

Key Decision Required:	Yes	In the Forward Plan:	Yes
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CABINET

14 DECEMBER 2018

REPORT OF THE INVESTMENT AND GROWTH PORTFOLIO HOLDER

A.7 SME GROWTH FUND PROGRESS REPORT

(Report prepared by Laura Richardson, Funding Officer)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

At its meeting on 20 April 2018 Cabinet determined to extend the Council’s SME Growth Fund to 31 March 2020, and to widen the focus of the scheme to include all non-retail sectors. To fund this extension Cabinet allocated £250,000 from uncommitted funding which at that time was set against the Growth Fund Budget.

Since April 2018 five applications have secured a positive appraisal and have been awarded grant funding totalling £261,853. A further two applications are currently in the pipeline but these are yet to be progressed to Full Application. In addition several businesses are in the process of registering their interest in securing grant funding through the scheme.

Cabinet is therefore asked to allocate a further £250,000 to the SME Growth Fund scheme, in order that the Council’s work to stimulate enterprise, innovation, business and employment growth via fund can continue.

EXECUTIVE SUMMARY

The Corporate Plan Priority ‘Employment and Enjoyment’ aims to support business growth, create new employment and improve skills across Tendring. The SME Growth Fund is currently one of the most tangible ways in which the Council provides direct support to businesses through grant funding to facilitate growth.

The Fund was re-launched in April 2018, with the expansion of criteria agreed by Cabinet in April 2018 allowing for support to be targeted at small and medium sized businesses in all non-retail sectors across the District. The scheme recognises the vital role Tendring’s businesses (SMEs) play in underpinning the stability and growth of the local economy.

Since April 2018, five applications have been awarded grant funding totalling £261,853. This has leveraged £572,849 private investment and will safeguard 16 existing whilst creating 17.5 FTE new jobs.

A further two applications are currently in the pipeline but these are yet to be progressed to Full Application. In addition several businesses are in the process of registering their interest in securing grant funding through the scheme.

Overall, since the schemes launch in late 2015, ten applications have been supported by the Fund. This equates to a total grant allocation of £400,104 (which includes £125,000 provided by Essex County Council when the scheme was first launched). This funding will

create 37 new FTE jobs and safeguard 17.5 FTE jobs, and leverage £831,852.31 in private sector investment. This level of investment in Tendring's economy represents a positive return on the Council's financial contribution to businesses via the scheme.

Given the success of the scheme, Cabinet is asked to allocate a further £250,000 to the SME Growth Fund scheme in order that the Council's work to stimulate enterprise, innovation, business and employment growth via this mechanism can continue.

This allocation would be funded via currently unallocated resources in the Council's Business Investment and Growth Budget, and would be used to support pipeline projects (those currently the subject of formal appraisal), as well as new applications from qualifying businesses.

It is estimated that this allocation will create an additional 35 FTE and/or Safeguarded jobs and leverage a minimum of £250,000 in private sector investment. This will be monitored through regular reports in line with the Council's corporate performance reporting framework.

RECOMMENDATION(S)

It is recommended that Cabinet agrees to the SME Growth Fund scheme being allocated a further £250,000 from unallocated resources in the Council's Business Investment and Growth budget.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The SME Growth Fund responds directly to the corporate goals identified within the Council's Corporate Plan 2016-2020 and to the objectives of the Council's Economic Development Strategy (EDS). Provision of the Fund also accords with the Council's community leadership role.

Specifically the scheme responds to the following Corporate Goals:

Employment and Enjoyment

- To support business growth
- To enable better job prospects

Our Priorities and Projects 2017/2018, Corporate Director (Planning and Regeneration Services)

- Attracting and sustaining employment and business
- Connecting our residents to business opportunities.

