



**Prosperous Communities  
Committee**

**30 January 2018**

**Subject: Review of the Gainsborough Growth Fund, its performance over the last 3 years and any recommendations going forward**

Report by:

Economic and Commercial Growth Director

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Purpose / Summary:

To present a review of the Gainsborough Growth Fund Scheme, its performance since its launch in 2014 and provide any recommendations going forward

**RECOMMENDATION(S):**

- (1) That members approve the Gainsborough Growth Fund Review Paper and endorse its key findings and conclusions as set out in Section 3 and 4 of the Report;**
- (2) That members recommend to discontinue promotion of the Development Fund as set out in Section 5 of the Report;**
- (3) That members recommend to retain the Feasibility and Planning Fund as set out in Section 5 of the Report;**
- (4) That members recommend to Corporate Policy & Resources Committee to increase the Fund budget by £150K to support the launch of a district wide Feasibility and Planning Pilot Fund (subject to the confirmation of the GLLEP Housing Unlocking Grant )**

## IMPLICATIONS

**Legal:** legal advice was originally sought as part of the initial proposal to ensure that the Gainsborough Growth Fund Scheme would be state aid compliant. If supported, the proposal to retain a Feasibility Fund Scheme, will follow the same principle of the De Minimis aid which is enforced by the EU. To ensure that the requirements of the De Minimis Regulations are met, any funding aggregated with any other public funding to a Company must not exceed the €200,000 threshold over a rolling period of three fiscal years.

Separate legal advice will be pursued as part of the business case to develop a Commercial Loan Policy and Framework.

Section 69 of the Localism Act 2011 provides a discretionary power for billing authorities in England and Wales to reduce the business rates of any local ratepayer. The Government has not issued guidance in respect of how this power might be used, though councils must ensure that the reliefs they allow do not transgress state aid rules. Many Councils have already used these powers to grant relief, including most recently, North Kesteven District Council.

### **Financial FIN/81/18 DRAFT FOR MANAGEMENT TEAM**

The Gainsborough Growth Fund was established in 2014 with a capital budget of circa £600k, to date grants totalling £393K have been awarded leaving a balance of £207k for the current scheme.

It is proposed that a Feasibility and Planning Fund pilot be established with a budget of £150k to be funded from the Investment for Growth Reserve. This scheme is not part of the current Capital Programme and would therefore require the approval of the Corporate Policy and Resources Committee.

The Investment for Growth Reserve has current uncommitted balance of £813k, however there remains a £1,010k risk against this reserve in relation to the GLLEP funded schemes. Over the 5 year profile and subject to the earmarking of New Homes Bonus annually, there would remain a balance of £3.6m

Approval to allocate a further £150k for this fund will be sought from CP&R once the GLLEP Housing Unlocking Grant has been confirmed.

**Staffing:** No changes as a result of this report. Any future management, administration and monitoring of the GGF Scheme will continue using current arrangements

**Equality and Diversity including Human Rights:** if approved for delivery the revised funding scheme will be openly promoted using a range of marketing means and each application will be judged on its own merits following the existing eligibility criteria developed for the Feasibility Fund.

**Risk Assessment:**

Applicants cannot secure sufficient match funding – Potential to sign-post to other complementary schemes that may be able to cover some of the eligible costs of expenditure

Growth outputs not delivered – Funding is subject to delivery outputs so WLDC has ability to decline application if deemed too speculative or withdraw support. Proposals will be considered on case by case basis by Panel

The Scheme doesn't generate sufficient demand – the wide district Feasibility Fund will be rolled out as a pilot for 24 months supported by suitable publicity mechanisms that will raise Scheme's awareness.

**Climate Related Risks and Opportunities:** the aim of the Feasibility & Planning Grant is to support technical survey work associated with the development of sites and premises or technology and equipment which would support business growth. In this respect applications will have to demonstrate that any technical survey work to be undertaken will support proposals that will improve sustainability and will have a positive impact to both the business and the environment.

**Title and Location of any Background Papers used in the preparation of this report:**

**Call in and Urgency:**

**Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?**

*i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)*

**Yes**

**No**

**x**

**Key Decision:**

*A matter which affects two or more wards, or has significant financial implications*

**Yes**

**No**

**x**

## 1 Background

The Gainsborough Growth Fund (GGF) originally brought together two projects which were proposed and approved as part of the Council's Capital Programme for 2014/15 - The Gainsborough Manufacturing Business Relocation Fund (approved by C P&R on 16<sup>th</sup> Jan 2014 and Council on 3<sup>rd</sup> Mar 2014) and the Commercial Property Grant Scheme (approved by Council on 3<sup>rd</sup> Mar 2014).

