

16th September 2014**Agenda Item: 6****REPORT OF THE GROUP MANAGER, CORPORATE STRATEGY****NOTTINGHAMSHIRE ECONOMIC DEVELOPMENT CAPITAL FUND****Purpose of the Report**

1. To advise the Committee of the results of the first round of the Nottinghamshire Economic Development Capital Fund (NEDCF) and to seek approval to its future operation.

Background

2. This Committee initially approved broad criteria and management arrangements for the NEDCF on 12th December 2013, and subsequently approved detailed arrangements for the first round on 11th February 2014.

Preliminary Results of First Round

3. In accordance with previous decisions of the Committee, the NEDCF was opened with a fixed deadline of 23 May 2014. 26 applications were received by the deadline requesting total NEDCF grant of £2.67m. Following an initial review for eligibility, 21 were assessed in accordance with the Assessment Framework approved by the Committee on 11 February. Those deemed ineligible at this stage were requests seeking revenue support and others not identifying growth and specifically those failing to create private sector jobs.
4. The Stage 1 process involved paired scoring and quality assurance checks. The paired scoring process meant that two individuals independently assessed each application and then met to moderate the results, when a score for each element of the application was agreed between the pair. The pairs were variable, all drawn from a panel of trained scorers. Following this process, the 21 applications were ranked in accordance with the Red / Amber / Green system as follows:
 - 4 red applications (being those which failed to reach quality threshold of 20 points OR which failed the credit check) which were not invited to submit a Stage 2 application. All of these applications received detailed feedback to outline the reasons for their score and were offered information to assist them should a further application be made at a future date.
 - 7 amber applications (scoring between 20 and 26 points) which were invited to Stage 2 of the process. 3 of these applicants decided not to proceed.
 - 10 green applications (scoring above 27 points) invited to Stage 2 and all have submitted Stage 2 applications).

5. The geographical spread of the applications was as follows:

District area	No of eligible bids at Stage 1	No of eligible bids at Stage 2
Ashfield	0	0
Bassetlaw	4	2
Broxtowe	2	1
Gedling	2	2
Mansfield	3	0
Newark and Sherwood	4	4
Rushcliffe	6	4

6. The process allowed for local Members to be informed of applications within their Electoral Divisions at Stage 2 and details were circulated to relevant Members in early August.
7. Out of the 17 applicants invited to bid at Stage 2, 14 applications were received. One Stage 2 application received was found to be non-compliant with State aid rules and a letter was sent to the applicant explaining that the County Council would not be able to make any grants that do not comply with State aid law. The remaining 13 had a total value of £1.56m NEDCF grant – around 50% of the total resources available - and projected outputs as follows:

KPIs	Scheme Targets	Outputs projected for Round 1
Jobs created	200	189
Jobs safeguarded	150	371
Leverage £	£6m	£12.5m
Business sites improved	20ha	1.66 ha
Businesses assisted	40	13

8. The output figures are based on the information stated by applicants. The leverage and business assists figures are likely to be accurate but the jobs figures should be treated with some caution at this stage as they will most likely be revised as a result of the detailed Stage 2 appraisal. For example, currently included within the 189 projected jobs created figure are 30 apprenticeship places, which may not be classed as permanently created jobs. It merits repeating that with only just over half of the available resources committed, there is scope for the enhancement of the above projected achievements. The KPI on business sites improved merit reference in terms of potential changes to the parameters of the Fund and this will be reflected in the next section of this report.
9. Further appraisal has commenced on the 13 eligible Stage 2 applications following the previously approved Assessment Framework. This approach reviewed the overall fit with NEDCF aims, objectives and targets, strategic fit, deliverability and risk. As Members will recall from the February Committee report, a small amount of resources were agreed to allow for the appointment of third party organisations to provide external and independent expert input on project financial viability and deliverability, and overall value for money. The pairs of assessments will be examined to ensure both are satisfactory before final authorisation to award grant is sought from the Corporate Director for

Planning, Policy and Corporate Services in consultation with the Chair of the Economic Development Committee, all in accordance with decisions of the Economic Development Committee on 11 February 2014.

10. Each approved grant will be subject to preparation of a Legal Agreement which also defines the agreed targets, outputs and expenditure profile for each project. This agreement will form the basis for ongoing monitoring until the project concludes. Payment schedules will be individually defined for each project, but will always involve holding back the last 5% of grant until the project is complete and evidence of achievement of outputs and expenditure has been provided.

