

FULL BUSINESS CASE (FBC)

A. GENERAL INFORMATION

A1. General

Project Title <i>(as per Voyager)</i>	BGP2 Extension		
Voyager code	TA-01970 & CA-03092		
Portfolio /Committee	Finance & Resources	Directorate	Inclusive Growth
Approved by Project Sponsor	Ian Macleod – Interim Director, Inclusive Growth	Approved by Finance Business Partner	Simon Ansell

A2. Outline Business Case approval *(Date and approving body)*

Extension of existing project – Business Growth Programme 2 – approved by Cabinet 13th November 2018

A3. Project Description

The BGP2 extension will continue to provide a grant assistance programme targeted at existing Small/Medium sized Enterprises (SMEs), specifically supply chain businesses benefitting from HS2 and Commonwealth Games investment opportunities, where they are purchasing new plant/ equipment, relocating to new premises, developing new products and processes, systems and marketing, especially where there are green benefits and energy efficiency.

A4. Scope

The BGP2 extension will deliver the programme through a network of partners across Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) and The Marches LEP areas with Birmingham City Council (BCC) being the Accountable Body

The BGP2 extension within the GBSLEP area is anticipated to start at the end of May 2020, subject to Cabinet and MHCLG approval, on the basis of demand and applications in the pipeline. Within the Marches LEP area the extension will commence 1st April 2022 on the completion of BGP2.

The award of investment grants will continue to be approved under delegation by the Interim Director, Inclusive Growth (or delegates) in accordance with the grant award criteria.

Marketing and Publicity -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.

Organisation Involvement - BCC as the Accountable Body and the lead organisation for this programme will engage with all participating partners in the two LEP areas 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, literature and activities. 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.

Existing programme management team from the Business Development and Innovation (BDI) Team within Inclusive Growth will continue to operate established management and governance procedures.

Grants between £0.0025m and £1m will be awarded to support approximately 162 SME projects and 13 new start-ups, (the latter in The Marches LEP only), matched by private sector investment.

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% public sector grant contribution). The precise mix of projects (and private sector match funding) will depend upon the scale of individual projects.

To be eligible, businesses have to:

- be a brand-new start-up or trading less than 6 months (in The Marches LEP area 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 production processes leading to new products and services close-to-market and small B2B businesses looking to expand, relocate and improve access to markets.
- demonstrate viability and financial need for assistance
- seeking to implement an investment plan to develop and grow the business
- create new jobs.

An established Investment Board comprising of a BGP2 management team, LEP partners, private sector partners, universities, supported by appropriate technical, financial (City Finance) and legal advice, will continue to consider grants for approval.

Grants to new businesses and SMEs will be subject to De minimis and GBER State Aid Regulations. The grants will be payable retrospectively on satisfactory completion of the project as set out in the funding agreement.

BCC will manage the BGP2 extension 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 extension criteria.

BCC as Accountable Body will ensure that grant assistance paid to individual businesses will be in accordance with BCC's financial regulations, standing orders, ERDF conditions and will be subject to Conditions of Grant Aid (COGA). The COGA will include BCC and ERDF terms and conditions and the ability for BCC to recover funds in the event of a breach of these terms. In the event of a company going into bankruptcy, MHCLG 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.

A5. Scope exclusions

The City Council is not providing any cash match-funding towards this project other than existing revenue budgeted staff salaries match.

GBP2 extension will only support SME's across GBSLEP and The Marches LEP areas. A limited number of new business start –ups will only be supported within the Marches LEP area.

Excludes all non-Business to Business (B2B) businesses.

B. STRATEGIC CASE

This sets out the case for change and the project's fit to the Council Plan objectives

B1. Project objectives and outcomes

The case for change including the contribution to Council Plan objectives and outcomes

The objectives of the project are consistent with the priorities in the Updated Council Business Plan and Budget 2018 – 2022, specifically Outcome 1: Birmingham is an entrepreneurial city to learn, work and invest in, by providing grant support for investment and job creation.

This programme has emerged from research evidence and intelligence from the existing BGP programme supported by ERDF funding and reflects the Department of Communities and Local Government's (DCLG) priorities of supporting the LEPs across the West Midlands. BGP2 extension will contribute towards the City Council's priority by helping SMEs within the eligible areas to invest, grow and create new job opportunities. The proposal will also support strategic initiatives such as Enterprise Zone and Economic Zones by attracting investment and supporting the development and growth of businesses in the region.

