

Appendix 1

Full Business Case (FBC)			
1. General Information			
Directorate	Economy Directorate	Portfolio/ Committee	Education, Skills & Culture
Project Title	ERDF Business Growth Programme 2 (BGP2)	Project Code	Revenue GBER: TA-01970-01 Revenue Deminimus TA-01970-02 Capital GBER: CA-03092-03 Capital Deminimus CA-03092-04
Project Description	<p>Business Growth Programme 2 (BGP2) is a £8.910m ERDF funded programme (supplemented with public and private sector match funding) operating across 2 LEPs (Greater Birmingham and Solihull and The Marches) areas.</p> <p>It is designed to encourage sustainable economic growth, by strengthening supply chain companies, stimulating innovation, start new businesses and growing existing SMEs. It builds on successful delivery of the current Business Growth Programme and responds to new opportunities from the HS2 investment and Commonwealth Games 2022. GBP2 offers new businesses and SME's funding of £10k- £1m in starting a new business, acquiring new plant and equipment, improvement in systems and processes, relocation and expansion, the costs of developing new markets and marketing, new product development and capital investment.</p> <p>BGP2 continues to improve the competitiveness of SMEs by increasing the capacity and capability of SMEs. It contributes to the development of a competitive and sustainable supply chain: increasing productive capacity, management expertise, staff capability; adoption of innovative technology; anchoring high value-added work; creating better synergies and collaboration. Moreover, it increases growth capability of SMEs and provides solutions to market failures towards the disproportionate costs and risks of business development given the relatively small amounts of capital involved. Additionally, BGP2 will support new business start-ups but only for The Marches LEP.</p> <p>Eligible costs include purchase of new plant and equipment, relocation into new premises, installation costs, new product development, improvement in production processes and systems, application of innovative advance technology, development of new markets, marketing campaigns, start-up costs and building Information Modelling, which will be matched by SMEs based on 10%-60% private sector match contribution). The precise mix of projects (and private sector match funding) will depend upon the scale of individual projects.</p> <p>The total public and private sector investment in the proposed programme is anticipated to be in the region of £14.364m. The £23.274m programme will be funded via an ERDF grant, which will be payable to the City Council in quarterly instalments against profile and monitoring claims. The balance will be from match funding from private and public sector match. There will be no cash contribution by the City Council in delivering the BGP2.</p> <p>In terms of the expenditure to be incurred by the City Council, this will be in accordance with the conditions of the ERDF grant. It is</p>		

estimated that £7.486m (capital and revenue) will be awarded in relation to grants to SMEs (the “beneficiaries”) and the balance of £1.424m will cover expenditure in relation programme delivery costs (staffing, marketing and evaluation). The delivery phase of the BGP2 will need to be completed by 31st March 2022. The £8.910m ERDF grant funding will be payable to Birmingham City Council in quarterly instalments against profile and submission of monitoring claims as set out in the offer letter.

The City Council will continue to be the Accountable Body for the ERDF grant and to minimise the risk of claw back will ensure that all grant conditions are enforced through partnership agreements with LEP partners and a Conditions of Grant Aid specifically for ERDF, where financial support to SMEs is provided. The COGA will include City Council and ERDF terms and conditions and the ability for the Council to recover funds in the event of a breach of these terms. In the event of a company going into bankruptcy, DCLG have confirmed in writing that this is part of the normal business cycle and BCC will not be subject to any liability for claw back. Given the time dated nature of funding for this programme, this will be managed so as to ensure that there are no ongoing capital/revenue implications for the City Council. Further details as to how such risks will be managed are provided in the attached Risk Register (Annex 2).

The City Council will also be required to monitor the programme for a year following the end of the project i.e. up to 31st December 2022.

An established Investment Board comprising of a BGP2 management team, DCLG, LEP partners, private sector partners, universities, supported by appropriate technical, financial (City Finance) and legal advice, will continue to operate to recommend approval of these grants. BCC will manage the BGP2 and monitor outputs created as a result, to ensure businesses deliver upon expansion plans. Assistance will only be provided to those that meet the BGP2 criteria.

BGP2 delivery start 1st January 2019 (subject to confirmation of funding from MHCLG). It is proposed that the award of investment grants will be delegated to Corporate Director Economy in accordance with the grant award criteria.

Links to Corporate and Service Outcomes

The objectives of BGP2 are consistent with the priorities set out in the Council Plan: 2018-2022 specifically Priority 2 “We will strive to maximise the investment in the city and engage local employers to create quality jobs and opportunities for citizens”. This programme has emerged from research evidence and intelligence from the existing BGP programme supported by ERDF funding and reflects the Ministry of Housing, Communities and Local Government’s priorities of supporting the LEPs across the West Midlands.