The scheme was officially launched in November 2014 with an original budget of approximately £600K of which £400k circa has already been awarded. To date the total value of investment levered through the GGF amounts to circa £2.5m. In terms of employment the Scheme so far has assisted 9 businesses and it is anticipated that these projects together will create approx. 65 direct new jobs (FTE) in the next 2 years.

In June 2016 the Funding Consultative Panel approved a proposal to ringfence £50,000 from the existing Gainsborough Growth Fund budget for the Targeted Lettings initiative - a Pilot that would add a retail element to the scheme. The Pilot would provide landlords/tenants of vacant retail premises in the town centre access to funding which would assist businesses with costs in respect of the renewal of shop fronts and internal fit.

However, in order to demonstrate the Council's commitment to heritage led regeneration through both policy and practice and to support the vision of the Gainsborough Heritage Masterplan (endorsed by Prosperous Communities Committee in March 17 and launched in May), it was subsequently approved to extend remit of the Targeted Lettings initiative to tenanted shops located within the eligible area, in need of renewal and physical repair and have a historic and conservation interest and value. To reflect this approach the Pilot was rebranded as "Gainsborough Shop Front Improvement Scheme". *(for the purpose of this report this Pilot will not be included in the Review given its recent commencement in July 2017).*

## 2 Gainsborough Growth Fund Overview and Performance

The Gainsborough Growth Fund was designed to address commercial market failure in Gainsborough. At the time the Scheme was being designed, there was clear evidence of market failure in West Lindey and a lack of fiscal incentives to encourage private sector investment, particularly in the town of Gainsborough. Whilst at regional and sub-regional level (Greater Lincolnshire area) there were a number of state aid support schemes, these were prevalently directed at geographical locations with Government "assisted" area status and/or limited to specific sectors which restricted eligibility from Gainsborough businesses.

Today the funding is intended to facilitate and enable new development, identified through strategic documents such as the former Gainsborough Masterplan and the most recent Gainsborough Growth Programme Delivery Plan. The grant funding is helping the Council to deliver its growth objectives and to generate increased revenue through NNDR as vacant sites are brought back into economic use and new business premises are developed in the town.

## 2.1 Existing Scheme: Type of Grants

There are two types of grants currently available under this scheme:

### - **Feasibility and Planning Fund**

Grants of up to £10k available to assist with professional fees and technical survey work associated with the development of sites and premises or technology and equipment which would support business growth. Types of activities eligible for support include:

- Architectural fees to support master planning and building development;
- Survey work undertaken by professionals in support of sites/premises development and planning;
- Professional fees for feasibility work in connection with capital equipment and product development;
- Other potential feasibility costs to be considered on a project by project basis
- **Salaries and fees associated with statutory consents (e.g. planning) cannot be funded.**

### - **Development Fund**

Grants of between £10-100k available (no more than 25% total project costs) to support capital activities, including investment in sites and premises and/or the purchase of equipment.

Type of activities eligible for support include:

- Investment in sites and premises (purchase, building works, refurbishment, infrastructure works);
- Purchase of capital equipment;
- Premises fit-out;
- Applicants will be expected to provide match funding covering as much of the project's costs as they are reasonably able to, from their own resources and those of third parties such as banks or investors.
- Aid offer under this Scheme is delivered through the De Minimis Regulations, which are regulations enforced by the European Union. The maximum de minimis funding any recipient can receive is €200,000 over a 3-year period.

