

## COAST TO CAPITAL

### Purpose

Business Finance
Coast to Capital
<b>Full Business Case</b>

### “Successful project delivery starts with a good business case”

- A Business Case is used to obtain commitment and approval by the Coast to Capital Board for significant new projects and commitment of resources, by setting out clearly:
  - the issue or problem being addressed
  - the rationale for public funded intervention
  - the objectives to be achieved
  - the fit with Coast to Capital Strategic Economic Plan
  - a long-list of possible options for intervention
  - a short list of least 3 options for meeting the stated objectives with, for each, a cost-benefit analysis; an analysis of risks; the proposed delivery route; and their affordability
  - the preferred way forward, with the optimum balance of costs, benefits, affordability, deliverability and risk
  - delivery plan including a project timetable with key milestones, project and programme Management arrangements to ensure successful delivery
  - Risks and mitigation
- The on-going viability and success of the project will be monitored against the Business Case.
- All spending decisions need to be backed by a robust Business Case. However, the amount of work and detail put in to a Business Case should be proportionate to the scale of the project or programme, and the expenditure involved.

### Executive Summary

Strong growth requires an adequate supply for finance for businesses at all stages of development. This is primarily the responsibility of the commercial finance sector. There are some market failures where intervention is required to secure maximum growth potential.

The Business Finance Programme will provide a consistent business finance offer across Coast to

Capital, micro-grants; business growth grants; equity and loan investment; and financial support for social enterprises. Associated advisory services for applicant businesses will be provided pre and post grant support.

The range of grants will include:

- Micro Grants – for small-scale start-ups and micro-businesses.
- Growth Grants – for high growth, high innovation or firms involved in creating jobs in our priority sectors.
- Social Enterprise Fund – building on the West Sussex Social Enterprise Fund and the recent investment by Coast to Capital in the L&G Social Enterprise Fund
- Equity Fund – building on the current Coast to Capital initiative with Finance South East.
- Loan Funds – using recycled funds from the current Coast to Capital facility with Finance South East

Funding for the programme will be provided through the Local Growth Fund of £9.5 million, matched funding from the public – to be confirmed once budgets for local authorities have been set.

The programme will lever in £10.6 million from the private sector.

The programme will start on 1<sup>st</sup> April 2015 and run through to March 2021.

	15/16	16/17	17/18	18/19	19/20	20/21	Total
<b>LGF</b>	1,250,000	2,250,000	1,250,000	1,250,000	2,250,000	1,250,000	<b>9,500,000</b>
<b>Public</b>	55,430	55,430	55,430	55,430	55,430	55,430	<b>332,580</b>
<b>private</b>	1,766,667	1,766,667	1,770,000	1,750,000	1,770,000	1,773,000	<b>10,596,334</b>

The programme will **create 1,123 jobs** for the Coast to Capital area.

The selection of grant awards will be based on published criteria and application will be via an open and widely publicised process. An Independent Appraisal Panel (IAP) will make the final decisions. See appendix for a Business Finance process map and the IAP manual for the current Coast to Capital Business Growth Grants.

### Timescale

- The programme must be ready to start with all strands of programme activity open for business on 1<sup>st</sup> April 2015.
- Marketing and promotion of the programme will start in February 2015.

- The criteria for the range of grants will be in place in March 2015 – this will include each grant specification, the guidelines and the applications forms.

**Accountable Organisation: West Sussex County Council (WSSC)** will be the lead delivery body for the grants offer. WSSC will contract with Coast to Capital to continue to manage the grant offer based on the success of their delivery of the Business Growth Grants programme. Finance South East will continue to deliver the Growing Places Funded Loan and Equity schemes.

## 2. Strategic Case

### 2.1 Business need – the problem that needs to be addressed

Low rates of business start ups; low innovation; low average growth and low GVA are all factors affecting the Coast to Capital business base which is trailing behind other regions. We need to do better.

Part of the problem is availability of business finance. The private sector is the primary source of business finance. However, too often, highly successful early stage businesses are forced into a trade sale at the point at which the Venture Capital or angel investor needs to exit. Long-term finance is needed for successful business growth and business sustainability.

Furthermore, SME's with growth potential, start-ups or existing, are sometimes unable to access finance for the full scope of their growth. Therefore, the economy is operating at sub optimum level.

The problem is particularly evident for business start, new and micro businesses. Our latest Strategic Economic Plan identified that in 2013, there were 74,600 VAT and PAYE registered businesses trading in the Coast to Capital area, of which the vast majority (67,200) employ fewer than 10 people. Only 260 of our businesses employed more than 250 people.

In addition, we have a significant number of home-based businesses that also contribute, in their own way, to our economy. In Horsham, (GEM research Aston University 2013) shows that 60% of all businesses are home based. A similar number of start-ups are also home based.

Access to finance is one of the specific barriers to growth reported by the business community. Figures from the Federation of Small Business (FSB) survey in September 2012 show that small, micro and young businesses are still suffering from a lack of finance from the banks and businesses with fewer than nine staff are not confident of approaching banks to access the funds they need.

The survey found that only 40% of businesses were confident that the bank would agree to a funding request. When applying for a loan from a bank, small businesses (those with fewer than nine staff) are more likely to be initially refused than a larger business. This could be because banks are picking the safest options and not lending to viable smaller firms.

The difference between 2011 and 2007 was stark. In 2007, comparable research showed that 4% of small businesses had received outright rejections for loans; in 2011 this figure had grown to 27%. Those who received what they wanted when asking for a loan dropped from 85% to 58% between 2007 and 2011.

Small firms continue to show their resilience, with half of the 2,600 respondents saying they had plans to grow in the following 12 months. However, the FSB found these growth intentions would continue to be threatened by an increase in the number of businesses being refused finance. Almost two thirds of members think the availability of credit is poor and more than 60% of firms also thought that finance was unaffordable – this had increased each quarter in 2012.

Summing up the outcome of the report John Walker, National Chairman, Federation of Small Businesses, said: "It isn't surprising that confidence fell back into negative territory as the recession entered its third quarter as growth flat-lines. The message is clear though – businesses want to grow and invest but they need a helping hand to do so. It is frustrating that bank finance is still difficult to get. No matter what is said about demand, more than 40 per cent of applicants have been refused in each quarter this year (2012). This has to change if growth aspirations are to be

met. While it is urgent to address access to finance, it is critical to get the right structure in order for it to work properly. It must be for the long-term and not just a short-term measure for the recession."

The Confederation of British Industry (CBI) identified access to finance issues for businesses in its 2012 report into lending by banks. It found the net monthly flow of lending in February 2012 was at its lowest in almost two years, and overall stock of lending has been negative since mid-2009. Agents from the Bank of England reported that they were starting to see increases in loan pricing, with credit conditions tightening. Existing business loan facilities were becoming more costly on renewal in many cases, arrangement fees rising, and collateral requirements on new lending had become more stringent. Medium-sized firms in particular were bearing the brunt, with fees and commissions, and spreads on lending, all rising substantially.

Our own evidence of need from the 'Be the Business Grant Programme' run in 2013 and 2014 and the 'Business Growth Grants' demonstrates the demand and the outcomes that can be achieved through providing access to finance for businesses:

<b>Grant Scheme</b>	<b>Number of Applicants</b>	<b>Number of grants Awarded</b>	<b>Value of Grants Awarded (£)</b>	<b>Number of Jobs Created or to be created or safeguarded</b>
Be the Business 2013/14	119	37	632,855	88 new jobs created and 170 jobs safeguarded so far
Be the Business 2014/15 (so far, another round just closed)	85	24	488,198	100 new jobs to be created and 284 jobs to be safeguarded
Business Growth Grants	200	61	3,193,895	564

The grants are funding of last resort and for the majority of cases, good business projects are unable to access bank lending simply due to a shortage of security

Coast to Capital Strategic Economic Plan (March 2014) sets out the case for investment. We see significant opportunities for Coast to Capital businesses and entrepreneurs to drive economic growth. Promoting access to finance for business growth is one of our strategies for successful businesses.

Improving the rate of new business formation and supporting business growth is interlinked with the Coast to Capital six strategic priorities that encompass place based and hard infrastructure issues; business and sector issues; people and the workforce; and communities.

We set out proposals for supporting business growth including increasing the rates of new business start-ups; doubling the scale of international trade; attracting more foreign direct investment; and providing a focal point for businesses to access support.

Coast to Capital is already trailing behind its neighbours in the South East Region and the UK. Our target for 2020 is to match the SE region level. If we do not provide an intervention through providing finance for businesses to grow the Coast to Capital region will remain behind other regions.

## 2.2 The Project/Programme

### 2.2.1 Description

The Business Finance Programme will provide a consistent offer of micro-grants, business growth grants, equity and loan investment on, standardised terms. It will include financial support for social enterprises. Associated advisory services for applicant businesses will be provided pre and post grant support funded by ERDF to complement the programme.

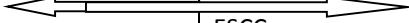
We will ensure there is a ready supply of business finance of all types, for the full range of businesses and for each stage of business growth. We will seek to make targeted interventions to make sure that good business propositions, which could create new jobs can go ahead. In these circumstances we will work with partners to put in place the right type of grant, loan or equity finance as funding of last resort, and always with the condition that there must be co-investment. Through the advisory service we will also explore alternative finance for businesses to ensure the most adequate route is followed and that referrals to other business finance programmes and mechanisms are well founded and clear.

We will support:

- Micro Grants – for small-scale start-ups and micro-businesses. We will build on the examples of West Sussex County Council’s ‘Be the Business’ grants.
- Business Growth Grants – for high growth, high innovation or firms involved in creating jobs in our priority sectors. We will build on the experience of our RGF4 Business Growth Grants Programme.
- Social Enterprise Fund – building on the work over many years by West Sussex County Council and on the recent investment by Coast to Capital in the L&G Social Enterprise Fund
- Equity Fund – building on the current Coast to Capital initiative with Finance South East.
- Loan Funds – using recycled funds from the current Coast to Capital facility with Finance South East

We will continue to work with banks and business lenders to develop a “Charter” which will give confidence to both lenders and applicants that good propositions will get a fair opportunity to find business finance.

