

Record of Officer Decision

Decision title:	SPF Business Enterprise Fund
Date of decision:	22 May 2023
Decision maker:	Corporate Director of Economy and Environment
Authority for delegated decision:	<p>Key Decision Cabinet - 15 December 2022 to 'to accept and spend any approved UK Shared Prosperity Plan and Rural Prosperity Funds approved by Government'</p> <p>https://councillors.herefordshire.gov.uk/ieDecisionDetails.aspx?ID=9216</p> <p>To delegate to the Corporate Director for Economy and Environment, in consultation with the Cabinet Member for Environment and Economy and the Section 151 Officer, all operational decisions in implementing the funding in accordance with the Herefordshire UKSPF Investment Plan and RPF Addendum.</p>
Wards:	All
Consultation:	The UKSPF Investment Plan included extensive engagement with a wide range of stakeholders across a diverse range of groups, organisations and sectors including Herefordshire Sustainable Growth Strategy Board. Business Support was included as a key part of the Investment Plan under the 'supporting local business' investment priority.
Decision made:	<ul style="list-style-type: none"> • To administer a capital equipment grant to Herefordshire SME's up to 31 March 2025, as part of the UKSPF Investment Plan. • UKSPF revenue allocation to fund the administration of the capital grant scheme • To procure independent financial assessors to assess the viability of projects submitted for this scheme and those funded by RPF Addendum • To delegated authority to the Service Director- Economy to issue grant contracts up

	to £35,000 per SME and to take day to day operational decisions, including variation to SME grant agreements.
Reasons for decision:	<p>In April 2022, government launched the UK Shared Prosperity Fund (UKSPF), to replace the European Union funded structural funds.</p> <p>The primary goal of the UKSPF is to build pride in place and increase life chances across the UK. This aligns with the Levelling Up White Paper missions. Funding is targeted where it is needed most: building pride in place, supporting high quality skills training, supporting pay, employment and productivity growth and increasing life chances.</p> <p>The council has been allocated £7,545,330 to be spent between 2022 and 2025, of which, £903,194 is for 'Multiply' adult numeracy support which is subject to a separate decision. Government announced approval of the Investment Plan on the 5 December 2022, and Cabinet took the decision to accept and spend these funds on 15th December, 2022 https://councillors.herefordshire.gov.uk/ieDecisionDetails.aspx?ID=9216</p> <p>A grant scheme for SME's has been devised to address the UKSPF Investment Plan key objective of supporting local business. The investment plan aims is to:</p> <p>Increase private sector investment in growth-enhancing activities, through targeted support for small and medium-sized businesses to undertake new-to-firm innovation, adopt productivity-enhancing, energy efficient and low carbon technologies and techniques, and start or grow their exports</p> <p>This new grant scheme will achieve this by:</p> <ul style="list-style-type: none"> - Provide a capital grants to SME's to purchase equipment to increase their productivity, help them to innovate and become more resilient. - All projects must introduce a new to the firm technology or process (E29 target: 58). - All projects must explain how this new process/ technology will help them reduce their carbon footprint or indirectly benefit the wider environment - A maximum grant award of £35,000 - Minimum grant award of £1,000 - 50% contribution to the cost of the equipment – capped at £35,000

- private sector leverage: £1,134,976
- Minimum of 58 businesses supported (E29 target:45)
- Available to all Herefordshire business (excluding core farming activity- Defra Farming Equipment and Technology Grant is live)
- Minimum item value £500 x4 items to secure minimum grant of £1000.

This grant scheme which achieve this by utilising all the capital allocation under measure E29, a total of £1,134,976. In addition, a proportion of the revenue allocation, £117,000 (total E29 allocation is £315,822) and income from received from managing a previous ERDF grant scheme to effectively delivery and manage the grant scheme. The grant scheme will be administered by Herefordshire Council staff utilising existing staff that have successfully delivered ERDF grants to businesses.

Assessment Process:

SME will complete an expression of interest (2 page document) to enable the grant team to assess eligibility.

If the information provides meets the basic eligibility criteria e.g

- SME is located/ activity to be based in Herefordshire
- Aim to introduce at least one new technology or process
- Will increase their productivity, help them to innovate and become more resilient.
- Purchase a capital item(s)
- The investment will help to reduce their carbon usage directly or can show a wider community/ supply chain benefit
- Have been trading for at least 6 months

The SME will then be invited to complete a full application:

- Application form – business case
- Compliance with subsidy control measure
- Relevant number of quotes
- Financial - evidence of funding/ cashflow/ 1yr accounts/ management accounts
- SME status confirmed

If successful a grant contract will be issued. This will be signed by the Officer with Delegated

Authority, Service Director - Economy .

Highlight any associated risks / finance / legal / equality considerations:

Finance

UKSPF allocation: Capital £1,134,976 and revenue £315,822:

	3/2022	3/2023	3/2024	Total
E29: Supporting decarbonisation whilst growing the local economy	£100,000 (R) £80,609 (C)	£101,039 (R) £209,584 (C)	£114,783 (R) £844,783 (C)	£1,450,798 (£1,134,976 C/ £315,822R) Less 4% off revenue = £303,189.12 available

Funding for New Grant scheme:

Funding:						
	SPF (a) (£)	Council(b) (£)	Private Match(c) (£)	Total (d) (£)	SPF Contribution rate (%) (a)/(d)x100	
SPF capital	£1,134,976	Nil	£1,134,976	£2,269,952	50%	
SPF revenue	£ 118,000	£77,000*	Nil	£ 195,000		
TOTAL	£1,251,976	£77,000	£1,017,976	£2,464,952		

SPF has been secured and the council’s contribution is available. The input of £77,000 is income* generated from successfully delivering an ERDF grant scheme which concludes in June 2023 but still has ongoing monitoring requirements.