B2. Project Deliverables

These are the outputs from the project eg a new building with xm2 of internal space, xm of new road, etc

The BGP2 extension will continue to support development and growth of the supply chain (HS2. Commonwealth Games suppliers and Green Economy), stimulate innovation and grow existing SMEs.

It will contribute to the GBSLEP and The Marches LEPs overarching objectives to encourage entrepreneurship and increase business growth, investment and job creation.

In summary BGP2 aims to:

Assist 162 businesses with financial assistance to improve their performance across the 2 LEP areas by June 2023.

Create 13 new business start-ups in The Marches LEP only.

Lead to the creation of up to 423 new jobs and lead to an increase in Gross Value Added to the economy.

Generate an estimated £7.943m private sector investment.

B3. Project Benefits

These are the social benefits and outcomes from the project, eg additional school places or economic benefits.

Measure	Impact
<i>List at least one measure associated with each of the objectives and outcomes in B1 above</i>	<i>What the estimated impact of the project will be on the measure identified – please quantify where practicable (eg for economic and transportation benefits)</i>
Business growth/development	Increase in economic prosperity through the growth of viable and sustainable businesses
New jobs created	Creation of new employment opportunities within the local community and reduced reliance on public sector support
New business start-ups (The Marches LEP only)	Increasing levels of self-employment, entrepreneurship and innovation

For major projects and programmes over £20m:

A detailed Benefits Register is attached at G5 below.

B4. Benefits Realisation Plan

Set out here how you will ensure the planned benefits will be delivered

BGP2 outcomes will be subject to regular (quarterly) monitoring reports to government (MHCLG).

B5. Stakeholders

A stakeholder analysis is set out at G4 below. A summary of consultation responses is in the covering Executive report.

C. ECONOMIC CASE AND OPTIONS APPRAISAL

This sets out the options that have been considered to determine the best value for money in achieving the Council's priorities

C1. Summary of options reviewed at Outline Business Case

(including reasons for the preferred option which has been developed to FBC)

If options have been further developed since the OBC, provide the updated Price quality matrix and recommended option with reasons.

The Business Growth Programme 2 was approved by Cabinet on 13th November 2018.

This report covers the proposed extension to the programme, the options to be considered are therefore:

Approve the extension of the BGP 2 – This would take the opportunity of securing

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additional ERDF grant to further support SMEs across GBSLEP and The Marches LEP areas to deliver the outcomes detailed in this report, including generation of an estimated further £7.943m private sector investment and increased regional productivity/Gross Value Added. This is the recommended proposal.

To do nothing – Would lose the opportunity of securing additional ERDF grant to further support SMEs across GBSLEP and The Marches LEP areas to deliver the outcomes detailed in this report. In addition, to decline the offer would damage the City Council's reputation as the lead partner and Accountable Body and undermine trust and relationships with key regional partners.

C2. Evaluation of key risks and issues

The full risks and issues register is included at the end of this FBC

The major risk relates to the impact of COVID-19 on SMEs and take up of the programme. We will continue to monitor the impact and manage any arising risks in consultation with SMEs, LEP partners and MHCLG.

Government is due to provide advice on any flexibility on the use of funds to support SMEs impacted by the virus and any variation to agreed outputs/results.

C3. Other impacts of the preferred option

Describe other significant impacts, both positive and negative

N/A

D. COMMERCIAL CASE

This considers whether realistic and commercial arrangements for the project can be made

D1. Partnership, Joint venture and accountable body working

Describe how the project will be controlled, managed and delivered if using these arrangements

Birmingham City Council will continue to act as the Accountable Body with support from GBSLEP, The Marches LEP and partner organisations.

D2. Procurement implications and Contract Strategy:

What is the proposed procurement contract strategy and route? Which Framework, or OJEU? This should generally discharge the requirement to approve a Contract Strategy (with a recommendation in the report).

BGP2 extension involves the procurement of £0.025m of marketing expenditure (literature, banners, public relations and social media) included in delivery costs. This will be based on a competitive basis involving the submission of three quotations using the www.finditinbirmingham.com.