See table below for the summary of proposed programme of grants

Micro Grants	Business Growth Grants	Social Enterprise Funding	Equity Funding	Loan Funding
CURRENT PATTERN OF ACTIVITY				
WSCC: £600k budget One application deadline Single stage application £0 to £35k 50% match Has to meet State Aid requirements Dedicated support  R&B Budget £25k pa	C2C: £5k to £250K 25% project costs max Apply anytime Two stage process Dedicated support  ESCC: £3k to £160K Only de Minimis 50% match	WSCC: Budget of £325k pa Early222 stage grant to £5k Main grant to £25K No match requirements Has to meet State Aid requirements  C2C/CAF/L&G: Interest free loans £10k to £30k No match requirements L&G mentor Initial £150k from GPF	C2C/FSE: £50k to £125k 50% match at time of investment No State Aid issues  £5m GPF 	C2C/FSE: £50k to £200K No match requirements No State Aid issues  ESCC: Loans £5k to £250K 50% match

Micro Grants	Business Growth Grants	Social Enterprise Funding	Equity Funding	Loan Funding
Only for start ups of 1-4 employees £500 - £1,000 50% match App form plus bus plan				
<b>PROPOSED PATTERN OF PROVISION FROM APRIL 2015</b>				
Grant £0 to £20k	Grants £15k to £100k	Grants to £10k Loans to £30k	Equity £50k to £125k	Loans £50k to £250k
50% match	50% match	No match requirements	50% match at time of investment	No match requirement
Single stage application	Two stage application	Single stage application	Full business assessment usually involved face to face meeting	Full business assessment usually involved face to face meeting
Two competitive application rounds per year. Competitive selection.	Apply anytime. Criteria based selection.	Apply anytime. Criteria based selection	Apply anytime. Criteria based selection	Apply anytime. Criteria based selection
Start-ups and existing businesses	Start-ups and existing businesses	Early stage and existing organisations	No start-ups Min. 12 mths trading and £100kt/o	No start ups Min. 12 mths trading and £100kt/o
No sector restrictions	Priority for Coast to Capital growth sectors No retail or hospitality unless exceptional  Social enterprises running completely as businesses	Voluntary sector organisations looking to earn by trading	Growth Sectors	Growth Sectors
New jobs required	Medium term growth plan required. Not sufficient to create short term jobs without longer term prospects	Trading income or Social benefit or Skills/apprenticeships or Jobs	New jobs required	New jobs required
De Minimis only	De Minimis and GBER	De Minimis only	No state aid issues	No state aid issues
Support via ERDF Funded support	Support from HEIs, business support network and ERDF support	L&G mentor	No dedicated support	No dedicated support

NB/ The Split between micro and business growth grants is a starting point for 2015/16 and may be varied year to year to reflect demand. The split for future years is to be agreed by the Coast to Capital Enterprise Committee.

The experience of the Be the Business micro grants and Business Growth Grants programmes is that applicants often benefit from the input of business advisors. Applications are stronger, have more chance of success at the panel, very poor applications are weeded out and the business has a greater chance of success. It is anticipated that similar support will be put in place for the new programme of Business Finance, funded from ERDF. If awarded, the role of the development advisors will be:

- To promote the business finance to businesses with whom they deal advising them of the process and support available.
- To assist the businesses that have chosen to take up support with the completion of their application.
- To provide specialist advice on business planning and ensure that the case is sufficiently financially robust.
- To provide post award support to all businesses who win a contract and require additional support.
- To follow up with businesses that were unsuccessful to assess whether there are other forms of support they can be offered to fully exploit the market opportunity and create jobs.

A key element will be for the Development Advisors to act as a team when appropriate to provide access to a broader pool of expertise and in some cases additional resources (chargeable to help to strengthen their application). While the focus will be to help prepare firms to make applications for the fund, the advisors will look wider in terms of supporting the business to achieve their business growth / environmental goals

### **2.2.2 Objectives**

Our aim is to support businesses and social enterprises that have potential to create new jobs. We will achieve this through:

- We will ensure that where there is market failure in the supply of finance to viable business propositions that a greater mix of loan and grant is made available to firms creating 1123 employment opportunities in the Coast to Capital region.
- We will work with banks, angel investors, Venture Capital networks, and social investors to ensure a ready supply of financial and social capital for companies and social enterprises by 2021.
- We will secure public sector investment over six years to achieve the business finance programme success.
- We will support 200 businesses in total through the business finance programme by 2021.
- We will support 50 social enterprises through the business finance programme by 2021.

### **2.2.3 Outputs**

The key measurable output for the business finance programme will be the **creation of 1123 jobs** for the Coast to Capital area as a direct result of the programme interventions.

250 businesses will be supported through the business finance programme.

### 2.2.4 Key Strategic Benefits

The key strategic benefits of the programme are:

- Increased number of businesses growing faster or larger and creating more jobs than would be otherwise the case.
- Increased attractiveness of the region as a business location.
- Stimulation of private sector investment in the economy.
- Consistent and more understandable finance offer to business clients.

### 2.2.5 Key Stakeholders and their roles and responsibilities

All partners will come together and create a unified and consistent offer with consistent upper and lower bands of funding; the leverage required in terms of match from the business; clarity of targeting; and clarity of consistent eligibility criteria.

Partner / Stakeholders	Role
Coast to Capital	Local Growth Fund programme managers, manage the application process
West Sussex County Council	Lead delivery Body for the grants
R&BDC	Micro grants offer
East Sussex County Council	Business Growth Grants offer
L&G SE Assist	Social Enterprise funding and support
Finance South East	Deliver the loan and equity offer currently funded by the Coast to Capital Growing Places Fund
BHCC	Delivered the Wave 2 Regional Growth Fund Programme
HEIs	Currently supply development advisors to support with grant applications

### 2.2.6 Strategic Options for Delivery

Option 1 – do nothing

Option 2 – undifferentiated single offer to all businesses.

Option 3 - differentiated offer and categorise micro; social enterprise; high growth business and differentiated targeting for each.

Option 4 - Offer grants to businesses only in growth sectors

Option 5 – Offer to businesses that can provide a certain minimum level of matched funding.

### 2.2.7 Risks of Strategic Options

Options	Strategic Risks
Option 1 – do nothing	Viable business ventures will not go ahead



	<p>Coast to Capital falls further behind the SE Region and the UK in business starts, business growth and job creation.</p> <p>Coast to Capital business and employment growth targets will not be met.</p> <p>Market failure will not be addressed.</p>
Option 2 – undifferentiated single offer to all businesses.	<p>May result in a high level of ‘deadweight’.</p> <p>Grants may be awarded to businesses that do not meet the maximum possible employment growth targets.</p>
Option 3 - differentiated offer and categorise micro; social enterprise; high growth business and differentiated targeting for each.	<p>Appearance of complexity to businesses, which could affect business ability to participate.</p>
Option 4 - Offer grants to businesses only in growth sectors	<p>Will not support businesses in other sectors that may be essential to the local economy and that can create new local employment.</p> <p>May not include businesses with high growth potential and new business starts that can create deliver the highest job creation and growth impact.</p>
Option 5 – Offer to businesses that can provide a certain minimum level of matched funding	<p>Will not target businesses that can demonstrate growth potential and likely to result in a high level of ‘deadweight’.</p>

### 2.2.8 Constraints

#### Internal factors:

**Coast to Capital as Growth Deal Manager will exercise a “thin client programme management”. Day to day management of the programme will be devolved to a single delivery partner. (see section 6)**

#### External Factors

Business grants will need to comply with EC regulations – in terms of State Aid, all grants will be under De Minimis levels.

Public and private sector match funders may have criteria for their contribution.

Loans and equity will be on commercial terms.

### 2.2.9 Initial Affordability Assessment

#### Sources of funding:

	15/16	16/17	17/18	18/19	19/20	20/21	Total
<b>LGF</b>	1,250,000	2,250,000	1,250,000	1,250,000	2,250,000	1,250,000	<b>9,500,000</b>

<b>Public</b>	55,430	55,430	55,430	55,430	55,430	55,430	<b>332,580</b>
<b>Private</b>	1,766,667	1,766,667	1,770,000	1,750,000	1,770,000	1,7023,000	<b>10,596,334</b>

Leverage will be secured from business applicants – a minimum of 50% from each applicant.

### ***2.2.10 Long term sustainability***

Through the investment of the finance programme we would expect to have achieved the following to sustain an improved flow of sources of finance to businesses:

- Banks to have a better understanding of the needs of our businesses.
- Awareness among our businesses of the range of sources of financial investment and how to access sources of financial support.
- Private and public sector sources of business finance working together to provide businesses with a simple and clear solution to their finance needs and a clearer direction of where to get help.

### 3. Economic Case and Option Appraisal

#### Long-listed Options

Option	Description	strategic fit	achievability	acceptability	affordability
1	Do nothing	Does not meet needs	Unable to deliver requirements to target	Unacceptable to all stakeholders	No cost
2	Undifferentiated single offer to all businesses.	Businesses at different stages of development need different types of finance.  Businesses with high growth potential need more external finance than others.  Businesses may not have access to conventional finance but some may only need small amounts.	Able to deliver within timescales.	Unacceptable to most stakeholders	Likely to create a very high level of demand which could not be met within budget – resulting in dissatisfaction.
3	Differentiated offer and categorise micro; social enterprise; high growth business and differentiated targeting for each.	Meets all key needs for businesses at different stages.	Able to deliver key requirements to target timescales.  Possible deadweight.	Acceptable to all stakeholders	Potential to deliver key and any secondary requirements within the budget available.
4	Offer grants to businesses only in growth sectors	Targets businesses with greatest long term growth potential.  Will exclude high growth business in non target sectors.	Delivers most key requirements to target	Acceptable to most stakeholders	Potential to deliver most key requirements and could be delivered within budget.
5	Offer to businesses that can provide a certain minimum level of matched funding	Does not target the businesses with greatest growth potential.  Does not meet majority of strategic needs and unlikely to deliver the required growth and employment outputs.	Greatest possibility for deadweight.	Not acceptable to most stakeholders	Demand will far exceed budget.