BGP2 is fully aligned to the aims of the Priority Axis 3a, 3c and 3d of the European Structural and Investment Fund (ESIF) call, which seeks to encourage entrepreneurship and improve the competitiveness of SMEs by increasing the capacity and capability of SMEs. It contributes to the development of a competitive and sustainable supply chain: increasing productive capacity, management expertise, staff capability; adoption of innovative technology; anchoring high value-added work; creating better synergies and collaboration. It also seeks to increase growth capability of SMEs and provides solutions to market failures towards the disproportionate costs and risks of business

	<p>development given the relatively small amounts of capital involved.</p> <p>The programme contributes to the Government's commitment to develop a competitive and sustainable supply chain by: increasing productive capacity, management expertise and staff capability; adoption of innovative technology; anchoring high value-added work; creating better synergies and collaboration.</p> <p>GBSLEP and The Marches LEP partners are fully committed to BGP2. BGP2 will continue to build on the existing partnership and enhance collaborative working.</p>		
Project Definition Document Approved by	Briefing note to Cabinet Member for Jobs and Skills to approve Outline Application and reported to Star Chamber	Date of Approval	24 th January 2018

Benefits Quantification- Impact on Outcomes	Measure	Impact
	<p>To provide 285 businesses with financial assistance to improve their performance across the 2 LEP areas by March 2022.</p> <p>Create 143 new business start-ups in The Marches LEP only.</p>	<p>Will lead to up to an estimated £10m of public and private sector investment to help improve business competitiveness.</p>
	<p>Will generate new jobs by December 2018.</p>	<p>Will lead to creation of 900 new jobs and lead to an increase in Gross Value Added.</p>
	<p>Strengthen supply chain companies involved in the delivery of HS2 project and Commonwealth Games.</p>	<p>Will ensure a competitive and sustainable supply chain with the capacity, capability and expertise to deliver HS2 initiative</p>
	<p>Carbon reduction</p>	<p>Will lead to reduction in CO2 emissions by encouraging investment in improved efficiency measures and introduction of new production processes</p>
	<p>Expanding the green economy</p>	<p>Will lead to the development and growth of businesses within this sector of industry.</p>

Project Deliverables	<p>Programme Outcomes:</p> <p>The BGP2 will provide grant assistance to SME's to support development and growth of the supply chain (HS2. Commonwealth Games suppliers and Green Economy), stimulate innovation and encourage growth.</p> <p>BGP2 will also stimulate entrepreneurship and create new business start-ups in The Marches LEP.</p> <p>It will contribute to the GBSLEP and The Marches LEPs overarching objectives to encourage entrepreneurship and increase business growth, investment and job creation.</p> <p>GBP2 outcomes will be subject to regular (quarterly) monitoring reports to government (BIS).</p>
-----------------------------	--

<p>Scope</p>	<p>Programme scope</p> <p>The BGP2 will operate across GBSLEP and The Marches LEP areas. The City Council will be the Accountable Body, supporting the Greater Birmingham and The Marches LEP. The Council will deliver the programme through a network of partners across the 2 LEP areas.</p> <p>Marketing and promotion work can start in December 2018 (subject to confirmation of funding from MHCLG), with actual delivery to start January 2019.</p> <p>The participating LEP partners and Growth Hubs across GBSLEP, and The Marches LEP areas will be responsible for raising awareness of the programme amongst local business communities and for the marketing and promotion of this to suitable businesses in their locality.</p> <p>Organisation Involvement – The City Council will continue to be the Accountable Body and the lead organisation for this programme. It will also undertake the engagement with all participating LEP partners and ensure they are provided with all the necessary information in order to recruit suitable businesses from their area. This will include the provision of appropriate marketing materials and activities.</p> <p>Marketing and Engagement - of businesses and referrals will continue to be carried out by the City Council, Growth Hubs And participating LEP Partners drawing upon local knowledge and experience. The City Council will oversee the development of the necessary marketing materials and literature to reflect the programme contact and geographical coverage. Growth Hubs and LEP partners will be responsible for market awareness and promotion, enquiry handling, initial screening of business suitability and ensuring local businesses understand the project criteria and application process in their respective areas. This is an SME based grant programme and excludes all other businesses, which fall outside this definition.</p> <p>Grants between £0.010m and £1m will be awarded to support approximately 285 SME projects and grants of £2,500 to £0.010m for 143 new start-ups, matched by private sector match</p> <p>Eligible costs include purchase of new plant and equipment, relocation into new premises, installation costs, new product development, improvement in production processes and systems application of innovative advance technology, development of new markets, marketing campaigns, start-up costs and building Information Modelling, which will be matched by SMEs based on 10%-60% private sector match contribution). The precise mix of projects (and private sector match funding) will depend upon the scale of individual projects.</p> <p>To be eligible, businesses have to:</p> <ul style="list-style-type: none"> • be a brand new start-up or trading less than 6 months (within The Marches LEP only). • be an SME • based within one of the 2 LEP areas • existing SME supply chain companies businesses (HS2 and Commonwealth Games 2022 suppliers); SMEs operating within the green economy demonstrating quantifiable green benefits including energy efficiency, waste management, recycling and renewables; businesses involved innovative
---------------------	---