The scheme also responds to the following objectives of the Council's Economic Development Strategy:

- Objective 1: Supporting Tendring's growth locations by intervening in areas where the potential for economic growth is highest and where there is a strong case for intervention particularly (but not exclusively) in Harwich, Clacton and West

Tendring;

- Objective 2: Targeting growth sectors, which are best placed to support growth and job creation within the District's economy; and
- Objective 4: Supporting modernisation, diversification and growth within the business base, improving innovation and inward investment and creating dynamism in the economy that will make Tendring more competitive and resilient to national and international shock.

FINANCE, OTHER RESOURCES AND RISK

Finance and other Resources

The revised scheme approved by Cabinet in April 2018 allocated £250,000 to the SME Growth Fund scheme.

As outlined in this report, all of the £250,000 allocated in April 2018 has now been committed to SME Growth Fund projects, and as a consequence Cabinet is asked to allocate a further £250,000 from uncommitted resources in the Council's Business Support and Investment budget.

In addition to the funding allocated to the SME Growth Fund, the Council also resources the management and administration of the scheme. For the most part these costs relate to staff time, the cost of which has already been accommodated within the Council's staffing budget and are therefore absorbed as part of the Council's day-to-day staffing function.

The Council also resources the cost of credit checks that may be undertaken as part of the project appraisal process and also any third party specialist advice, which may be necessary to complete the appraisal of complex applications (to date this has not been a requirement). These costs are not prohibitive and are accommodated within existing budgets.

Risk

The successful implementation of the scheme is subject to a number of potential risks. These include:

- An inability to successfully engage with the private sector (key businesses) to drive grant applications from eligible businesses;
- Failure of the scheme to meet the objectives identified and/or to secure the growth anticipated;
- The capacity within the Regeneration, Inward Investment and Growth Team to effectively manage the scheme; and
- A shift in corporate priorities and policy objectives following political change (national and local).

The Regeneration, Inward Investment, and Growth Team will continue to control and mitigate these risks as part of its administrative and management function and will identify, track, and report on risks as part of its project management responsibilities.

Staff engaged in the assessment of applications will be provided with training (as appropriate) to ensure that they have the skills necessary to interrogate business plans and to interpret the financial information provided by applicants. External specialist advice

may be sought as and when this is absolutely necessary.

LEGAL

Since 1972 Local Government has been able, under a range of powers, provide financial assistance to businesses to promote economic development in their area. The current and widest power is contained within the General Power of Competence under the Localism Act 2011.

Grants are made under the *de minimis* regulations for State Aid. Under *de minimis*, a business may not receive more than 200,000 Euros assistance from state sources within any rolling 36-month period. This would include, but not be limited to, any grant awarded under the scheme.

As with any scheme, under which various applications could be received, it is essential that the eligibility and assessment criteria are clearly set out and the decision making process is robust and transparent. As currently configured, the scheme provides detailed information on these elements. The Project Appraisal Manual (grant rules and criteria) adequately addresses the State Aid considerations and how these will be taken into account during the application process.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed recommendation in this report with respect of: Crime and Disorder; Equality and Diversity; Health Inequalities; Area or Ward Affected; Consultation and Public Engagement; and any significant issues are set out below:

Evidence suggests that there is a direct link between economic prosperity and social inequality. The scheme seeks to improve the economic performance and vitality of the district by creating growth in the economy. In so doing the scheme will help secure the economic opportunities that exist within the district whilst indirectly tackling the broad range of deprivations and inequalities prevalent in the area.

Area or Ward Affected

The scheme applies to all Wards in the district.

Consultation and Public Engagement

On-going communication and participation with eligible sectors within the business community will continue to be essential if the Council is to achieve the successful implementation and delivery of the scheme. The Regeneration, Inward Investment and Growth Team use a wide range of diverse media (local and regional press, flyers, attendance at relevant events, and working with partner organisations, website promotion and targeted electronic mailshots) to promote the availability of the scheme to businesses across the District.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

Overview

In April 2018 Cabinet agreed to extend the scheme to March 2020 and to broaden the criteria in order to focus support all non-retail sectors.

