

Report to: **Economy, Transport & Environment Scrutiny Committee**

Date: **30 September 2015**

By: **Director of Communities, Economy and Transport**

Title of report: **Economic Intervention Fund and Business Growth Funding**

Purpose of report: **To report on the outcomes of the impact and effectiveness of the East Sussex Invest our Grants and Loans programme with businesses and the proposed future programme plans.**

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**RECOMMENDATION:** Scrutiny Committee are recommended to note the outcomes of the County Council's business growth funding.

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## **1. Background Information**

1.1. In July 2012 the Lead Member for Economy approved the spending programme of the one- off Economic Intervention Fund (EIF) aimed at boosting the economy and creating jobs. The programme included four specific funds: Rural Growth and Employment Fund (RuGEF) £2.5m, East Sussex Invest (ESI) £1m, Small and Medium Enterprises (SME) Commission £1m and the Social Business Investment Fund (SBIF) £0.5m. These programmes are managed by the Economic Development and Skills (EDS) Team and reported on below.

1.2. In 2013 during the delivery of the above programmes, the Government launched the Regional Growth Fund 4 (RGF 4) 'Access to Finance' fund. East Sussex County Council (ESCC) decided to apply for RGF 4 using the funding above as a pilot based on evidence of demand and experience. In July 2013 it was announced that the bid was successful and £4m was allocated to East Sussex County Council as the accountable body responsible for overall programme management to deliver business growth funding in partnership with The Lets Do Business Group (South East) Ltd (LDBG) as the contract delivery partner. The contract with the Department for Business, Innovation and Skills was signed in January 2014. The deadline for spending the additional £4m secured was time limited to 30 June 2015.

## **2. Supporting Information**

2.1. The process and procedures for delivering the EIF funds were set up and audited by internal audit to ensure robust governance. This was set out and approved in a Lead Member Economy report in January 2013. It included the establishment of an independent Grants and Loans Panel (the Panel) chaired by the Lead Member Economy and comprising 3 senior County Council representatives and up to four independent representatives.

2.2. From January 2013 to 30 June 2015 over £6m funding has been approved which is contributing to the creation of nearly 900 jobs in East Sussex and leveraging in over £22m investment (not including Hastings Pier which is over £13m alone). This equates to £6,600 per job created which is very good value for money.

2.3. There have been regular press releases since the funds were launched that have been printed in the local papers and electronically. Your County magazine has featured the funding including a case study of Burning Sky Brewery which elicited a good response. Social media – Twitter and Facebook have all been used to publicise the funding and the Chambers of Commerce and Federation of Small Businesses have also kept their members informed. The EDS Team and delivery partners – LDBG/Locate East Sussex attend business breakfasts, conferences and exhibitions. The ESCC Business Guide and Directory includes three case studies and can be viewed on the County Council website:

<https://new.eastsussex.gov.uk/business/eastsussex/eastsussexbusinessguides>. Hard copies are available in the Members Room or on request.

2.4. Rural Growth & Employment Fund (RuGEF) - £2.5m. RuGEF was the first of the EIF funds to be launched. There were two rounds of funding launched in late 2012 and early 2013. RuGEF had quite flexible criteria and was open to the public, private and third sectors. Applications could be for capital or

revenue and had to demonstrate economic growth and match funding. Specialist training for the unemployed was eligible. In total 47 applications were received amounting to double the allocation of funds available. The level of job creation per funding was not specified. All the applications were appraised by the EDS Team and presented to the Grants and Loans panel who approved 23 projects totalling £2.1m. Of these, 7 projects have dropped out for a range of reasons (predominantly through lack of progress or applicant withdrawing) prior to claiming any funds. The remaining 16 projects totalled £1.2m funding have created or safeguarded over 200 jobs including apprenticeships, training 465 people, 33 business start-ups and leveraging an additional £4m. Examples of projects are; a grant and loan to the new cinema in Rye; a new extension to commercial premises in Rother to allow a high tech company to expand; and two programmes of youth training run by Tomorrow's People in Heathfield and Hailsham. The last two were revenue projects, the programme in Hailsham still has the final year to deliver. To date, all the funded projects are still operating.

2.5. Further information on the projects is contained in Appendix 1 of the report, which has charts showing a breakdown of spend and outputs by borough and district of the RuGEF funded projects.

2.6. Following the last round of funding it was decided not to open another round as the outputs were not as good as those achieved by the East Sussex Invest (ESI) programme (see below). The remaining funds have been carried over to allow the ESI programme to continue in 2015/16 and the next financial year. The lessons learnt from this programme were used when putting together the RGF bid, in particular the need for tighter eligibility criteria and job creation targets.

2.7. Social Business Investment Fund (SBIF) - £0.5m. This was a one-off fund aimed at supporting social enterprises to set up or grow. It should pay less than 50% of profits or surplus to owners or shareholders and should generate more than 25% of its income from trading, thus a maximum of 75% from grants or donations. This fund was capital and revenue. The fund was launched in September 2014 for an 8 week period. A total of 27 applications were received and 10 recommended for funding by the Panel allocating the entire budget. These projects included; Little Gate Community Farm for people with special needs; Age UK; Furniture Now; and a community shop in Hurst Green. Of the 10 funded projects, only one has closed down – the East Sussex Disability Association (ESDA) coach services due to lack of funds. The guide for job creation was one job created for every £10k grant although apprenticeships and volunteer places were also scored. This fund was very popular and has produced additional social outcomes including improved income for charities e.g. Age UK. See Appendix 2 for output charts.