	<p>production processes leading to new products and services close-to-market and small Business to Business (B2B) businesses looking to expand, relocate and improve access to markets.</p> <ul style="list-style-type: none"> • demonstrate viability and financial need for assistance • seeking to implement an investment plan to develop and grow the business • create new jobs. <p>Grants to new businesses and SMEs will be subject to De minimis and GBER State Aid Regulations. Grants of £10,000 - £0.100m (De minimis) and grants of £0.101m- £1m (GBER). The grants will be payable retrospectively on satisfactory completion of the project as set out in the funding agreement.</p>
<p>Scope exclusions</p>	<p>The City Council is not providing any cash match-funding towards this project.</p> <p>GBP2 will only support SME's across GBSLEP and The Marches LEP areas. New business start –ups will only be supported within the Marches LEP area.</p> <p>All non B2B businesses.</p>
<p>Dependencies on other projects or activities</p>	<p>Staffing requirements will be fully met from within existing BDI Team resources supplemented by other appropriate financial, legal and technical support to deliver the programme.</p> <p>The achievement of spend and output profiles is dependent on the predicted levels of uptake and in uncertain market conditions is a risk.</p> <p>Risks relating to lack of awareness, take up and number of good quality grant applications, scheme flexibility, and compliance with the grant offer letter, resource management and programme overrun are set out in the attached Risk Register (at Annex 1) together with an action plan mitigating these risks.</p>
<p>Achievability</p>	<p>The allocation of adequate and necessary staff resource and structured work plans will be essential to ensure the project proceeds according to the project management plan prepared.</p> <p>Full Engagement of the LEP partners will be important to ensure satisfactory cover across GBSLEP and The Marches LEP areas. LEP Partners are fully committed to participate and to see the programme operating across the 2 LEP areas.</p> <p>The City Council has a successful track record for the development, securing of external funding and delivery of significant business development programmes both in Birmingham and on a wider regional and national basis.</p> <p>Marketing and promotion of activities through the use of Growth Hubs, LEP partners websites, a launch event, websites, a series of competitions, supply chain network events, PR, programme literature will commence in January 2019.</p>
<p>Project Manager</p>	<p>Suresh Patel 0121 303 3091 mailto:suresh.patel@birmingham.gov.uk</p>
<p>Budget Holder</p>	<p>Mohammed Zahir 0121 303 2956 mohammed.zahir@birmingham.gov.uk</p>

Sponsor	Waheed Nazir 0121 464 7735 waheed.nazir@birmingham.gov.uk		
Project Accountant	Rob Pace 0121 303 3817 rob.pace@birmingham.gov.uk		
Project Board Members	N/A		
Head of City Finance (HoCF)	Simon Ansell	Date of HoCF Approval:	24/10/2018

2. Budget Summary (Detailed workings should also be supplied)					
	2018/19	2019/20	2020/21	2021/22	Totals
Capital Costs & Funding	£000	£000	£000	£000	£000
Expenditure:					
Business capital investment (new plant, equipment /systems /processes) grants *	0	4,956	7,632	5,756	18,344
Totals	0	4,956	7,632	5,756	18,344
Funding					
ERDF Capital grant (34%)	0	1,685	2,595	1,957	6,237
SME Match-funding	0	3,271	5,037	3,799	12,107
Totals	0	4,956	7,632	5,756	18,344
Revenue Expenditure:					
Revenue grants: Product and market development, coaching and mentoring \$	0	616	984	699	2,299
Programme delivery: Salaries and evaluation	189	756	756	567	2,268
Overheads	28	113	113	85	339
Marketing	3	10	10	2	25
Totals	220	1,495	1,863	1,353	4,931
Funded By:					
ERDF revenue grant (54%)	119	808	1,009	737	2,673
City Council Match-funding	85	340	339	250	1,014
LEP Partner Match-funding	16	65	64	49	193
SME Match-funding	0	282	451	317	1,050
Totals	220	1,495	1,863	1,353	4,931
Planned Start date for delivery of the project	<i>1st January 2019 (subject to confirmation of funding from MHCLG)</i>		Planned Date of Technical completion	31 st December 2021	

* This includes SME capital match funding of £12.107m which is a requirement of the ERDF approval, but is not City Council expenditure.

\$ This includes SME capital match funding of £1.050m which is a requirement of the ERDF approval, but is not City Council expenditure.

3. Checklist of Documents Supporting the FBC		
Item	Mandatory attachment	Number attached
Financial Case and Plan		
<ul style="list-style-type: none"> Detailed workings in support of the above Budget Summary (as necessary) 	Mandatory	Contained within Application
<ul style="list-style-type: none"> Statement of required resource (people, equipment, accommodation) – append a spreadsheet or other document 	Mandatory	Refer to Cabinet report
<ul style="list-style-type: none"> Whole Lifecycle Costing analysis (as necessary) 	Mandatory	N/A
<ul style="list-style-type: none"> Milestone Dates/ Project Critical Path (set up in Voyager or attached in a spreadsheet) 	Mandatory	Contained within Application
Project Development products		
<ul style="list-style-type: none"> Populated Issues and Risks register 	Mandatory	Annex 1
<ul style="list-style-type: none"> Stakeholder Analysis 	Mandatory	Annex 2
Other Attachments (list as appropriate)		