## 2.2 Businesses supported to date

### Grant Applications since November 2014

Business name	Amount awarded	Project Description	Jobs outputs (created or safeguarded)	New floorspace brought into economic use	Cost per Job
<b>Supplybase Solutions</b>	£25K	Conversion and refurbishment of the former Half Moon pub	3	360sq m	£8,333
<b>GB Scaffolding</b>	£100K	construction of new yard, offices and warehouse	28	901.20sq m	£3,570
<b>AMP Rose</b>	£86K	Completion of new factory	10	6503.20sq m	£7,690
<b>Eminox</b>	£100K	Relocation of test cell facility to new factory	10	371.60sq m	£6,250
<b>Gainsborough Engineering</b>	£25K	New Horizontal machine for food packaging	3.5	N/A	£7,143
<b>Minority &amp; Disability Sports Consultancy Ltd*</b>	£28k	New indoor skating facility	13	653sq m	£2,218
<b>Bingham &amp; Young</b>	£29K	Establishment of new opticians in Gainsborough	4	117.60	£7,250
<b>Gainsborough Development Trust Ltd</b>	£4,340	Feasibility Fund for conversion of Fanny Marshall building	N/A	N/A	N/A
<b>East Midlands Instruments Co Ltd</b>	£7,150	Feasibility, Design Works & Appraisal for Premises Expansion	N/A	N/A	N/A

*\*Business went into receivership 6 months following grant award due to significant health issues of Management Team*

### Quotes from businesses that accessed funding through the Gainsborough Growth Fund:

Paul Mann (Sales and Finance Director At AMP Rose): *“The funds that we received from the grant have made a massive difference for which we will be forever grateful. We were able to move in to the new factory over Christmas 2015 but without the grant this would have been delayed by at least 6 to 12 months.*

*The new factory has made a positive impression on visiting customers and allowed us to secure some significant new orders that we may otherwise not have won.*

*The money contributed to the internal fit out, groundworks, concrete, tarmac and construction of the packing shed.*

*We found the Council easy to deal with throughout the process, always helpful and patient when there was a delay.”*

Chaz Uppal (Bigham & Young Opticians): *“I would like to thank the Council for the support. It means we are able to offer an increased range of services to people in and around the surrounding area”. The funding helped towards establishing an in-house laboratory for glazing lenses, computing and IT set-up and purchase of optometry equipment.”*

## 2.3 Economic Impact Assessment (EIA)

An economic impact assessment for the GGF programme to date shows that the scheme has had a positive impact on the local economy, delivering a total **net economic uplift of £3.5m**. This compares to an **investment of £393k by WLDC**. A breakdown of outputs to date are as follows:

	Total FTE jobs	Total Turnover	Total GVA
Gross	129	£23,462,176	£7,252,030
Net	63	£11,546,590	£3,568,988

## 2.4 Initial 12-month Performance Review

In March 2016 a 12-month performance review for the Scheme was carried out to present Fund progress and performance to Panel members. The Review specifically considered whether the Fund should open up and be made available to the wider district.

The evidence collected through research and consultation with business support organisations and partners such as Lincolnshire Chamber of Commerce and Lincolnshire County Council, demonstrated that at the time of the review there were a number of grant schemes available to businesses in our district that provided support for both start up and existing companies wishing to invest and grow.

In addition, the information collected reflected good coverage in terms of financial support (cumulatively an extensive range of grant contributions and funding brackets from £500 to £250,000) and geographical spread (including Gainsborough, Market Rasen and Caistor in addition to other rural locations across the district).

At the time of the review, the EU’s new funding round for 2014 to 2020 European Structural and Investment Fund (ESIF)<sup>1</sup> Growth Programme had opened up more funding opportunities and there had been indication during that period from the GLLEP and other delivery partners that a new

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<sup>1</sup> - European Regional Development Fund (ERDF)  
- European Social Fund (ESF)  
- European Agricultural Fund for Rural Development (EAFRD)

Growth Programme for the Greater Lincolnshire area would be available soon.

In conclusion, it was felt at that time that there was adequate support to accommodate business demand for funding and that the Local Authority should provide an enabling role in promoting the schemes available (in partnership with delivery organisations) and ensure that all funding opportunities available across West Lindsey would be exploited to the full before considering additional grant schemes to be introduced to the market.

### **3 Key Findings**

The approach adopted to carry out this review takes into account comments and considerations from both the Senior Growth Officer managing the scheme internally and Greenborough Management – the external consultancy appointed to assist with the application process and particularly in relation to the applicant's financial appraisal and due diligence. Greenborough Management have extensive experience in the management and delivery of business support programmes and have been assisting businesses and enterprises for over 14 years.