The sustainability team have also secured £176,333 of this revenue budget. Therefore there will be £8856 remaining under E29 revenue.

SPF funding will be paid to the Council in advance of allocating to businesses based on agreed profile in the SPF investment plan. Payment to businesses will released against evidencing defrayed expenditure and output reporting.

Legal

UKSPF grant terms (including grant award/ output/outcome definitions) will be written into the grant funding agreement to all approved SME's. The SMEs will be required to deliver these conditions by the specified time frame and before March 2025 to ensure appropriate evidence can be provided DLUHC.

All SME's will need to comply with subsidy control measures, this will be contained with the grant funding agreement. Advice will be sought from Legal department and delegated grant Team to ensure the suite of grant application forms to be issued complies with these measures and provides a compliant audit trail. It is proposed that Minimum Financial Assistance procedures will be adopted for this scheme subject to advice from Legal.

Procurement

This scheme will operate as a delegate grant scheme where business obtain quotes for the items that they wish to purchase. There is limited guidance within the Shared Prosperity Funding with regard to procurement process that Herefordshire Council must adopt.

Herefordshire Council Internal procurement policy is as follows:

- Below £25,000 – evidence best value to be obtained and identify at least 3 suppliers to obtain a simple quotation
- £25,001 to £75,000 - 4 quote process or advertise if suppliers can not be identified

National Procurement Guidance states

- £0 - £24,999 – direct award
- £25,000 – 181,302 – 3 quotes

In light of this the following procedure will be adopted:

Items below £25,000 - 2 quotes
Items £25,000 + - 3 quotes

This will ensure that the approach that is adopted is proportional and transparent, whilst ensuring value for money is obtained for public funding allocated to SME's. The businesses

will need to provide a rationale/ reasoned justification with regard to the chosen quote, if the cheapest supplier is not selected. A single supplier declaration form will be provided in rare occurrences where only one supplier can be found. The above process was also adopted for ERDF grant schemes

We have consulted with Council Procurement Team and Corporate Grant Lead in devising this procurement process

Equality :

Grants will be offered to Herefordshire SMEs based solely on their compliance with the publicised scheme criteria and needs identified in the SPF Investment Plan regardless of their sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation.

Will ensure that all documentation, including application information, can be made available in a number of languages and formats, if requested.

Risks

Reputational Risk: There is a reputational risk if the council chooses not to deliver this activity. This grant scheme is contained within UKSPF Investment Programme, to meet the need of local businesses and help to deliver 2050 Economic Plan.

Capital Funding Budget (E29) is not fully allocated:

Application call deadlines will be published and promoted by the Marches Growth hub and Economic Development Team. New call deadlines will be issued if funding remains unallocated at the end the first call. It is anticipated this will occur every 4/6 weeks until all funding is allocated. The Marches Growth Hub has a pipeline of businesses requesting business finance along with local business advisors. The scheme will be promoted through various networks including Chamber of Commerce and Federation of Small Businesses. The scheme will be managed by a team within Economic Development who has experience of delivering a range of externally funded business support programmes. In March 2023, an independent summative assessment concluded that the MBIP scheme which was ERDF funded 'had been well-managed and delivered by a dedicated team' and future schemes should 'continue with the same overall programme management approach as this has

	<p>been successful on a number of programmes,'</p> <p>Not meeting the required outputs: The council has committed to providing business support grants as part of the Investment Plan and is required to meet outputs and outcomes as a result of this support. This will be written into the SME's grant contracts. The business seeking grant funding will be assessed by a Panel to ensure the proposal is deliverable. Should the business not comply the grant funding agreement a clawback clause in the funding agreement can be activated to enable funding to be repaid and then reallocated to ensure outputs can be achieved by another SME.</p> <p>External Factors: Economic downturn/ resurgence of pandemic lockdown condition. This would impact on the council ability to deliver the grant scheme contractual requirements. Seek to extend delivery timescale with DLUHC.</p>
<p>Details of any alternative options considered and rejected:</p>	<p>Do nothing: The council does not have to deliver this activity and does not have to receive the allocation given to Herefordshire.</p> <p>With the closure of EU funding/ EU grant schemes across Herefordshire there is a gap in provision for business to access capital equipment funding that can assist with productivity, technology improvements which will enable the local business population to become more resilient.</p> <p>If this grant scheme does not proceed Herefordshire businesses growth may be inhibited by a reduction / delay in investment decisions which would affect the wider local economy and environment. The scheme will also lever in private sector investment to the value of £1,134,976, which will benefit local supply chains.</p> <p>Third party delivery of this grant scheme: The management of this grant scheme could be delivered by a third party organisation via an open procurement process to recruit a preferred supplier of this service.</p> <p>The costs of delivery however is expected to be higher if this was adopted reducing the level of grant funding available to businesses. There is also considerable level of experience and expertise within the council to deliver this service as seen by the latest independent summative assessment produced by Amion Consulting Ltd. This approach would require monitoring from officers within the council to ensure provider is compliant with SPF contractual requirement and subsidy control regulations which could expose the Council to</p>

	greater risks with future audits.
Details of any declarations of interest made:	None.

Signed:

Date: May 2023

Ross Cook, Director for Economy and Environment