### **3.1 Short listed options**

### 3.1 Short listed options

The shortlisted options that achieve the strategic fit, can be achieved in the timescale, are acceptable to all or the majority of stakeholders and affordable are options 3 and 4:

**Option 3:** Differentiated offer and categorise micro; social enterprise; high growth business and differentiated targeting for each.

**Option 4:** Offer grants to all businesses only in growth sectors

### 3.2 Cost benefit analysis

#### 3.2.1 Affordability

The funds available for both shortlisted options are:

	15/16	16/17	17/18	18/19	19/20	20/21	Total
<b>LGF</b>	1,250,000	2,250,000	1,250,000	1,250,000	2,250,000	1,250,000	<b>9,500,000</b>
<b>Public</b>	55,430	55,430	55,430	55,430	55,430	55,430	<b>332,580</b>
<b>Private</b>	1,766,667	1,766,667	1,770,000	1,750,000	1,770,000	1,7023,000	<b>10,596,334</b>

In addition, for Option 3, there will be additional funding available from Coast to Capital of up to £400,000 for social enterprise support, and this may be further supplemented by other public sector funding yet to be confirmed.

#### Cost

- Both options could be controlled within criteria to be established for the programme. Therefore both options can be delivered within the budget available and the timescales and both options would achieve a level of demand that would require the full budget to be spent.
- A maximum grant level will be set for each business application. Funding would be differentiated across whether the business was seeking a grant, loan or equity not on business type.
- Criteria would include leverage from all businesses

#### Benefits:

- Both options provide opportunities to maximise economic growth for the Coast 2 Capital region.
- Any reduction in budget available would impact on both options equally.

### 3.3 Key Findings

Both options meet the strategic fit of our strategic plan that identifies targeting support for businesses that can provide jobs and growth for the region – this includes targeting support for businesses that are also in sectors that can deliver long term sustainable growth.

Both options have the same cost and are likely to be able to deliver support to the same number of businesses. The budget will be controlled through the criteria for grant applications and the number of grants that can be allocated within the budget available for each year. Option 3 will enable further penetration in the market, if we offer different grants for different circumstances, the audiences is likely to be larger than if we just offer a more general programme.

The risks can be mitigated with little or no cost as the controls can be implemented through the targeting, assessment of applications (for best value for money) and administration of the finance provision.

### 3.4 Recommendations and preferred option

The preferred option is Option 3: Differentiated offer and categorise micro; social enterprises; high growth businesses and differentiated targeting for each. Businesses will have to demonstrate that they can create new jobs and strategy for medium and long term business growth.

This is the best option to ensure economic outcomes can be maximised and that the best value for money can be achieved through the grant funding.

There will be a simple application form for businesses to apply through a competitive process. One of the key criteria will be that businesses are not able to raise the money from elsewhere.

#### Risk

Shortlisted Option	Risks	Impact	Likelihood	Mitigations (including cost where appropriate)
Differentiated offer and categorise micro; social enterprise; high growth business and differentiated targeting for each.	Start of programme delayed due to complex criteria that need to be developed.	Medium	Low	The programme can build on previous expertise and provision/ criteria of similar grant programmes based on existing programmes and processes
	Low take up from businesses	Medium	low	Previous track record and grant programmes have delivered a higher demand/ quality applications from businesses than the number of grants available.  A low take up may require additional marketing activity and publicity. We would expect partners and stakeholders to support this but there may also be a small cost £20,000pa
	Grants result in deadweight or displacement.	Medium	Low	Grants will be funding of last resort for businesses applying and we will work with partners and stakeholders to review and keep up to date with the other sources of funding available. Applicants must show evidence of why they have not been able to access the funding requested from elsewhere.  There will be a pre-filter for larger applications of £50,000 or more.  Criteria and a specification will be established to provide robust evidence of growth and job creation potential. All applications must generate new jobs as a result of the business finance support.

	Not targeting the companies with highest growth potential.	High	Medium	Business growth grants will require companies to set out medium to long term growth potential in their business strategy/ plans.  As above, businesses will be required to demonstrate new job creation.  The potential cost is the risk arises is as above
	ERDF bid for business support around business finance is not awarded resulting in lower quality applications and no poor quality filter	High	Medium	Charge the applicant for business support with their application which if successful could be included as a project cost.  Look to growth accelerator and MAS coaches for support.  Tighten up criteria to encourage higher quality applications  Use the growth hub to act as a filter

There are no additional costs to mitigate the risks. However, if risk(s) were to occur the cost would be reduced value for money of the programme and potential displacement of some companies receiving support at the expense of others due to limited funding available.

Arrangements to provide finance for businesses will be delivered through a criteria based process to ensure fair access by businesses. A specification setting out the criteria and guidelines will be produced along with application forms and a transparent assessment process. We will ensure that businesses applying for grants must demonstrate that they are meeting certain criteria before an application project will be considered for funding. For example:

- The business application will have to bring additional economic benefit to the Coast to Capital area.
- The business application must demonstrate viability.
- The business application must have the potential to increase employment in the Coast 2 Capital area.
- The business application must prove there is a need for top-up finance over and above what is available on the open market or within the business.

## 4. Delivery

### 4.1 Project management arrangements

#### Delivery Options:

Option A – Unitary delivery of all elements of the business finance envelope by a single partner organisation supported by a consortium of partners.

Option B – Unitary delivery of each element by a single partner organisation.

Option C – Delivery of all elements by a lead organisation in each geographical locality

The preferred option is to have one partner managing the programme and a single customer journey. See appendix for a diagram on the proposed customer journey.

## 4.2 Procurement Strategy

Coast to Capital invited potential delivery partners to express an interest in managing the delivery of the grants programme. WSCC were the only partner to express an interest and therefore will be the lead delivery body for the business grants offer.

### **4.3 WSCC have committed to providing sufficient resources to manage the programme, are leading a bid for ERDF for the wrap around business support and have a track record in managing similar projects. WSCC will be contracting with Coast to Capital to manage the day to day delivery of the grants offer and Finance South East will continue to deliver the loan and equity schemes. Implementation Timescales**

<b>Date achieved by:</b>	<b>Milestone activity</b>
End December 14	Management arrangements reviewed.
End January 15	Programme Management arrangements in place.
End February 15	<p>Criteria for Business Finance programme agreed with all partners and stakeholders:</p> <ul style="list-style-type: none"> <li>• Specifications</li> <li>• Guidelines</li> <li>• Application forms</li> </ul> <p>Criteria for managing the programme established and invitations invited for partners to manage the programme.</p> <p>Delivery Plan established with profile of outputs and expenditure for 2015/16.</p> <p>Start to raise awareness and promote programme of finance grants to Coast to Capital businesses</p> <p>Business Finance programme promoted through Coast to Capital and partner websites.</p> <p>Availability of equity/ loan grants promoted through Finance South east website.</p>
End March 15	<p>Applications invited for grants programme</p> <p>Arrangements in place for Independent Appraisal Panels for grants.</p>
April – June 15	<p>All strands of the Business Finance programme available and up and running.</p> <p>Be the Business Growth grants assessed and grants agreed.</p> <p>Review of quarterly milestones and targets.</p> <p>Review by Coast to Capital Growth Deal Business Support Steering Group</p>
July – Sept 15	<p>Second round of 'Be the Business' growth grants established</p> <p>Review of quarterly milestones and targets.</p> <p>Review by Coast to Capital Growth Deal Business Support Steering Group</p>
Oct – Dec 15	Review of quarterly milestones and targets



	Review by Coast to Capital Growth Deal Business Support Steering Group
Jan – March 16	Review of quarterly milestones and targets Review by Coast to Capital Growth Deal Business Steering Group

#### 4.4 Contract Management Approach

A grants programme requires application, appraisal and steering processes which ensures we are able to make quick decisions whilst ensuring we attract projects which have significant positive impacts. WSCC will contract Coast to Capital to manage the grants offer building on the success of the Business Growth Grants and Be the Business programmes.