Proposals for the Future Operation of the Fund

11. Members will recall from the previous report that as a new Fund, a review of the first round was proposed which may assist in making amendments going forward. The key issues may be summarised as follows, alongside the proposals made as a consequence :
12. *Overview of demand* The results of the assessments so far indicate that about half of the available resources will be committed by the end of the first round. Since the bidding round closed, there have been 15 enquiries received about future availability of funding. A minority of these have been from partner organisations such as District Councils but most have come directly from businesses. This suggests that a further opening of the Fund will attract interest but should be accompanied by further publicity as previously.
13. *Changes requested to the Assessment Framework:* An amendment is proposed to the Assessment Framework to more explicitly reference how applications are requested to support the Council's objective of promoting the living wage.
14. *Changes requested to the Guidance:* the Guidance for applicants was written with support from Legal and Finance Services and overall was successful and clear with only a few request for clarification received. All of these were referenced and responded to on the Council's website to support applicants. However, as the process was followed, some minor amendments are suggested as a result of feedback, including changing the wording on the requested evidence in support of project viability; an additional reiteration that to be State aid compliant, projects must not have commenced prior to approval and a further additional explanation of the role of the credit check and financial test. Finally, while the Fund is self-evidently open to applications related to inward investment from businesses, this might usefully be stressed within the Guidance.
15. *Notes on State aid changes.* The Fund was notified under the previous General Block Exemption Regulation (GBER) in April 2014. A new GBER regulation has been put in place with effect from 1 July 2014 and the scheme must be re-notified. This process is underway. Changes to the GBER regulation affecting the NEDCF relate to the assisted areas that define what level of grant may be offered under the GBER exemption. It should be noted that only two of the Stage 2 applications are seeking support via the GBER exemption, with the remainder seeking grant below the de minimis level of €200,000 over a rolling three year period.

16. *Rolling Programme versus Fixed Call* The fixed deadline was helpful in establishing initial processes and allowing a review of operations to be undertaken at a fixed point. Having taken this learning into account, the Fund could now be opened on a rolling basis, with the aim to achieve full commitment of the remaining Funds whilst meeting remaining targets. On balance and subject to Members' consideration of whether to continue with the Fund, it is proposed that the Committee adopts a rolling programme approach going forward.
17. *Balance of types of scheme.* Nine of the Stage 2 applications are for investments in individual business properties ie for the expansion of property for direct use by the applicant. The remainder are for capital machinery and equipment to support expansion, particularly in the manufacturing sector. Only two applications were received regarding wider property and land development projects but both were subsequently withdrawn. Neither of these applications was from the private sector. The Committee may wish to continue to seek applications for employment property and/or land developments, and if so, this may benefit from a healthy degree of pro-active engagement with the likes of developers and agents to achieve a greater balance related to the original targets. On the other hand, the Committee could decide to invest predominantly in individual companies to support their expansion and growth needs and in which case a downward adjustment to the target of hectares of land and premises improved might be necessary. It is suggested on balance that the Fund remains open to both these types of applications and a dialogue is re-opened with developers but that the matter will be kept under review.
18. Overall, the first round has been successful in bringing forward proposals which, if all are approved, will commit 50% of the available funding, make a better than proportionate contribution towards overall targets on jobs created and safeguarded, and generate two times the leverage originally envisaged.

Other Options Considered

19. The Committee may choose not to seek to commit the remainder of the Fund. However, these proposals take account of the identified budget and the original targets set for the Fund. If the Fund is not reopened to applications, neither total budget commitment nor outputs will be achieved.

Reason(s) for Recommendations

20. The Economic Development Committee was assigned the future management of the Economic Development Capital Fund by Policy Committee. Economic Development Committee agreed to receive a further report on operations of the NEDCF and recommendations for the future at its meeting on 11 February 2014.

Statutory and Policy Implications

21. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material

they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required. In respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described in the report.

RECOMMENDATIONS

22. It is recommended that Committee:

- (a) Notes the outcome of the first round of the Nottinghamshire Economic Development Capital Fund;
- (b) approves the requested changes to the Assessment Framework and bidding process;
- (c) agrees to open the NEDCF on a rolling call until the resources are all committed;
- (d) agrees to review progress in 6 months with a further report on awards made under the NEDCF.

Report of the Group Manager, Corporate Strategy, Celia Morris

For any enquiries about this report please contact: Geoff George, 72046

Constitutional Comments [SLB 03/09/2014]

Economic Development Committee is the appropriate body to consider the content of this report.

Financial Comments [GB – 27/08/2014]

The Economic Development Capital Fund is fully funded as part of the approved County Council Capital Programme.

Background Papers

Notts Economic Development Capital Fund Guidance Notes published at <http://www.nottinghamshire.gov.uk/EasySiteWeb/GatewayLink.aspx?alld=401427>

Notts Economic Development Capital Fund General Terms and Conditions published at <http://www.nottinghamshire.gov.uk/EasySiteWeb/GatewayLink.aspx?alld=401431>

Electoral Division(s) and Member(s) Affected

All