The fund has supported significant business growth and expansion (new markets, new products, new staff), as well as unlocking significant matched investment. It has had a substantial, positive impact in assisting local business growth in Gainsborough, with a net economic uplift of £3.5m, far outstripping the Council's investment of £393k. However since the start of the Scheme the level of interest attracted and the number of applications coming forward has not been at the pace and intensity the Council would have hoped. Whilst it is acknowledged that grant schemes always require a significant lead-in time to generate uptake, the response in Gainsborough has been somewhat slow. This could be attributed to a number of factors:

- 1) Businesses need investment when they need investment, and when they have a growth project that needs support. This not always coincides when the fund holders want to allocate monies.
- 2) Mainstream marketing/promotional activities (including press releases, case studies, coverage on Council's website and social media) may not have been per se' the most effective means of raising awareness and generating demand. A more proactive targeted approach to translate a potential business idea into a fundable project could have been considered as part of a wider business engagement process where some of Greenborough Management time could have been allocated for 1-2-1 business diagnostic and support for them to identify potential applicants and unlock eligible projects. More recently, the Council has worked proactively with the Business Lincolnshire Growth Hub Adviser to provide this 1-2-1 support to assist in the development of viable growth proposals.



- 3) Part of the design was to develop a user friendly application process and a checklist of requirements proportionate to the level of funding available (up to £100K). To date the conversion rate of Expression of Interests (EOI) into full applications has been at around 25% with a number of businesses dropping out from the process having passed that stage. It has been noted that once businesses needed to commit to the full application process and a level of work was required by the applicant, the original enthusiasm tended to weaken and in more than one occasion businesses withdrew from the Scheme. Whilst the high attrition rate could be regarded as a negative, it has meant that only those businesses with a genuine growth proposal, eligible for consideration under the scheme have advanced to the final stage of the assessment process.
- 4) Public funding is not always easy to access. There are conditions and obligations attached to it and “hidden costs” associated with the grant application process. For some businesses the “cons” somewhat outweigh the “pros” when it comes to accessing public funding and they prefer to opt for more traditional methods of finance such as loans. Again, this could also be regarded positively since the Growth Fund was designed to be a fund of last resort to support the viability of a scheme where traditional forms of finance could not be accessed. The filtering process has helped to ensure that only those schemes with a genuine need have progressed.
- 5) Conversely, a few applicants have been attracted to the opportunity of grant funding available, but have approached the process by trying to create a project around the grant criteria rather than trying to understand whether the grant would meet the demand of their specified growth plans. In these cases initial interest very rarely turned into commitment and demonstrated that businesses didn't have a clear idea of what they would use the money for.
- 6) Given their day to day business demands, businesses do not schedule sufficient time to complete the required documentation in order to comply with pre-determined grant process deadlines.
- 7) Unlike the majority of European Funding Schemes, the GGF was designed to be more flexible and responsive in terms of the sectors and size of businesses eligible for the grant. This was to encourage and support business's growth and investment in areas that would normally would find it difficult to access finance. However this set the min/max parameters for grants available quite wide (£10k - £100K) with potential total projects costs ranging from £40k to over £400K.

Given the predominance of micro businesses (0-9 employees) in Gainsborough (approx 87%) this poses a question whether a lower threshold would have attracted a greater number of prospective applicants.

## **4 Conclusions**

The scope of the Gainsborough Growth Fund and its delivery has resulted in potential areas for review since the initial business case submitted in 2014 and this has mostly been in response to the type of enquiries/applications received and use of total grant funding to date.

In summary, given the analysis provided in the sections above in relation to GGF grant uptake, and the increased funding opportunities available at district level through ESIF (EU), the GLLEP and the recently launched Midlands Engine Investment Fund Programme, there is little rationale at this stage to explore a continuation of the Scheme in its current format once resources are depleted from the allocated budget.

However, whilst the Council is committed to housing-led economic growth and delivering significant development and economic activity in the Gainsborough area as part of the Gainsborough Growth Programme and the Greater Gainsborough Housing Zone, it has been recognised that other parts of the district should access similar opportunities for investment and business development.

The Council's commitment is reflected in the partnership work currently underway with Market Rasen Town Council in respect of their Area Actions Plan development and emerging projects.

In Caistor, together with the Town Council and Ward Members, the Council is also looking at carrying out a delivery review of the Caistor Neighbourhood Implementation Plan and associated objectives.

As a result considerations are being made on: whether a Feasibility Fund pilot should be tested at district level to support the growth agenda in more rural areas particularly in the market towns of Market Rasen and Caistor, The potential to provide a local business rate discretionary relief scheme and the implications of a commercial loan policy.

### **4.1 The Feasibility Fund**

The Feasibility Fund would represent a smaller amount of risk to both the Local Authority and the applicant in that it would give more certainty on the type of financial investment required and the funding strategy necessary to support the development prior to its implementation.