There will be an agreement between Coast to Capital and WSCC. The agreement will include arrangements for quarterly monitoring of milestones and outputs. The roles and responsibilities of WSCC, Coast to Capital and Finance South East are outlined below

Organisation / grouping	Roles & responsibilities
WSCC	<ul style="list-style-type: none"> <li>• LGF agreement holder</li> <li>• Fund holder- release fund to Coast to Capital to make grant payments to beneficiaries</li> <li>• Attendance at Investment Appraisal panel meetings</li> <li>• Marketing and Pipeline building</li> <li>• Business support lead delivery</li> <li>• Will convene steering group meetings and chair</li> <li>• Approval of the criteria and application forms</li> </ul>
Coast to Capital	<ul style="list-style-type: none"> <li>• Production of the criteria and application forms</li> <li>• Programme management</li> <li>• Secretariat to Investment Appraisal Panel and Steering Group</li> <li>• Seat on Steering Group</li> <li>• Scheme Promotion</li> <li>• Managing the customer journey and application process</li> <li>• Communications with applicants and potential applicants</li> <li>• Contracts with beneficiaries</li> </ul>

Organisation / grouping	Roles & responsibilities
	<ul style="list-style-type: none"> <li>Financial management and administration</li> <li>Managing beneficiary claims and requesting payments from the lead delivery body to beneficiary</li> <li>Monitoring beneficiaries for spend and outputs</li> <li>Reporting to the Coast to Capital Growth Deal programme manager</li> <li>Reporting to the lead delivery body</li> <li>Liaising with Finance South East on delivery</li> </ul>
Finance South East	<ul style="list-style-type: none"> <li>Continue to manage Loan and Equity Schemes</li> <li>Report to Coast to Capital on delivery, spend and outputs</li> </ul>

## 5. Financial Case - the cost to the public purse, and budgeting

### 5.1 Budget Profile

#### Funding of Project costs

	15/16	16/17	17/18	18/19	19/20	20/21	Total
<b>LGF</b>	1,250,000	2,250,000	1,250,000	1,250,000	2,250,000	1,250,000	<b>9,500,000</b>
<b>Public</b>	55,430	55,430	55,430	55,430	55,430	55,430	<b>332,580</b>
<b>Private</b>	1,766,667	1,766,667	1,770,000	1,750,000	1,770,000	1,7023,000	<b>10,596,334</b>

### 5.2 Budget Arrangements

The majority of the funding will come from the Local Growth Fund and £9.5 million has already been allocated for the purpose of the business finance programme.

Further funding will be provided through the public sector partners and has been agreed and allocated through their respective budget arrangements.

£10.6 million private sector investment will be levered in.

West Sussex County Council will act as the Accountable Body for the whole of the Growth Deal funding.

The arrangements for funding draw down will operate within the Assurance Framework Guidelines issued by BIS/CLG and agreed in detail between WSCC and Coast to Capital. The requirements for how projects are set up in terms of budget and funding will be set out in a Service level Agreement between WSCC and Coast to Capital. The key features are:

C2C will make the provision of all grants conditional upon the following:-

- Receipt of C2C from a Delivery Body of an assurance that they have robust information systems in place and can capture and report on relevant spend and delivery data in a timely and accurate manner.
- That the Delivery Body will allow C2C and the Council access to internal and external audit statements relating to the grant funded projects and will provide signed audit statements or equivalent stating that spend is in accordance with grant conditions
- That the Delivery Body will allow C2C and the Council access to the Delivery Bodies financial records and statements relating to the grant funded expenditure.

C2C will put in place procedures and attach conditions to all grants in connection with the recovery (or claw-back) of grant money where it is reasonably believed that expenditure is not in accordance with the agreed terms or agreed outcomes are not met.

#### **PAYING AGRANT FROM ACCOUNTABLE BODY TO DELIVERY BODY**

For each draw-down from the Funding C2C will supply to the Council written authorisation for the grant to be made from the Council to the Delivery Body. Said written authorisation to comprise of:-

- A checklist showing the evidence provided by the Delivery Body signed by C2C
- Authority to make the grant signed by either the C2C CEO or Board Director stating that the required conditions for the milestone payment have been satisfied
- Evidence that a business case for the project was approved by the C2C Board or sub-committee or local transport committee
- Evidence of a formal contract or agreement with the Delivery Body setting out the total funding for the project, the required outcomes and the necessary requirements for use of public funding. This contract or agreement should also include the recovery (or claw-back) provision referred to in paragraph 1.5 above.

#### **PROJECT DETAILS**

Prior to issue of each grant and renewed annually (on the 15<sup>th</sup> April each year), C2C will provide to the Council the following information:-

- The Delivery Body to whom the payment of the grant will be made
- The project title
- The total amount of funding to be provided
- A schedule and amount of staged draw-downs based on common quarterly claim and payment dates and a final annual claim date being:- 15<sup>th</sup> April, 15<sup>th</sup> July, 15<sup>th</sup> October, 15<sup>th</sup> January and 15<sup>th</sup> March each year.

- Evidence that will be supplied in for each draw-down

## 6. Management Case

### 6.1 Project Dependencies

Key dependencies for the finance programme are:

- Award of the Local Growth Fund.
- Developing effective stakeholder partnerships.
- Agreeing criteria for access to finance grants with all partners.
- Effective marketing to business.

### 6.2 Project/Programme Governance, Organisation Structure and Roles

**Governance arrangements:**

**The Coast to Capital Enterprise Committee will have overall accountability.**

The Coast to Capital Growth Deal Business Support Steering Group will have overall responsibility for overseeing the successful delivery of the programme. The Steering Group will have a leadership and governance role during the set up phase (November 2014 to March 2015) and implementation period (2015-2021), meeting quarterly to plan and review progress against the overall vision, objectives and target outputs.

See Appendix 2 for membership and Terms of Reference for the existing RGF Steering Group. The new steering group will have very similar membership but may change slightly.

In addition, an Independent Appraisal Panel will be established to assess grant applications against criteria. Also a Loans and Equity investment panel will provide expertise in relevant areas, to review applications.

#### Key Governance Milestones

Milestone	Timescale
Business case approved for Business Finance programme	January 2014
Steering Group convened	March 2015
Programme underway	1 <sup>st</sup> April 2015
Steering group meetings and review of budget, outputs and outcomes	Quarterly April 2014 to March 2015
Annual Report of first year performance	March 2015

### 6.3 Communications and Stakeholder Management

The availability and criteria for the business finance programme will be advertised through business databases, partner networks and through the growth hub. The Growth Hub which is a one-stop-shop business support service take enquiries and make referrals (via the business support navigators) to business support. The Coast to Capital geography is diverse, comprising urban, rural, coastal areas and Croydon. The business support navigators fully understand the Local knowledge and the differences between business support products and

providers and have understanding of the local business landscape in order to make the best match to local services. For this reason the growth hub service will be vital in order to ensure sufficient applications come through and that only businesses that are eligible are encouraged to apply and will act as a filter for ineligible poorer applications.

All grant awards will be publicised on the Coast to Capital and delivery partner website.

An annual report will be produced and disseminated at the end of each financial year.

#### **6.4 Project/Programme Reporting**

A delivery profile will be agreed with all delivery partners at the outset. This will include qualitative as well as quantitative measures of the Business Finance programme.

Monthly progress reports will be provided to the Coast to Capital LGF Programme Manager who will provide advice and guidance should any issues be reported regarding monitoring and management arrangements. Quarterly reports will be provided to the Coast to Capital Growth Deal Business Support Steering Group

We will ensure that target businesses are eligible for support through developing a comprehensive guide/ checklist for all partners and ensure staff involved in reviewing applications are fully briefed.

Monthly monitoring of the programme achievements and benefits will be met by assessing performance against the profile using quantitative data analysis of performance against profiled benefits/ expenditure.

In addition, quarterly collection of qualitative information and feedback from project staff, partners, stakeholders and businesses will provide regular assessment as to whether the programme is meeting needs and will lead to continuous improvement to delivery and partnership working.

Findings of on-going monitoring will be reported to the Coast to Capital Growth Deal Business Support Steering Group to inform project development, support corrective action, inform good practice modelling and dissemination.

Each delivery partner will collect relevant evidence of delivery and will keep up to date records of businesses supported and quality and financial management records.

#### **6.5 Key Issues for Implementation**

The key issues affecting delivery and implementation are likely to be:

- Stimulating applications from businesses that can deliver the most economic benefits for the region.
- Managing demand and avoiding applications that are not suitable or do not meet the required criteria or growth potential.
- Managing applications to align with the financial resources available (across each financial year).

#### **6.6 Risk Management Strategy**

A risk register for the project implementation will be drawn up and reviewed quarterly as part of the project management and reporting arrangements. Risks and mitigating measures will be identified in terms of likelihood and impact, and regularly reviewed by both the project

management team and the project partners. Each risk will have an identified 'owner' responsible for monitoring and managing it within an effective risk management framework including relevant risk registers, response and control and appropriate reporting and decision making mechanisms.

The major risks are summarised as:

Risks	Impact	Likelihood	Mitigations (including cost where appropriate)
Start of programme delayed due to complex criteria that need to be developed.	Medium	Low	The programme can build on previous expertise and provision/ criteria of similar grant programmes based on existing programmes and processes
Low take up from businesses	Medium	low	<p>Previous track record and grant programmes have delivered a higher demand/ quality applications from businesses than the number of grants available.</p> <p>A low take up may require additional marketing activity and publicity. We would expect partners and stakeholders to support this but there may also be a small cost £20,000pa</p>
Grants result in deadweight or displacement.	Medium	Low	<p>Grants will be funding of last resort for businesses applying and we will work with partners and stakeholders to review and keep up to date with the other sources of funding available. Applicants must show evidence of why they have not been able to access the funding requested from elsewhere.</p> <p>There will be a pre-filter for larger applications of £50,000 or more.</p> <p>Criteria and a specification will be established to provide robust evidence of growth and job creation potential. All applications must generate new jobs as a result of the business finance support.</p> <p>If 10% deadweight were experienced this would result in a cost in terms of non-value added of £xx</p>
Not targeting the companies with highest growth potential.	High	Medium	Business growth grants will require companies to set out medium to long term growth potential in their business strategy/ plans.