D3. Staffing and TUPE implications:

BGP2 is being managed and delivered through existing resources contained within the Business Development and Innovation Team. The team has been supplemented with one Grade 5 and four Grade 4 fixed term equivalent posts using the ERDF grant generated from the Council's salary match-funding to deliver this project.

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In addition, support undertaking due diligence of grant applicants is being undertaken by one Grade 5 in City Finance.

E. FINANCIAL CASE*This sets out the cost and affordability of the project***E1. Financial implications and funding**

	Financial Year:	2020/21	2021/22	2022/23	later	Total
		£000	£000	£000	£000	£000
PROJECT SUMMARY:						
SME Project Delivery Costs		2,043.9	4,720.5	5,452.2	0.0	12,216.6
Partner delivery costs:						
BCC		8.1	8.1	1,177.7	0.0	1,193.8
GBSLEP & Partners		0.0	0.0	126.6	0.0	126.6
Marketing & Promotions		0.0	0.0	25.0	0.0	25.0
Total Expenditure		2,052.0	4,728.6	6,781.4	0.0	13,562.0
ERDF Grant		708.1	1,653.4	2,638.5	0.0	5,000.0
SME Match		1,340.2	3,071.5	3,531.6	0.0	7,943.3
BCC Match		3.7	3.7	552.0	0.0	559.4
Partner Match		0.0	0.0	59.3	0.0	59.3
Total Income		2,052.0	4,728.6	6,781.4	0.0	13,562.0
Net Expenditure		0.0	0.0	0.0	0.0	0.0

Capital code:

CA-03092-3/4

CAPITAL EXPENDITURE:

SME Project costs *	2,000.0	4,500.0	5,117.6		11,617.6
Total capital expenditure	2,000.0	4,500.0	5,117.6	0.0	11,617.6

CAPITAL FUNDING:

ERDF Grant	680.0	1,530.0	1,740.0		3,950.0
SME Match	1,320.0	2,970.0	3,377.6		7,667.6
Total capital funding	2,000.0	4,500.0	5,117.6	0.0	11,617.6

* This includes SME capital match-funding of £7.667m which is a requirement of the ERDF approval, but is not City Council expenditure.

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Revenue code:	TA-01970-01/02/03				
Financial Year:	2020/21	2021/22	2022/23	Later	Total
	£000	£000	£000	£000	£000
REVENUE EXPENDITURE:					
SME Project Delivery Costs **	43.9	220.5	334.6		599.0
Total revenue expenditure	43.9	220.5	334.6	0.0	599.0
REVENUE FUNDING:					
ERDF Revenue Grant	23.7	119.0	180.6		323.3
SME Match	20.2	101.5	154.0		275.7
Total revenue funding	43.9	220.5	334.6	0.0	599.0
DELIVERY/ADMINISTRATION:					
BCC	8.1	8.1	1,177.6		1,193.8
GBSLEP & Partners	0.0	0.0	126.6		126.6
Marketing & Promotions	0.0	0.0	25.0		25.0
Total revenue expenditure	8.1	8.1	1,329.2	0.0	1,345.4
REVENUE FUNDING:					
ERDF Revenue Grant	4.4	4.4	717.9		726.7
BCC Match	3.7	3.7	552.0		559.4
Partner Match	0.0	0.0	59.3		59.3
Total revenue income	8.1	8.1	1,329.2	0.0	1,345.4
** This includes SME revenue match-funding of £0.276m which is a requirement of the ERDF approval, but is not City Council expenditure.					
E2. Evaluation and comment on financial implications:					
Total BGP2 extension project expenditure is anticipated to be £13.562m, comprising £5.000m ERDF grant and the balance made up of £0.619m public sector match funding and £7.943m private sector match funding. The ERDF grant will support estimated grant payments to SMEs of £4.274m (£3.950m capital and £0.324m revenue) and programme delivery costs (City Council and partner staffing, marketing and evaluation), which are estimated at £0.726m.					
Grants will be provided in compliance with State Aid De-minimis rules of £0.100m (grants of £0.0025m to £0.100m) and General Block Exemption Regulation (GBER) (grants of £0.101m to £1.000m). De minimis will be 50%-60% contribution towards eligible expenditure. GBER will be 10%-30% contribution towards eligible expenditure.					
Due diligence of grant applicants is being undertaken by one Grade 5 in City Finance, which will be claimed from ERDF with the match-funding being provided by BDI at a cost of £0.023m per annum funded within their existing revenue budget.					
There will be no ongoing revenue implications for the City Council as a direct consequence of this project when it finishes in June 2023.					

