

## Marches enterprise joint committee

**Meeting date:** 15 February 2016

**Title of report:** Marches investment fund allocations

### Classification

Open

### Key Decision

This is a key decision because it is likely to result in the councils incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function to which the decision relates; and because it is likely to be significant in terms of its effect on communities living or working in an area comprising one or more wards in the Marches local enterprise partnership area.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

### Purpose

To allocate Marches investment funding against a loan application received by the Marches local enterprise partnership (LEP).

### Recommendation(s)

**THAT: a loan of £720,000 ( 5.04% interest rate) to Dicentra LLP be approved.**

### Summary

- 1 The Marches Investment Fund is a scheme that aims to address the need for investment to unlock stalled developments in the Marches area that will create much needed homes and jobs. Funding is provided in the form of a loan, equity or, joint venture and is subject to interest charges and an arrangement fee. Investments made by the fund are repayable at a competitive market rate using the EC reference rate.

2. The finance for this recycling fund was obtained from the Government's Growing Places fund. The award of £8.1m was received by the LEP in 2012 to cover the loan finance and the management of the scheme. The minimum capital loan request that is available from this fund is £250,000. This cannot exceed 60% of the value of the completed project. Funding can also be sought for final stage feasibility work. The request for feasibility funding cannot exceed 50% of the cost of the study and the minimum loan is £20,000 with the maximum loan capped at £100,000.
3. The scheme criteria, detailed above, was devised following an independent review of the Marches Growing Places fund in April 2015. On the 18th May 2015, the LEP board approved amendments to the Fund criteria based on the consultant's recommendation and the revised Fund was launched on 1 July 2015. The fund was rebranded as the Marches Investment Fund to acknowledge the change in the criteria.

## **Application process**

4. Applicants are required to submit an expression of interest form, by an agreed deadline, enabling the submission to be assessed by a shortlisting panel. The Panel consists of two LEP Board Members and the LEP Partnership Manager. The Panel assesses all the applications submitted, supported and advised by the procured independent technical advisor (ITA), Thomas Lister Consultancy. The panel then makes recommendations to the LEP board regarding which applications should proceed to full due diligence appraisal.
5. Thomas Lister undertakes the independent technical due diligence appraisal and presents recommendations to the LEP board. The due diligence process adopted by the ITA has satisfied accountable body auditors, is state aid compliant and is also used by other LEPs when allocating Growing Places funds. The LEP board considered recommended loan value, interest rate, repayment terms and pre-conditions to be satisfied before funds are drawn down by the applicant. These are available to the Committee as an exempt background paper.
6. One application from the last round has now successfully completed the full due diligence assessment and the LEP board has recommended that this proceeds to the Marches executive joint committee to seek approval and enable loan agreement to be issued. This project is:

### **Project 1**

Applicant: Dicentra LLP

Project: to renovate the former Brintons factory site located on Halesfield 15, Telford to bring back into use 6,292 sq.m of industrial floor space and a site totalling 4.04ha. The project will create new local employment opportunities (approx. 200 FTE).

Loan Request: £720,000

Recommendation: Approve a loan of £720,000 at an interest rate of 5.04%.

## **Alternative options**

- 7 It is open to the committee to reject the loan request or offer an alternative loan sum. This is not recommended as a lower loan sum would not secure the economic benefits anticipated, and the application has been through a robust and independently assessed appraisal process.

## **Financial implications**

- 8 Growing Places funding was issued to the LEP (accountable body Shropshire Council) on 21 February 2012. A total sum of £8,190,847 of which 2% can be used for revenue funding for the delivery and management of the fund. So far, one project has entered into a loan agreement and is now repaying the loan on an annual basis.
- 9 The application presented to the committee totals £720,000. The remaining funds, £6,771,316 will be available to potential applicants through the published application process for the Marches Investment Fund. The next application round closes on 19 February 2016. The funds will be released to the applicant in several payment tranches based upon evidence of defrayed expenditure.

## **Legal implications**

- 10 Shropshire Council is the accountable body for the scheme and issues the legal agreements to applicants on behalf of the Marches LEP. Thomas Lister Consultancy undertakes due diligence on each applicant seeking support and makes recommendations to LEP Board on the basis of a full technical appraisal. In the event of a default that is not reconcilable, Shropshire Council, as the accountable body for the fund, has a first charge over the site and buildings, the value of which far exceeds the proposed loan. In the event of default, the LEP and local authority partners would, in line with the scheme Memorandum of Understanding, agree how to proceed.

## **Risks, opportunities and impacts**

- 11 Risks:
- The decision to award finance and the calculation of the interest rate to be applied has been calculated based a robust due diligence process approved by government auditors, is State Aid complaint and has been undertaken by an experienced ITA to ensure compliance and to minimise risk.
  - A First legal charge will be placed upon the site to ensure funds can be recovered in the event of a default.
  - Funds will only be released subject to evidence of defrayed eligible expenditure, certified by a qualified surveyor overseeing the programme of works.

12 Opportunities:

New employment opportunities direct and indirect by the development

### **Consultation**

- 13 The LEP board has been consulted at three board meetings (22 September 2015, 24 November 2015 and 26 January 2016) on the shortlisting process and the outcome of the due diligence assessment and has recommended the project for approval in line with the pre-conditions proposed by the ITA. The ward member is being informed of the proposal and any views will be reported verbally to the committee.

### **Additional Information**

None

### **Appendices**

None

### **Background papers**

Marches LEP Board Papers re scheme preconditions and loan repayment terms. *Exempt from publication by virtue of paragraph 3 of the Access to Information Procedure Rules set out in the constitution pursuant to Schedule 12A Local Government Act 1972, as amended.*