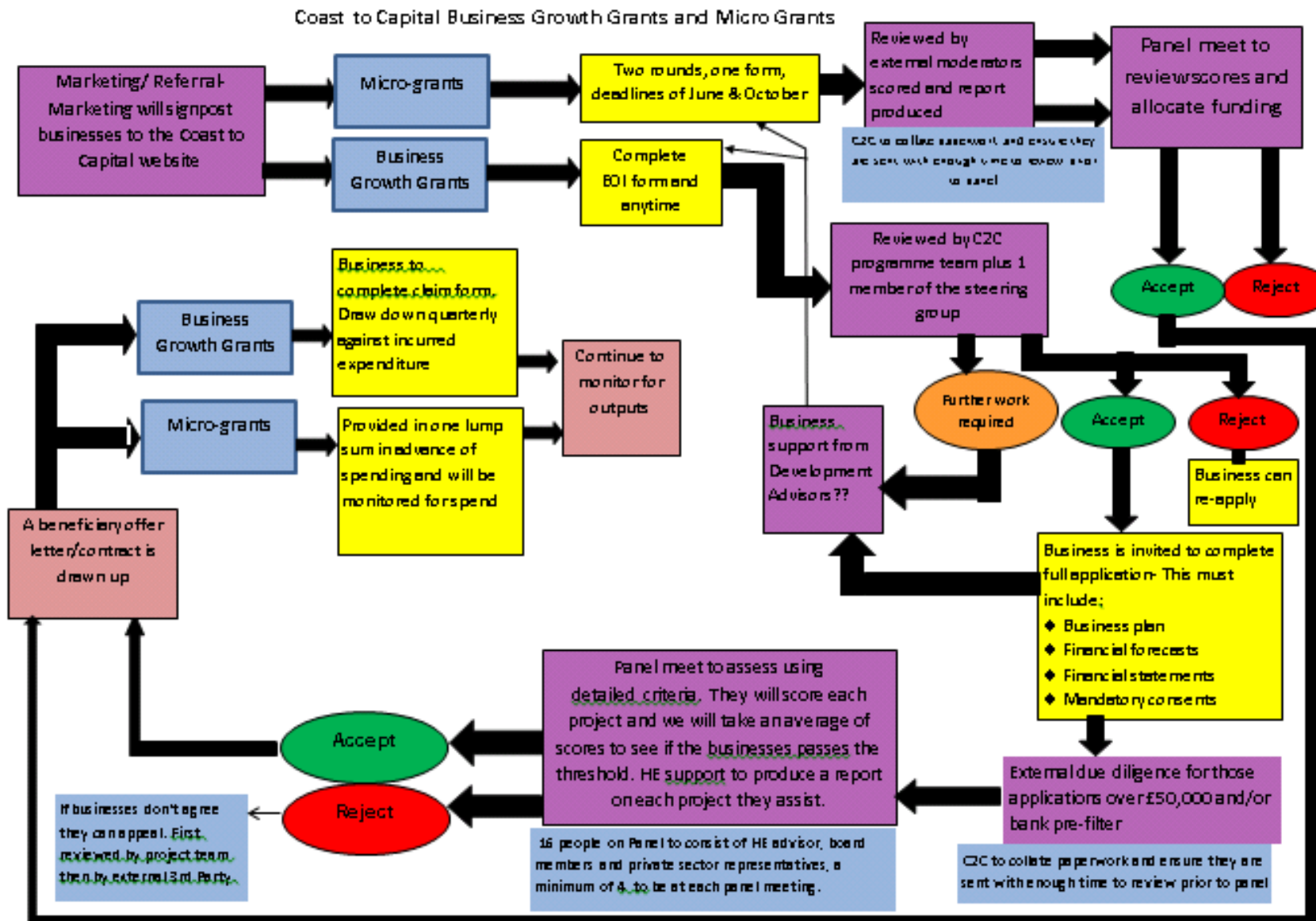
			As above, businesses will be required to demonstrate new job creation. The potential cost is the risk arises is as above
Perceptions of unfair awards from businesses resulting in complaints or negative publicity	Medium	Low	Extensive publicity for the programme Criteria based selection Final decision by Independent Appraisal Panel.
ERDF bid for business support around business finance is not awarded resulting in lower quality applications and no poor quality filter	High	Medium	Charge the applicant for business support with their application which if successful could be included as a project cost. Look to growth accelerator and MAS coaches for support. Tighten up criteria to encourage higher quality applications Use the growth hub to act as a filter

## 6.7 Project/Programme Evaluation

Our approach to the evaluation of the programme will be governed by the LGF evaluation framework. It is likely to include processes that:

- help programme activities robustly demonstrate their achievements;
- enable partners to identify and share best practice which will help to improve performance across the programme;
- provide evidence that supports the evaluation of the programme as a whole that collectively demonstrates to a range of audiences the performance, achievements and impact of the support delivered;
- inform the development of future programmes; and
- help partners plan and implement successful exit strategies.

Appendix 1- Business Finance Process flowchart





## Appendix 2- Independent Appraisal Panel Manual

### General

This manual sets out the process and key documents pertaining to the investment appraisal and decision-making process and comprises:

- An overview of appraisal and decision-making process;
- Investment Appraisal Panel (IAP) and Steering Group Terms of reference;
- The expression of interest internal review criteria
- The appraisal scoring methodology; and
- The appeals process to be employed where an applicant SME contends the decision-making has been materially flawed.

This manual is provided to all members of the IAP and Steering Group and the Programme Management team.

### Overview of Appraisal and Decision-making Process

The Coast to Capital team have designed and implemented an appraisal and decision-making process that operates as follows (and summarised at Appendix 1 to this manual – Appraisal and Decision-making Flowchart):

#### Expressions of Interest (EOI)

Applicants submit an EOI (that can be downloaded along with guidance notes from the Coast to Capital website) to the Coast to Capital RGF email address. All EOIs are then reviewed by an internal team including the Coast to Capital Senior Responsible Officer, Programme Manager and one member of the steering group or Development Advisor. Every EOI will be reviewed by three people. An invitation to proceed to full application is issued if the Applicant's EOI establishes the technical eligibility of the project and is deemed basically sound in relation to the aims and objectives of the Fund (ie, will create jobs and, on an initial reading, does not present substantial risks in terms of deliverability and the sustainability of any profiled job creation). The technical criteria used to review each project can be found later in this manual.

Where an EOI does not result in an invitation to proceed to the full application stage, the applicant is notified of the reasons why in writing. Where applicable we will attempt to signpost the business to other local business support schemes. Applicants unsuccessful at EOI stage are entitled, without prejudice, to submit a re-worked EOI 3 months after they have been informed.

#### Development of the Full Applications

Those invited to submit a full application are provided with guidance on the documentation required and are also provided with access to a Development Advisor from one of the three universities in the programme to help them with their business case and applications. Which Development Advisor the business is allocated will depend on the business location and sector. See appendix 2 – Business Support Development Advisor Specification of Requirements. Applicant businesses can elect not to use this service.

[The applicant businesses are informed that, as well as supporting the business to prepare a sound investment proposal, the Development Advisors also have an

explicit role to identify proposals which they believe do not merit appraisal and to transparently communicate their evidence-based reasoning for making this judgement to the Coast to Capital Programme Management team. This 'challenge' process will manage the expectations within the applicant pipeline and strip out uncompetitive applications which, if progressed, would serve to congest the IAPs.]

Whether using the Development Advisor service or not, the businesses then submit their full applications to the Coast to Capital Programme Management team using the RGF email.

Applications for grants over £50,000 will then undergo external due diligence. A summary report will be produced which will determine whether the application goes to the IAP.

### **Collation and Audit of Full Applications**

The Coast to Capital Programme Management team collates the documents and undertakes an initial audit of documents to ensure they are complete for review. Those applications fit for review are issued to the Investment Appraisal Panel Members once there are a full set ready for review. IAP members are given 14 full working days prior to the Panel sitting to review the applications, pre-score as they see fit and formulate questions for the attending DAs and / or to be raised in discussion with the other Panel members. Applicants will not be invited to attend the panel.

### **Appraisal**

The appraisal of the individual applications is undertaken by the Investment Appraisal Panel. The IAP Terms of Reference and a list of members are included later in this Manual.

The IAP members review and appraise applications prior to the Panel sitting, and then discuss their scoring with fellow Panel members and, collectively, formulate recommendations to the Steering Group. The IAP does this using a defined set of appraisal criteria that investigate the Impact, Deliverability, Sustainability and Value for Money of each proposal (see Appraisal Scoring Methodology later in the manual). The IAP will be able to comment on the Scoring methodology before they undertake their first review.

The IAP members individually score the proposals and the Coast to Capital Programme Management team, present as secretariat at the IAP, note the scores and calculate the mean average scores of the individual application in relation to each criterion. The Coast to Capital Programme Management team also record the rationale for the scoring – creating a detailed record of the Panel which comprises a narrative recommendation and rationale and recorded (mean average) scoring against the criteria. The Programme Management team creates a summary of the panel recommendations which is signed off by the chair of the panel.

Where applicants elected to use the DA service, the DAs are also present at the IAP to present a synopsis of the subject project under discussion and contribute matters of fact to the discussion where they are able to through their engagement with the business. Where applicants elected not to use the DA service, the Coast to Capital Programme Management team present the synopsis of the project to the Panel members.

### **Endorsement of Panel Recommendations**

The record of the Panel's meeting is then passed to the Steering Group members. The Steering Group Terms of Reference and membership list are included later in this Manual. They receive the IAP recommendations and then decide whether to endorse or reject. The Steering Group will have available the full suite of application documents, however, given the nature of the individual members and the volume of applications (combining 2 preceding IAPs), it is not expected that they are reviewed in detail. However, they are directed to have read the summary of panel recommendations.

The steering group will only be expected to overturn a panel recommendation in specified limited circumstance including, availability of funds (in the latter stages of the Fund), localised concentrations of public sector employment at risk, and particular issues of local economic shocks.

The Steering Group is chaired by Ian Parkes, the Coast to Capital Strategy Director and Programme Senior Responsible Officer.

The Coast to Capital Programme Management team will record the substance of the rationale for the Group's decisions as to whether to award funding or not. This record will ultimately form the content of the decision letter that is then forwarded to the applicant.