The scheme objectives are to:

- Create a Growth Fund targeted to facilitate economic growth across Tendring through providing support for existing or new businesses;
- Concentrate assistance on those businesses which support the growth and diversification of the economy; and
- Contribute to a sustained increase in value, job creating potential, and to the sustainability of these businesses.

The intervention rate for new and established businesses is set at up to 50%, thus making the scheme far more attractive to established businesses. Cabinet also approved a 'fast-track' mechanism for start-ups and small businesses requiring funding of between £3,000 and £15,000.

Performance

The fund is administered and managed by the Council's Regeneration, Inward Investment & Growth Team. Grants are awarded through a Grants Panel comprising representatives of the Council and external partners.

The Grants Panel currently comprise:

- Cllr. Zoe Fairley, Investment and Growth Portfolio Holder, Tendring District Council
- Anita Thornberry, Haven Gateway Partnership
- Katie Skingle, KAT Marketing (Private Sector)
- Ewan Green, Corporate Director (Planning and Regeneration Services), Tendring District Council
- Richard Barrett, Head of Finance, Revenues & Benefits Services, Tendring District Council

The table below summarises the performance of the scheme since its re-launch in April 2018.

Scheme Performance April 2018 – November 2018

Expressions of Interest Received	15
Full Applications Received	7
Approved by Panel	5
Grant Support Committed	£261,853
Grant Support Subject to Contract	£261,853
Private Sector Funding Leveraged	£572,849
FTE Roles to be Created	17.5 FTEs
FTE Roles to be Safeguarded	16 FTEs
Apprenticeships Created	1

Further information on the overall performance of the SME Growth Fund since its launch in 2015 is attached at [A.7 Appendix A](#).

The Regeneration Team seeks to work with every applicant in an effort to ensure that their application is as robust as possible and thereby increasing the likelihood of a positive appraisal.

Promotion

Since the scheme was launched in late 2015, the Council has received 140 enquiries about the fund. This suggests that the Council's promotion of the scheme has been successful in reaching its intended target audience (Tendring's business community).

The Regeneration Team has worked closely with partner organisations including the BEST Growth Hub, Norfolk and Waveney Enterprise Services (NWES), Invest Essex, the Department for International Trade (DIT), local banks, solicitors and accountants to ensure the scheme is promoted throughout (and outside of) the Tendring District; colleagues from these organisations have access to hard and electronic copies of the flyers and Information Packs to distribute these to businesses within their own areas of responsibility.

The Team have also made use of both traditional and social media formats to promote the scheme as well as via a dedicated webpage on the TDC website.

The scheme currently encourages applications from start-ups and existing small business and in April 2018 the assessment criteria was amended to enable funding decisions to be 'fast tracked' for applications of between £3,000 and £15,000. If Cabinet determine to allocate additional funding to the scheme, additional effort will be made to promote the Fund to start-ups and established small businesses via traditional and digital media and via the Regeneration Team's work with the Council's partners.

CURRENT POSITION

The SME Growth Fund scheme is currently operational. Subject to Cabinet approval, the recommendations set out in this report can be implemented immediately.

FURTHER HEADINGS RELEVANT TO THE REPORT

There are none.

BACKGROUND PAPERS FOR THE DECISION

There are none.

APPENDICES

See below

A.7 Appendix A

This provides:

- A) Overall Scheme Performance Information 2015 – 2018.
- B) Sector, Location and Projects Analysis.
- C) Two Case Studies.

A. Overall Scheme Performance Information 2015-2018

B. Sector, Location and Projects Analysis

Sector	Location	Grant Awarded	Total Cost of Project	Full Time Roles created and/or Safeguarded	Purpose of Project
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Enquiries/Registrations of Interest	140
Formal Expressions of Interest Received	60
Full Applications Received	24
Approved by Panel	10
Grant Agreements Signed	7
Grant Support Committed	£400,014
Private Sector Funding Leveraged	£831,852
FTE Roles Created	37 FTEs
FTE Roles Safeguarded	17.5 FTEs
Apprenticeships Created	2