2.8. Small & Medium Enterprises (SME) Commission - £1m. This Commission was established in 2013 to identify how the County Council could support projects and exhibitions to promote East Sussex businesses from business planning support to funding readiness to rural hub development. To date, £300k of the £1m budget has been spent on a range of projects including conferences (TEC 66 and Best 4 Biz) and green business initiatives. The Best 4 Biz Conference held in October 2014 at Buxted Park was very successful with over 200 businesses attending the day. The remaining £700k has been carried-over to lever in matched funding for business support by bidding to European Regional Development Fund (ERDF). There have been a lot of delays with the launch of the ERDF but the bid is currently being developed as part of the new Business East Sussex (BES) Growth Hub service.

2.9. East Sussex Invest (ESI 1&2) - £1m. The purpose of this fund is to incentivise companies moving to or setting up in East Sussex and supporting existing companies to expand, by offering state aid compliant finance in the form of grants or loans for capital investment that results in job growth. The assessments of applications were made on the equation of £8k per job created for a grant and £16k per job for a loan. Local service sector, retail, health and education were generally excluded sectors to avoid displacement and duplication of public services. From the first panel in January 2013 to July 2013, £362k was approved for a range of businesses including manufacturing, IT companies and Hastings Pier. The funding is predicted to create nearly 80 new jobs. This fund was used as a pilot for the much larger ESI 3 (see below).

2.10 East Sussex Invest 3 (ESI 3) - £4m. This central Government Regional Growth Fund (RGF) programme built on the EDS Team's knowledge, established processes and experience. The delivery partner (LDBG), operating as Locate East Sussex were the first point of contact and filtered applications prior to processing and appraisal by the EDS Team and presenting to the monthly Panel. By the final panel in February 2015, 135 businesses were approved for funding and by the final deadline for spend on 30th June just over £4m had been paid out to 120 East Sussex businesses or start-ups. The criteria and job

creation values were the same as for ESI 1 & 2. Service sector exclusions applied for funding over £10k. In total, 570 jobs will be created (with nearly half of them already achieved) and an additional £17m private sector funding levered in.

2.11. The delivery of the fund was monitored by the Department for Communities and Local Government (DCLG) and an external independent audit by KPMG confirmed that all the conditions had been met and good records have been kept allowing the verification of the jobs and the spend. The charts in Appendix 3 shows the fund broken down by spend, outputs and boroughs and districts. Appendix 4 shows the funding broken down by industrial sector (SIC); over half the funding supported manufacturing businesses which was an aim of the fund.

2.12. A full list of all the beneficiaries supported by the programmes is shown in Appendix 5. The funds and outcomes are summarised below;

Fund	Value (original)	Awarded	Jobs Created	Remaining funds to carry over to ESI 4
RuGEF	£2.5m	£1.25m	200 465 people trained	£1.25
ESI 1&2	£1m	£362k	80	£638k
SBIF	£0.5m	£0.5m	18.5 jobs 68 vols	0
ESI 3 / RGF	£4m	£4m	570 jobs	£1.2m of recycled loans within 5 years

2.13. East Sussex Invest 4 (ESI 4) - £1.3m a year (for 3 years from 2015/16 depending on successful loan repayments). ESI 4 is the current County Council business growth fund launched in May 2015. The source of the funding is a carry-over of RuGEF and ESI 1/ 2 funds and the ESI 3 returned loans which the County Council is contractually committed to recycle. In future years, an additional allocation has been committed from the County Council's Capital Programme. The criteria for the funding is the same as ESI 3, though the conditions of payment are tighter on grants; in most cases 50% of the funding is only paid once the new jobs have been filled for three months. The maximum grant is £25k and loan £200k. The guidance notes for the fund can be found at: <https://new.eastsussex.gov.uk/business/developing/finance/grants>. The Panels are held quarterly to consider applications. At the time of writing, the first ESI 4 panel meeting in July approved three loans totalling £181,500 and two grants totalling £42k.

### 3. Conclusion and Reason for Recommendation

3.1 The funding programmes have improved with time as the process has bedded in, the criteria refined and information filtered through to the business community. The number of jobs created against the amount of finance spent represents excellent value for money when compared with similar schemes nationally and regionally. The European Union funding guide of cost per job is £25k compared to £6.6k achieved here. In the future, the majority of ESI 4 funding (70%) is in the form of loans, so the programme's finances will be recycled to support more businesses. The grants are particularly important for start-ups and very small businesses that have difficulty accessing credit. In these circumstances, a loan would not produce the same level of growth and job creation.

3.2 It is therefore recommended that Scrutiny Committee note the outcomes of the County Council's business growth funding.

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#### LOCAL MEMBERS

All

#### BACKGROUND DOCUMENTS

None