At each stage, the rationale for recommendations and decisions are recorded. Through using an appraisal process that rests on a set of agreed scoring criteria and averaging the scoring from a panel of experienced, independent and external individuals, the recommendations are formulated through an approach that strips out bias, which is then further scrutinised by a Steering Group who weigh the recommendations in the balance of wider economic development and regeneration drivers, priorities and opportunities.

### **Placement scheme**

The RGF programme will also include a skills and placement/internship element linked to the grants and wider support. It is specifically designed around the needs of the small and micro business community, providing an aggregated capacity model through which individual businesses are able and willing to take on and support the training of new but inexperienced talent. In doing so, it also embeds that process as organisational learning within each business, supporting the long terms development of real ownership of skills for small and micro businesses. Recent unemployed graduates, under-employed graduates (within the last five years) and ex-public sector workers will be included in the programme. Small companies often lack the capacity to engage with the HR, legal and contractual side of placements. Consequently for this programme, the programme management organisation becomes an aggregated HR department for participating businesses, sourcing and contracting the interns, organising their payments as well as dealing with any personnel issues which arise during an internship.

Wired Sussex will be the placement management organisation for the CDIT sector throughout the Coast to Capital area and the University of Brighton will manage the green sector. Both will be contributing 60% of the intern wage to the employer and are hoping to create 165 six week placements. The approach is proven to lead to permanent jobs. We are anticipating a conversion rate of 70% to permanent employment based on evaluation by University of Sussex of a scheme which focused on recent graduates in Brighton. This programme was highly commended by HEFCE as a model for internship programmes everywhere. This would therefore

result in 115 FTE jobs being created. See Appendix 3, Placement Scheme Specification of requirements.

### **Investment Appraisal Panel Terms of Reference**

Coast to Capital will run two concurrent Investment Appraisal Panels (IAP1 and IAP2) to ensure the volume of applications does not overwhelm what will be a volunteer membership. Each round of applications to IAP1 and IAP2 will feed recommendations to the Steering Group.

IAP members are drawn from Coast to Capital, the supporting Universities, Upper Tier Authorities, and the private sector from the investment community. The DCLG Monitoring Officer will also attend at least one panel meeting per quarter. The Coast to Capital Business Growth Grants Programme Senior Responsible Officer will operate the IAP recruitment process, ensuring both IAPs contain an appropriate spread of competence and experience.

### **Scope**

This document sets out the Terms of Reference for the IAP established to make investment recommendations to the Coast to Capital Business Growth Grant Scheme Steering Group.

### **Introduction**

The Coast to Capital Business Growth Grant Scheme is a £3m grant investment fund, financed through the BIS Regional Growth Fund. Final beneficiaries of investments will be SMEs from within the following LEP areas: Brighton & Hove, Lewes, Worthing, Adur, Arun, Chichester, Croydon, Reigate & Banstead and Epsom & Ewell.

Grants of between £5,000 and £100,000 will be available to eligible businesses; however grants of a higher value will also be considered where a greater impact on employment growth can be shown.

The aim of the Coast to Capital Business Growth Grant Scheme is to:

- Create new private sector jobs through providing high growth and innovation and green businesses in the priority areas with grants, enabling them to develop new products and services and /or access new markets.

And supporting this, it has the following objectives:

- To attract high quality proposals from businesses- in terms of deliverability and impact.
- To increase the number of SMEs employing highly qualified workers to boost productivity and growth.
- To increase employment and productivity of recent graduates and ex-public sector workers.
- To provide additional support for SMEs to successfully get them into the supply chain for the major environmental projects in this area and to boost innovation capacity and ability to bring new products and services to the main contractors and procurers.
- To prevent blockages arising in the path from innovation to market.

- Where possible to identify and support those which not only have demonstrable high growth potential, but also align with LEP sector prioritisation plans.
- To align with the wider RGF aims and objectives, supporting a re-balancing of the sub-regional economies. The Coast to Capital Innovation and Green Business Grants will be concentrated in areas with the highest levels of public sector employment - all above the England average - and with a Part 2 aggregate score of 23.5 compared to 20.9 for England.

### **Role of the IAP**

The role of the IAP is to:

- **Review proposals for grant investment**, making recommendations as to whether the proposal should be funded. These recommendations will be submitted to the Steering Group who will endorse or reject the panel's investment decisions.
- The IAP will be supported by University Development Advisors, who will work closely with the applicants to develop the proposals
- [The Development Advisors will attend IAP meetings and provide the IAP members with summaries of each proposal. They will have worked, on a developmental basis, with the applicants and so will be able to answer probing questions relating to the detail of each proposal.]

### **Membership of the IAP**

Each IAP will be formed from at least 4 and up to 6 panel members drawn from a pool of agreed individuals. The pool will comprise the following:

- Coast to Capital Director;
- Coast to Capital Chief Executive
- A Development Advisor from University of Sussex (SINC)
- A Development Advisor from the University Brighton
- A Development Advisor from the University of Chichester
- A representative from SESP;
- A business orientated representative from the Argus
- A representative from the City Deal project board;
- Up to 6 representatives from the Private sector investment community, such as banks, accountants, business angels, venture capitalist funds or the SME community.
- DCLG Monitoring Officer

For each panel of four-six members, at least three will be from the private sector investment community or SME community

### **Terms of Reference for the IAP**

The IAP will form the panel responsible for making investment recommendations to the Steering Group.

The IAP will comprise between four and six members drawn from a pool of volunteers from public and private sectors. At least four members must be present for the IAP to be quorate. Investment recommendations will be based on scoring against the criteria set out later in this manual by each individual member of the

panel in discussed with fellow panel members if appropriate and the creating an average score for the whole panel. Those that meet the minimum threshold will be approved.

No liability will attach to the IAP, either collectively or individually, for their recommendations made in good faith.

The IAP will meet as follows:

- Up to 10 times between January 2014 and March 2015. The number of IAP meetings will be determined by the volume and quality of applications received from SMEs for grant funding; and in addition
- On an *ad hoc* basis, as agreed by the members, to resolve performance issues and / or take advantage of new opportunities.

The Coast to Capital Programme Management Team will act as secretariat and will attend IAP meetings and minute the full proceedings. A summary of the recommendations will be circulated for agreement by the members within 3 working days of the IAP meeting.

### **Conflicts of Interest and General Code of Conduct**

In order to ensure all decisions are made in an impartial and objective manner, the following conflict of interest procedure and general code of conduct will be followed.

- *Conflicts of Interest* should be a standing agenda item for all IAP meetings and any other such meetings of *ad hoc* groupings where decisions, material to the progress, process and investments arising from the Coast to Capital Business Growth Grants Scheme are made;
- Where members may have conflicts of interest they should first declare this, and second and if agreed to represent a conflict of interest by *any one member* of the IAP, withdraw from the discussion about any decision related to that conflict.

Any member with a direct interest<sup>1</sup> in an individual proposal under consideration will not be permitted to score any recommendations relating to that proposal *and*, will not take part in any discussions contributing to the decision-making process. They will be asked to sit out of the entire panel in which the individual proposal is to be discussed.

### **Steering Group terms of Reference**

Steering Group members will be drawn from those from the Initial Coast to Capital Regional Growth Fund Project group that were involved with the bids.

#### **Scope**

This document sets out the Terms of Reference for the Steering Group established to oversee the Coast to Capital Business Growth RGF Programme.

#### **Introduction**

The Coast to Capital Business Growth Grant Programme is a £3m grant investment fund, financed through the BIS Regional Growth Fund. Final beneficiaries of

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<sup>1</sup> Interests might be financial (eg, they might be a shareholder in the subject SME) or non-financial (eg, the member may have family or close friends in the subject SME).

investments will be SMEs from within the following LEP areas: Brighton & Hove, Lewes, Worthing, Adur, Arun, Chichester, Croydon, Reigate & Banstead and Epsom & Ewell.

Grants of between £5,000 and £100,000 will be available to eligible businesses; however grants of a higher value will also be considered where a greater impact on employment growth can be shown.

The aim of the Coast to Capital Business Growth Grant Scheme is to:

- Create new private sector jobs through providing high growth and innovation and green businesses in the priority areas with grants, enabling them to develop new products and services and /or access new markets.

And supporting this, it has the following objectives:

- To attract high quality proposals from businesses- in terms of deliverability and impact.
- To increase the number of SMEs employing highly qualified workers to boost productivity and growth.
- To increase employment and productivity of recent graduates and ex-public sector workers.
- To provide additional support for SMEs to successfully get them into the supply chain for the major environmental projects in this area and to boost innovation capacity and ability to bring new products and services to the main contractors and procurers.
- To prevent blockages arising in the path from innovation to market.
- Where possible to identify and support those which not only have demonstrable high growth potential, but also align with LEP sector prioritisation plans.
- To align with the wider RGF aims and objectives, supporting a re-balancing of the sub-regional economies. The Coast to Capital Innovation and Green Business Grants will be concentrated in areas with the highest levels of public sector employment - all above the England average - and with a Part 2 aggregate score of 23.5 compared to 20.9 for England.

### **Role of the Steering Group**

The role of the Steering Group is:

- **To ensure project delivery remains on track** and that any performance issues are dealt with swiftly. To support this process, the Programme Manager will submit quarterly progress reports, summarising performance against key management information including profiled versus actual expenditure in terms of investments made, defrayal by final beneficiaries, and job creation and investment leverage outputs; and
- **To endorse investment recommendations from IAPs**, awarding grant funding to SMEs. Investment decisions will be based on recommendations from the Investment Appraisal Panels and a consideration of the strategic fit of the individual proposals against the aims and objectives of the PWGF2.

