal Solicitor (Commercial, Contracts and Capital)

### 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?)

There could be a possible risk of grant claw back and the mitigations

## **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)?**

None

**9. Is this a “key decision”?**

No.

**10. If a key decision please explain .**

The one-off expenditure is to be committed on a scheme not specifically authorised by Council

The Council will be making grants of between £25k and £150k on behalf of the LLEP to business recipients. The Government and the City Council have signed a Final Grant Offer Letter for £7.8m RGF funding to support the LLEP SME Growth Fund Programme.

Authority is requested from the Council, as the Accountable Body on behalf of the LLEP, to agree and sign the Deed of Grant with EMB Ltd for the £3.3m ERDF funding to the LLEP SME Growth Fund Programme.

The impact on the SME Grant Fund programme is the additional grant funding of £3.172m and associated programme management activity (Account Managers x2, Project Co-ordinator; £0.132m).

Match Funding from RGF3 Grant offer letter confirmed by BIS/DCLG.