APRIL 2016 to APRIL 2018

Electrical Engineering	Brightling sea	£3691.26	£18,456 £14,765 match funding from own resources	1 FTE created	Purchase of a company vehicle.
Research and Development	Clacton	£12,000	£24,000 £12,000 match funding from own resources	1.5 FTE created	The start-up of the business, including procurement and kit out of appropriate office space and patenting costs.
Manufacturing	Ardleigh	£15,559.95	£77,797 £62,237 match funding from own sources	4 FTE created	Support to relocate from Colchester, as well as the purchasing of new machinery to expand capacity and diversify product range.
Manufacturing	Clacton	£30,000	£123,000 £93,000 match funding from bank loan	2 FTE created 1.5 FTE safeguarded	The purchase of machinery which allowed efficiency savings by bringing previously outsourced

					functions in-house.
Manufacturing	Brightling sea	£77,000	£144,000 £77,000 sourced through private investment via investors	11 FTE created	Startup of the business, including setup of factory and warehousing space as well as import of materials.
APRIL 2018 TO DATE					
Marketing	Elmstead Market	£37,500	£75,000 £37,500 match funding through Working Capital programme and own funds	6 FTE created	Support to relocate to a larger office within Tendring and equipment to enable an increased workforce to target identified growth areas.
Marketing and Printing	Clacton	£50,000	£102,290 £52,290 match funding through own funds	2.5 FTE created 3 FTE safeguarded	The purchase of new, more efficient machinery which will allow a diversified product range as well as shorter lead times for customers.
Electrical Engineering	Brightling sea	£29,353.16	£117,412 £88,059 match funding through own funds	4 FTE created	Investment in new equipment to upskill existing engineers and take new staff on board.
Manufacturing	Lawford	£20,000	£40,000 £20,000 match funding through private investors	1 FTE created 2 FTE safeguarded	The enable the start-up of the business as well as the purchase of required materials and marketing capability, enabling the company to take on an apprentice.
Manufacturing	Harwich	£125,000	£500,000 £375,000 match funding through own	4 FTE created 11 FTE safeguarded	To allow rationalisation of current offices (one in Tendring, one outside of the District) to

			funds		centralise in Harwich and bring existing roles over. To achieve this by building and equipping an extension to current premises.
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Two Case Studies

1. Nantmor Blinds, Clacton

Nantmor Blinds, a blinds and awnings manufacturer based in Clacton, successfully applied for a grant of £30,000 through the SME Growth Fund to be matched with £93,000 of bank finance. The grant was spent on an Auto Louvre machine, which allows the company to make fabric strips for vertical blinds.

Although the track was always made in-house, the louvre process was previously outsourced to a company in Kent, incurring costs to do with contracting, transport and lead times which meant Nantmor Blinds seriously considered no longer offering this product.

As a result of receiving grant support through the SME Growth Fund, production has been moved in-house entirely, resulting in a 30% increase in like for like sales, 2 FTE roles created to operate the machinery, 1.5 FTE roles safeguarded by continuing to offer this product and reduced lead times for customers. Feedback from the applicant not only centred on the successful figures, but also commented on the support having injected new life into the company, with staff morale increased as Directors invest in the future.

2. GlobalTec Innovation Limited, Brightlingsea

GlobalTec Innovation Ltd. develops, manufactures and distributes football-launching machines for grassroots to professional clubs and schools to improve their coaching, training and games.

Now based in Brightlingsea, the business relocated from Colchester with the support of a £77,000 grant through the SME Growth Fund in order to upscale their manufacturing process and create 11 FTE roles. Demand for their product has increased as forecast, and the warehousing space offered by their new site has allowed the business to not only operate from one centre, but also store more materials and assembled machinery, reducing lead times for customers. They also have the space to test the viability of bespoke adaptations for a range of new customers, for example adapting the machine's specifications for Gaelic football.

Feedback from the applicant encouraged other businesses to apply for support through the Scheme, saying it had offered a huge benefit in terms of scaling up and commercialising the product.