

APPENDIX C: BUSINESS BOARD PROPOSED ADJUSTMENTS TO LGF TERMS AND CONDITIONS

1. Background

On the 23 March 2020, The Business Board discussed and proposed exploring measures to support business in relation to programmes already in delivery that could be refocussed.

These included exploring the following three provisions:

- A. Local Growth Fund loans - existing and impending loans to be offered flexible payment terms including option of a 6-month repayment holiday
- B. Local Growth Fund grants – existing and approved projects to be offered full or partial payment of the grant award upfront to ease cashflow
- C. Current Small Capital Grant scheme criteria to be relaxed and refocussed to provide businesses with cashflow – explore intervention rates, retrospective claims for capital expenditure, count safeguarded jobs and widen criteria to include all sectors

Each of the three proposed support options are explored below in relation to compliance and risk with recommendations at the end of this report on the actions that can be proposed to be implemented.

2. A. Local Growth Fund loans

Offering 6-month repayment holidays on LGF loans is entirely possible on case by case basis as long as consideration and adherence to state aid rules be observed and the recipient fully aware that interest will still accrue and both capital and interest will have to be repaid once loan repayments recommence.

3. B. Local Growth Fund Grants – Upfront Payment

Funding an organisation in advance to mitigate the cashflow impact of delivering a project we have commissioned would be allowable where it provides funding to be directly spent on the project the Authority has approved. The amount advanced should be linked to the amount being spent on the project in a defined, near-term timeframe.

Where the purpose of advancing the funds is to provide a cashflow grant/loan for the general purposes of running the company and not linked directly to the delivery of the project approved by the Authority, the funding would be divorced from the project as approved, is likely to be used for non-capital purposes, and could give a selective advantage to those organisations without an open, clear, and transparent process - which would contravene our Assurance Framework”

4. Current Small Capital Grant Scheme – Explore Scale up Provision

The current Small Capital Grant scheme operating with grants from £10k to £150k aimed at new capital investment projects.

The Chief Officer Business Board has delegated authority from the Combined Authority Board to sign-off grant awards up to £150k.

Due diligence is carried out by sub-contractors who validate; the last 2 years trading figures (sole traders) or filed accounts (Ltd companies), forecast business performance, outstanding loan or debt finance, and any precluding issues to funding such as the status of directors.

One suggested amendment to the small grants scheme was to provide capital grants retrospectively, i.e. for capital expenditure which has already been incurred, to enable the businesses to pay off some or all of its capital debt associated with the expenditure.

However, as the current large-scale disruptions due to COVID-19 mean that any financial due diligence carried out on an organisation (for example reviewing historic accounts) would be meaningless, it would not be possible to make an informed Value for Money judgement. While this is equally true for grants paid for a new asset, acquisition provides additional assurance as there the new asset being acquired which will add value and functionality to the business and this additional assurance is sufficient to satisfy the S73 officer’s responsibility for achieving value for money on behalf of the Combined Authority.

Other amendments included:

- Lower the current scheme threshold down from £10k to previous scheme £2k minimum threshold
- Increase Intervention rate to 80% for smaller companies limited to £50k grant – as per the Thomas Cook grants provision approved at Business Board in November 2019 – subject to any restrictions due to state aid.

- Count safeguarded jobs as well as new jobs as output measure - this relaxation relying on other projects in the full LGF portfolio achieving higher numbers of new jobs (this change requires investigation with BEIS in respect of LGF rules compliance)
- Increase job to grant ratio from £10k to £25k per job in line with other LEP area programmes – this relaxation relying on other projects in the full LGF portfolio achieving high value per job ratio
- Change criteria to ensure that companies in receipt of the Governments current emergency package of support grants are excluded to avoid double funding

5. Recommendations to Combined Authority Board

After scoping with legal and finance Officers the revised proposition for local business to be able to meet criteria for national and local assurance frameworks the following is recommended to the Combined Authority Board:

- 1. Approve the offer of interest accruing repayment holidays to companies in receipt of a Local Growth Fund loans for payments due between 24th March 2020 and 31st August 2020;**
- 2. Approve the adjustment of the current Small Capital Grant Scheme criteria on Intervention rates, Jobs output value ratio to grant value, including safeguarded jobs in output measures for grants, subject to consultation with BEIS advice**