

# Appraisal Report

Date: 23 January 2018  
To: Cabinet  
From: Strategic Finance  
Subject: Black Country Growth Deal - Growing Priority Sectors Grant Extension

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## **Content: Report on appraisal undertaken by Strategic Finance**

Neighbourhoods are seeking approval for the extension to the Black Country Growth Deal - Growing Priority Sectors Project. The proposed one year extension will generate a further £2m of grant funding.

The Black Country Growth Deal - Growing Priority Sectors Project provides access to finance to grow high value manufacturing via investment in plant, machinery and buildings.

The existing grant agreement agreed between Walsall Metropolitan Borough Council and Sandwell Metropolitan Borough Council in April 2015 has provided grant funding of £6m from the Black Country Local Growth Fund and levered in £14.5m of private sector investment.

SMBC will continue to act as accountable body for the grant.

Strategic Finance have been asked to review the proposal to extend the Black Country Growth Deal contract. At the time of appraisal, the proposed Variation Agreement was not available for review but the Appraisal Panel were advised that terms and conditions should not differ from the current agreement. A review of the current Growing Priority Sectors Project has therefore been undertaken to identify any areas of risk that will need to be addressed should an extension to contract be approved.

The review was based on the original appraisal presented to Cabinet in January 2015 (SR258) and covered the following areas:

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The Growing Priority Sectors project provides grants to businesses with 'oven ready' projects that create new jobs but without adequate finance will not proceed now or in the immediate future. It assists projects that have been delayed by gaps in finance to satisfy current demand, as well as preparing businesses for future markets. It supports companies in the Black Country with grants of between £10k and £1m for capital investment in plant, machinery and property.

Walsall MBC are the accountable body for Local Growth Fund in the Black Country and have devolved responsibility to Sandwell MBC for the delivery of the Growing Priority Sectors project. A grant agreement was signed between the two authorities for the original 3 year project.

## Managing Money

Grant funding of £6m was made available from the Local Growth Fund for the period 2015/16 to 2017/18. The Appraisal Panel were advised that this funding has been fully committed, together with a further £0.5m that was awarded in November 2016. The original grant was expected to lever in £18m match funding from the private sector. To date, the project has levered in approximately £14.5m.

Companies receive grants of between £10k and £1m with intervention rates of between 25% and 30%. Grant claims are based on defrayed expenditure.

SMBC will continue to deliver the project on behalf of Walsall MBC and as such management costs have been identified from within the original grant to support the delivery and monitoring of the project. However, it is unclear whether management costs will continue to be eligible through the capital grant.

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SMBC will be required to cashflow the project as payments will be made quarterly in arrears.

The project provides value for money as the Council is not required to commit any resources to support project delivery.

SMBC will monitor project progress using existing systems and processes, although there is now an opportunity to improve processes based on the experience gained of managing the project over the past 3 years.

All delivery partners will be selected using EU procurement regulations. Engagement with partners will be based on the practices used in the Regional Growth Fund project.

## Governing the Business

The current programme of Growing Priority Sectors funding has now been fully allocated and the Appraisal Panel were advised that there are continuing enquiries and expressions of interest being received from companies seeking funding.

SMBC are currently delivering the Growing Priority Sectors project on behalf of Walsall MBC. The existing legal agreement between Walsall MBC and Sandwell will require a variation to the agreement for the extension period and additional funding.

Roles and responsibilities will continue based on the current project delivery.

Additional funding for the project is expected to assist a further 8 companies and create 95 additional new jobs.

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The project contributes towards the 2030 vision by establishing Sandwell as a location of choice for industries of the future, where the local economy and high performing companies continue to grow. The project will also assist in achieving a workforce of young people who are skilled and talented.

## VAT

All payments will be outside the scope of VAT.

## State Aid

All applications recommended for funding will be subject to State Aid review and will only be funded, for state aid purposes, under Commission regulation (EU) 651/2014. Legal Services will continue to assess applications received from companies to ensure the Council complies with State Aid regulations.

## Action Points

The following action points have been identified which should be managed in order to reduce risk to the Council:

- Ensure that the revised Grant/Variation Agreement is reviewed by both Strategic Finance and Legal Services to confirm the Council's ability to comply with all clauses.
- Ensure project management costs are eligible for grant funding or can be funded from existing resources within Neighbourhoods.

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- Confirm changes to the timeline for outputs, milestones and outcomes in order to support effective delivery and monitoring of the project extension.
- Review the current processes for project management and monitoring.

## Conclusion

From the information provided for appraisal and with the full implementation of the above action points, it is concluded that the extension to the project does not present a major risk to the Council's resources.

Strategic Finance  
23<sup>rd</sup> January 2018