## Membership of the Steering Group

The Steering Group membership is as follows:

- Ian Parkes, Programme Senior Responsible Officer (Chair);
- Mike Herd, Sussex Innovation Centre, University of Sussex;
- Ana Fajardo, West Sussex County Council;
- Cheryl Finella, Brighton and Hove City Council;
- Dave Cooper, University of Chichester
- Phil Jones, Wired Sussex
- Chris Baker, University of Brighton
- Damian Tow, Brighton and Hove City Council
- Lisa McCance, London Borough of Croydon
- Paul Toben, Growth Accelerator
- Hayley Shepherd, Coast to Capital and Programme Manager
- Sarah Hardman, University of Sussex
- Josh Siepel, university of Sussex
- Peter Sharp, Lewes District Council
- Malcolm Brabon, Coast to Capital
- Philip Ward, Greater Brighton Wave 2 Programme manager

## Terms of Reference for the Steering Group

The Steering Group will form the panel responsible for endorsing the investment decisions recommended by the Investment Appraisal Panels.

At least 4 members must be present for the Steering Group to be quorate.

Investment decisions will be carried by majority verdict. In the event of a tied vote, the Chair's vote will be the deciding vote. No liability will attach to the Steering Group, either collectively or individually, for their recommendations made in good faith.

The Steering Group will meet at least 4 times per year.

The steering Group may consider investment recommendations from the IAPs via email and telephone discussion if appropriate.

The Steering Group will receive reports from the Coast to Capital Business Growth Grants programme manager and decide on action to be taken to:

- Address potential / actual problems with delivery;
- Require repayment of grants where SMEs who have been awarded grant funding are unable, for whatever reason, to make the expenditures proposed in their submission;
- [Decide on whether investment should be maintained or required to be paid back where SMEs are not able to make the expenditure within 3 calendar months of the award, but remain in a position to do so within a



further 2 calendar months; balancing flexibility with a need to ensure any unspent funds can potentially be recycled]

- Take advantage of new opportunities to add value to what the project is trying to do; and
- Provide advice and guidance on how the effectiveness and efficiency of the project could be enhanced.

The Coast to Capital Business Growth Grant Programme Manager will attend the Steering Group meetings and minute the full proceedings. Minutes, including the decisions made will be circulated for agreement by the members within 3 working days of the Steering Group meeting.

### **Conflicts of Interest and General Code of Conduct**

In order to ensure all decisions are made in an impartial and objective manner, the following conflict of interest procedure and general code of conduct will be followed.

- *Conflicts of Interest* should be a standing agenda item for all Steering Group meetings and any other such meetings of *ad hoc* groupings where decisions, material to the progress, process and investments arising from The Coast to Capital Business Growth Grants are made;
- Where members may have conflicts of interest they should first declare this, and second and if agreed to represent a conflict of interest by *any one member* of the Steering Group, withdraw from the discussion about any decision related to that conflict; and

Any member with a direct interest<sup>2</sup> in an individual proposal under consideration will not be permitted to vote on any decisions relating to that proposal *and*, will not be permitted to take part in any discussions contributing to the decision-making process. They will be asked to sit out of the entire panel in which the individual proposal is to be discussed.

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<sup>2</sup> Interests might be financial (eg, they might be a shareholder in the subject SME) or non-financial (eg, the member may have family or close friends in the subject SME).

## EOI Internal Technical Appraisal Criteria

When an expression of interest is received, the Programme Management team including the Programme Senior Responsible Officer, Programme Manager and one member of the steering group or one of the Development Advisors will assess the project on its technical criteria using the framework below.

### Expression of Interest Basic Details

To be completed by Coast to Capital Business Growth Grant Programme Management team.

<b>Name of Business</b>	
<b>Project name (where applicable)</b>	
<b>LA District</b>	
<b>RGF requested (£)</b>	
<b>Total Project Costs</b>	
<b>Leverage Ratio</b>	
<b>Funding Secured</b>	
<b>Jobs Created</b>	
<b>Overall Project Timetable</b>	

### Expression of Interest Initial Assessment

To be completed by Coast to Capital Business Growth Grant Programme Team

<b>Criteria</b>	<b>Y, N or comments</b>
1. Does the application relate to a project within the Coast to Capital RGF Eligible areas?	
2. Is the business in the green sector?	
3. Does the business show high growth potential or show innovation?	
4. Does the business exploit leading edge technology?	
5. Is the proposal from an SME? <a href="http://ec.europa.eu/enterprise/policies/sme/files/sme_definition/sme_user_guide_en.pdf">http://ec.europa.eu/enterprise/policies/sme/files/sme_definition/sme_user_guide_en.pdf</a>	

6. Is the required grant up to 25% of the total project costs and below De Minimis threshold or no more than 20% of the total project cost for GBER exemption?	State the level of RGF sought as a percentage of project total costs.
7. What is the cost per job based on the information provided and how does this compare with The national average of £33k	
8. Are other funds in place or to be determined/secured?	

By signing the appraiser is confirming that she/he does not have a personal conflict of interest with the applicant organisation’s proposal.

	Assessor 1	Assessor 2	Assessor 3
<b>Name</b>			
<b>Signature</b>			
<b>Organisation</b>			
<b>Date</b>			

The assessors have discussed the EOI and have all agreed on one of the following.

After a review of the technical criteria, the assessors feel that the business should be invited to make a full application	<input type="checkbox"/>
After a review of the technical criteria, the assessors feel that the business should NOT be invited to make a full application.	<input type="checkbox"/>
After a review of the technical criteria, the assessors feel that the project could be invited to make a full application with some further work and assistance from a development advisor.	<input type="checkbox"/>

Please explain the reasons why the business has not been invited to make a full application.	
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If the EOI was rejected, has the business been provided with feedback and have other funding options been suggested.

If the top box is ticked and the business is invited to make a full application then the Coast to Capital internal appraisal team will use the framework overleaf to ensure the application is consistent with details submitted during the expression of interest stage.

### Full Application internal check record sheet

Name of business-


ID Number-

Key Metrics From Full Application (revised following EOI)	
Total Project Cost	
RGF Requested (£)	
Jobs Created	
Overall Project Timetable	

<p><b>Where changes are identified above, is the business going to go forward to the IAP for a full appraisal.</b></p>	<p><b>Y, N (where 'no', please explain rationale for this decision)</b></p>
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Criteria	Y, N or comments
<p><b>Is the full application submitted consistent with the nature and scale of the project initially submitted as part of the expression of interest? If there are material changes, in the support sought, the leverage and intervention rates, the jobs outputs and timescales, issues should be brought to the attention of the Programme Manager and the project may have to be re-assessed for its technical criteria. The likelihood is that it will not proceed if the changes are felt to be material.</b></p>	

If no, please complete the box below, if yes please skip to the next box

<p>If the Programme Manager is not suggesting the project should go forward to the next stage of appraisal, has the business been provided with feedback and have other funding options been suggested?</p>	
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By signing below, the Programme Manager confirms that the project is consistent with the original Expression of Interest and can therefore be assessed by the IAP.

	<b>Programme Manager</b>
<b>Name</b>	
<b>Signature</b>	
<b>Organisation</b>	
<b>Date</b>	

<b>Date in which the application will go to the IAP?</b>	<b>Date:</b>
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<b>If the business has been working with a DA, has the DA produced a report?</b>	<b>YES/NO</b>
<b>Is external due diligence required?</b>	<b>YES/NO</b>
<b>If Yes, has it been received?</b>	<b>YES/NO</b>
<b>Is the business State Aid Compliant?</b>	<b>YES/NO</b>

The Coast to Capital Business Growth Grants team will then collate the documentation of each project that has passed the technical criteria and financial checks ready to send to the IAP members.



## Appraisal Scoring Methodology

The appraisal scoring methodology framework is set out below, all appraisers will be briefed in detail on its application prior to the first 'live' panel sitting. The Panel will also review the scoring criteria and provide their opinion as to whether any changes need to be made after they have reviewed their first set of applications. The IAP will also be provided with guidance on the green book principles that their appraisal should be based on.

IAP members receive the full suite of application documents at least 14 working days prior to the Panel sitting and are directed to review the documents prior to the meeting such that they are able to contribute immediately to the Panel discussion and, as necessary, question the attending Development Advisors on points of detail.

Criteria	Score	Descriptors <i>These are for guidance only and will not cover every aspect of the subject criteria; IAP members are to use their professional judgement in relation to other facets of the criteria in scoring individual proposals.</i> <i>Note that proposals can be scored any number between 0 and 7; only descriptors for 0, 1, 4 and 7 are given for reference to help guide thinking</i>
Impact	7	Large number of high quality jobs created and substantial benefits to the wider economy and society
	4	A number of jobs created which include both high quality jobs and those at elementary / semi-skilled levels. No disbenefits to the wider economy and society and some likely benefit
	1	Very few jobs created / jobs are solely safeguarded and those that are of elementary semi-skilled levels. No or very limited benefits to wider economy and society, with potential disbenefits that minimise or negate any benefits
	0	No jobs created or safeguarded and specific disbenefits to wider economy and society
Deliverability	7	Complete confidence that the project is deliverable, based on a detailed plan and management and implementation teams with a strong track record in delivery of directly analogous projects. Project funding package is solidly in place. No substantial risks to delivery
	4	Reasonable confidence that the project is deliverable, based on a sound plan and management and implementation teams with some track record in delivery of directly