The purpose of the Feasibility Grant will enable the applicant to reach firm conclusions regarding the project's viability and set out investor-ready plans and financials associated with improving their operations or commercialising the product or service.

The above process will serve as precursor to potential major business investment and growth and the Local Authority should have an enabling role in promoting the Fund along other current funding schemes (in partnership with delivery organisations) to ensure that all funding opportunities available across West Lindsey are exploited to the full

before considering additional grant or loan schemes to be introduced to the market.

Opening up this element of the fund at district level would be in support of the Central Lincolnshire Local Plan and Policy LP5: Delivering Prosperity and Jobs - particularly for business proposals on non-allocated employment sites in that it would allow the business to carry out an options appraisal and determine suitability and appropriateness of proposed land/buildings use prior to initiate the planning process.

#### **4.2 Considerations for NNDR Policy**

In order to promote economic growth and create jobs in line with government policy, the Council now has the flexibility to develop “Local Discounts” to encourage and stimulate economic growth. Rate relief or discounting could be used by the council to un-lock private sector investment in West Lindsey. The Council recognises that business rates are a significant cost to business and discounting is therefore a tool the Council can employ pro-actively and where appropriate in order to stimulate sustainable investment in land, capital equipment or premises. The net result of these interventions could yield positive benefits in terms of creating and safeguarding jobs as well as securing medium term revenue increases in Business Rates for the council by developing additional employment floor space that might never come to market. It is envisaged that such a policy would only apply to new businesses starting up in the area, businesses relocating to the area or a business expansion in the area and for a time-limited period (e.g. where there is a net gain in floorspace which will yield additional revenue for the council once the discount period expires).

The scheme will mean that Discretionary rate relief may be offered to a ‘growth business’ that can demonstrate to the satisfaction of the Council that the sum of the discount granted will facilitate or enable a reciprocal investment by that business in a sustainable growth project that will create or safeguard jobs or result in the development or occupation of additional employment floor space.

This approach has already been adopted by other local authorities within the county and West Lindsey District Council should consider this option in order to remain competitive with other areas.

A fully detailed scheme will be presented to Members for consideration via a separate report.

#### **4.3 Considerations for a Commercial Loan Policy**

The Council can make better use of their reserves and borrowing from the Public Works Loan Board (PWLB) to on-lend in order to generate income. As part of the Council’s Medium Term Financial Plan & Investment Strategy, the Finance and Growth Team are currently considering the viability of a **Commercial Loan Policy and Framework** that would allow the local authority to lend money to third party

organisations (under the Council's general power of competence, as contained within Section 1 of the Localism Act 2011); the loan approach as opposed to a grant funding regime would ensure more measurable outputs in terms of financial figures (revenues generated from interest payments) and the benefit of a greater economic impact if those revenues were to be reinvested into a revolving fund that would support future growth/development projects. The policy will be developed in detail and presented for consideration by Members at a future meeting.

## 5 Recommendations

This analysis report concludes that two courses of actions are recommended from the existing Gainsborough Growth Fund scheme:

- 1) **That members approve the Gainsborough Growth Fund Review Paper and endorse its key findings and conclusions as set out in Section 3 and 4 of the Report;**
- 2) To discontinue promotion of the existing **Development Fund** once monies are fully allocated or by 31<sup>st</sup> January 2019 (which ever comes sooner) in order to progress with Scheme Closeout and complete the grant lifecycle. Any funds remaining after this time will be diverted to support the capital programme, which will be subject to the usual Committee Approval processes.
- 3) To retain the **Feasibility and Planning Fund** element with the proposal to make it available to the wider district area (subject to funds being available). The purpose and principle of this strand would remain the same but the proposal would address two key changes 1) the extended eligible area to include the whole district 2) to reduce the level of intervention rate to 50% so that private match funding will need to be in place in order to apply for the grant. This will ensure greater commitment and less speculative proposals from businesses in respect of sites research and investigation; also by broadening the scope of the Fund to the wider district, this will help unlock and encourage investment opportunities and business growth in more rural locations across the district
- 4) To propose the allocation of a £150k budget for a 24 month period to roll out the wider district pilot. [However approval of Corporate Policy and Resources Committee will not be requested until the £4m Housing Locking Fund from the Greater Lincolnshire Local Enterprise Partnership (GLLEP) has been confirmed]