		analogous projects, and / or the transferable skills necessary to deliver a project of this nature. Risks to delivery are evident, but control and mitigation strategies are sound
	1	Limited confidence that the project is deliverable, based on a weak plan and management and implementation teams with no real track record in delivery of direct or analogous projects. Project funding package looks fragile. Clear risks to delivery are evident and control / mitigation measures are weak
	0	No confidence that the project is deliverable, based on a fundamentally flawed plan and management and implementation teams with no track record in delivery of direct or analogous projects, and / or the transferable skills necessary. Funding package is incomplete. Risks to delivery overmatch the control / mitigation measures
Financial Standing	7	Financial projections clearly and compellingly indicate that profiled job creation (as well as other stated positive outcomes) is sustainable well beyond the 12 month output evidencing period. Fundamental financial health of the business is evident
	4	Financial projections give confidence that all (or nearly all) of the employment creation profiled will be sustainable for at least the 12 month qualifying period and reasonable confidence that it will be sustainable beyond this. No obvious concerns regarding the fundamental financial health of the business are evident
	1	Financial projections point to the fact that none of the profiled employment creation may be sustainable for the minimum 12 month qualifying period. Fundamental financial health of the company gives cause for concern
	0	Financial projections point to the fact that none of the profiled employment creation will be sustained for the minimum 12 month qualifying period. Fundamental financial health of the company gives serious cause for concern
Value for money	7	Average cost / job to Coast to Capital of all jobs created through the proposed project is less than £10,000 <i>and</i> grant unlocks substantial co-investment ( <i>unless</i> business is clearly in no position to co-invest / secure match funding from other sources). Clear evidence that the project could not go ahead without RGF support. Leverage is above 1:4.
	4	Average cost / job to Coast to Capital of all jobs created through the proposed project is £15,000. Some evidence that the project could not go ahead without RGF support. Leverage is at least 1:4.
	1	Average cost / job to Coast to Capital of all jobs created through the proposed project is more than £30,000, but less than £50,000 <i>and</i> grant unlocks no substantial co-investment (and the business is clearly in a position to contribute more). Little evidence that RGF is needed for the project to go ahead. Leverage ratio less than 1:4
	0	Average cost / job to Coast to Capital of all jobs created through the proposed project is more than £50,000 (or no jobs are created) <i>and</i> grant unlocks no co-investment (and the business is clearly in a position to contribute). Applicant has not sought other funding before applying to RGF. Leverage ratio less than 1:4.

**Approach to scoring**

All proposals will be appraised using the qualitative descriptors above to guide scoring. If an individual **proposal scores 0 against any category, it will be rejected**. IAP members will be issued with a form for each project to score them against the criteria. This can be shown below.

This is to be completed by each IAP member for each project they are assessing.

Name of project.....		
Criteria	Comments	Score
Impact		/7
Deliverability		/7
Financial Standing		/7
Value for money		/7
Total		/28

Name of project..... ....			
Criteria	Score 1	Score 2	Score
Impact			
Deliverability			
Sustainability			
Value for money			
Total			
IAP to sign that the project has scored under 17 and will therefore not be recommended to steering group			
IAP to sign that the project has scored over 17 and will therefore be recommended to steering group			
Rationale for decision			

Each project will then be discussed in detail at the IAP meetings and proposals recommended by the IAPs will be those that score **17 or above** after the mean average scores for each criteria across all panel members has been taken. The Coast to Capital Programme Manager will complete the form below for each project, which will record scores and have it signed by the IAP chair.

## **Appeals Process**

This document sets out the appeals process that Coast to Capital will operate.

### **Appeals Process**

Where an applicant wishes to appeal a decision made by the Coast to Capital Business Growth Grants Steering Group, the following process will be followed:

- The appellant (the applicant business) will write to the Coast to Capital Programme Manager outlining the grounds for their appeal. The Coast to Capital Programme Manager will review this information and respond, following consultation with the Chairs of the Steering Group and IAP;
- Where this response is not deemed satisfactory by the appellant, the appellant will write a final time to the Chair of the IAP and Steering Group, outlining why the response was not deemed satisfactory; and
- At this stage, the Coast to Capital Programme Manager will instruct external and independent auditors to review all documentation pertaining to the case. The auditors will review the applicant's documentation and the scoring that was agreed by the Investment Appraisal Panel. The auditors will interview individuals involved in the management, appraisal and decision-making as required. The auditors will then prepare a final judgement on the case, available in full to all parties. They will also recommend actions to be taken by all parties to the case following the judgement.

The judgement will have the power to determine whether the original decision to award grant or not was compliant with the appraisal and decision-making systems and processes in operation at that time within the Coast to Capital Business Growth Grant scheme and whether the decision as to whether to award grant funding or not was therefore sound. If the decision was not sound, the auditors will conduct their own independent scoring of the application to determine whether or not it is eligible for funding. The judgement and report by the auditors is final and binding on all parties.

The time period in which an appeal must be made by an applicant not satisfied with the decision is within ten working days of the date of the Steering Group's decision letter. Second appeals must also be made within ten working days of the date of the response to the appeal.

Steering Group members will be drawn from those from the Initial Coast to Capital Regional Growth Fund Project group that were involved with the bids.

## Scope

This document sets out the Terms of Reference for the Steering Group established to oversee the Coast to Capital Business Growth RGF Programme.

## Introduction

The Coast to Capital Business Growth Grant Programme is a £3m grant investment fund, financed through the BIS Regional Growth Fund. Final beneficiaries of investments will be SMEs from within the following LEP areas: Brighton & Hove, Lewes, Worthing, Adur, Arun, Chichester, Croydon, Reigate & Banstead and Epsom & Ewell.

Grants of between £5,000 and £100,000 will be available to eligible businesses; however grants of a higher value will also be considered where a greater impact on employment growth can be shown.

The aim of the Coast to Capital Business Growth Grant Scheme is to:

- Create new private sector jobs through providing high growth and innovation and green businesses in the priority areas with grants, enabling them to develop new products and services and /or access new markets.

And supporting this, it has the following objectives:

- To attract high quality proposals from businesses- in terms of deliverability and impact.
- To increase the number of SMEs employing highly qualified workers to boost productivity and growth.
- To increase employment and productivity of recent graduates and ex-public sector workers.
- To provide additional support for SMEs to successfully get them into the supply chain for the major environmental projects in this area and to boost innovation capacity and ability to bring new products and services to the main contractors and procurers.
- To prevent blockages arising in the path from innovation to market.
- Where possible to identify and support those which not only have demonstrable high growth potential, but also align with LEP sector prioritisation plans.
- To align with the wider RGF aims and objectives, supporting a re-balancing of the sub-regional economies. The Coast to Capital Innovation and Green Business Grants will be concentrated in areas with the highest levels of public sector employment - all above the England average - and with a Part 2 aggregate score of 23.5 compared to 20.9 for England.

## Role of the Steering Group

The role of the Steering Group is:

- **To ensure project delivery remains on track** and that any performance issues are dealt with swiftly. To support this process, the Programme Manager will submit quarterly progress reports, summarising performance against key management information including profiled versus actual expenditure in terms of investments made, defrayal by final beneficiaries, and job creation and investment leverage outputs; and
- **To endorse investment recommendations from IAPs**, awarding grant funding to SMEs. Investment decisions will be based on recommendations from the Investment Appraisal Panels and a consideration of the strategic fit of the individual proposals against the aims and objectives of the PWGF2.

### **Membership of the Steering Group**

The Steering Group membership is as follows:

- Ian Parkes, Programme Senior Responsible Officer (Chair);
- Mike Herd, Sussex Innovation Centre, University of Sussex;
- Carolyn Carr or Ana Fajardo, West Sussex County Council;
- Cheryl Finella, Brighton and Hove City Council;
- Dave Cooper or Andrew Adams, University of Chichester
- Phil Jones, Wired Sussex
- Chris Baker or Viki Faulkner, University of Brighton
- Damian Tow, Brighton and Hove City Council
- Lisa McCance, London Borough of Croydon
- Hayley Shepherd, Coast to Capital and Programme Manager
- Sarah Hardman, University of Sussex
- Peter Sharp, Lewes District Council
- Malcolm Brabon, Coast to Capital

### **Terms of Reference for the Steering Group**

The Steering Group will form the panel responsible for endorsing the investment decisions recommended by the Investment Appraisal Panels.

At least 4 members must be present for the Steering Group to be quorate.

Investment decisions will be carried by majority verdict. In the event of a tied vote, the Chair's vote will be the deciding vote. No liability will attach to the Steering Group, either collectively or individually, for their recommendations made in good faith.

The Steering Group will meet at least 4 times per year.

The steering Group may consider investment recommendations from the IAPs via email and telephone discussion if appropriate.

The Steering Group will receive reports from the Coast to Capital Business Growth Grants programme manager and decide on action to be taken to:

- Address potential / actual problems with delivery;
- Require repayment of grants where SMEs who have been awarded grant funding are unable, for whatever reason, to make the expenditures proposed in their submission;
- [Decide on whether investment should be maintained or required to be paid back where SMEs are not able to make the expenditure within 3 calendar months of the award, but remain in a position to do so within a further 2 calendar months; balancing flexibility with a need to ensure any unspent funds can potentially be recycled]
- Take advantage of new opportunities to add value to what the project is trying to do; and
- Provide advice and guidance on how the effectiveness and efficiency of the project could be enhanced.

The Coast to Capital Business Growth Grant Programme Manager will attend the Steering Group meetings and minute the full proceedings. Minutes, including the decisions made will be circulated for agreement by the members within 3 working days of the Steering Group meeting.

### **Conflicts of Interest and General Code of Conduct**

In order to ensure all decisions are made in an impartial and objective manner, the following conflict of interest procedure and general code of conduct will be followed.

- *Conflicts of Interest* should be a standing agenda item for all Steering Group meetings and any other such meetings of *ad hoc* groupings where decisions, material to the progress, process and investments arising from The Coast to Capital Business Growth Grants are made;
- Where members may have conflicts of interest they should first declare this, and second and if agreed to represent a conflict of interest by *any one member* of the Steering Group, withdraw from the discussion about any decision related to that conflict; and

Any member with a direct interest<sup>3</sup> in an individual proposal under consideration will not be permitted to vote on any decisions relating to that proposal *and*, will not be permitted to take part in any discussions contributing to the decision-making process. They will be asked to sit out of the entire panel in which the individual proposal is to be discussed.