E3. Approach to optimism bias and provision of contingency

N/A

E4. Taxation*Describe any tax implications and how they will be managed, including VAT*

All grant payments to SME's and partners are outside the scope of VAT. The SMEs are responsible for the VAT and taxation implications of the grants provided to them.

F. PROJECT MANAGEMENT CASE*This considers how project delivery plans are robust and realistic***F1. Key Project Milestones***The summary Project Plan and milestones is attached at G1 below***Planned Delivery Dates**

Planned start date for delivery of the project within GBSLEP area	27th April 2020
Project start date for delivery of the project with the Marches LEP area	1 st April 2022
Project and Financial completion	30 th June 2023

F2. Achievability*Describe how the project can be delivered given the organisational skills and capacity available*

The BDI Team has extensive experience, a successful track record of managing and delivering large scale regional programmes of this nature.

F3. Dependencies on other projects or activities

The take up support available by SMEs across the GBSLEP and The Marches areas.

F4. Officer support

Project Manager: Suresh Patel 0121 303 3091 suresh.patel@birmingham.gov.uk

Project Accountant: Rob Pace 0121 303 3817 rob.pace@birmingham.gov.uk

Project Sponsor: Ian MacLeod on 0121 675 7244 ian.macleod@birmingham.gov.uk

F5. Project Management*Describe how the project will be managed, including the responsible Project Board and who its members are*

BGP2 extension will continue to be managed and delivered by an experienced team of officers within the BDI Team led by the Head of Business Enterprise and Innovation.

Existing Governance structure for recommending approval of applications for funding from SMEs will continue to be used (Investment Board and Panel).

G. SUPPORTING INFORMATION

(Please adapt or replace the formats as appropriate to the project)

G1. PROJECT PLAN

Detailed Project Plan supporting the key milestones in section F1 above

BGP2 extension is a continuation of an existing and successful programme.

Key milestones:

Start project delivery within GBSLEP area- 27th April 2020

Start project delivery within the Marches LEP area – 1st April 2022

Programme marketing- ongoing

Financial spend - June 2023

Practical Project Delivery - June 2023

Programme targets achieved - June 2023

G2. SUMMARY OF RISKS AND ISSUES REGISTER			
Risks should include Optimism Bias, and risks during the development to FBC			
Grading of severity and likelihood: High – Significant – Medium - Low			
		Risk after mitigation:	
Risk or issue	mitigation	Severity	Likelihood
Risk Register is attached as Annex 1			

G3. EXTERNAL FUNDING AND OTHER FINANCIAL DETAILS

Description of external funding arrangements and conditions, and other financial details supporting the financial implications in section E1 above (if appropriate)

BGP 2 extension consists of ERDF funding, SME cash Match and public sector salary match as set out in the financial information contained within Section E of this FBC.

G4. STAKEHOLDER ANALYSIS		
Stakeholder	Role and significance	how stakeholder relationships will be managed
Leader	Endorses Full Business Case	Consulted during development stage and provide periodic progress reports during delivery
LEP Partners, Growth Hubs, Local Authorities and Birmingham Chamber Group	Provision of support to Businesses across the LEP area Greater Birmingham and Solihull and The Marches	Full consultation and engagement, regular progress updates, meetings and Project Board and Investment Board involvement.
MHCLG	Approves ERDF funding, due diligence process, agrees offer letter, process claims and monitoring of programme.	Monthly claims, regular monitoring reports and contact as appropriate
Local SME businesses across the 2 LEP areas	Potential recipients of grant support.	Programme extension launch, development of an effective marketing strategy and materials to raise awareness and promote programme support
Businesses agencies / networks in the Programme area	Identification and referral source of suitable business applications	Launch of programme extension and ongoing marketing strategy to ensure agencies and networks are engaged effectively in each LEP area and fully understand programme offer / opportunities. Follow-up workshops as necessary.

G5. BENEFITS REGISTER

For major projects and programmes over £20m, this sets out in more detail the planned benefits. Benefits should be monetised where it is proportionate and possible to do so, to support the calculation of a BCR and NPSV (please adapt this template as appropriate)

Measure	Annual value	Start date	Impact
<i>List at least one measure associated with each of the outcomes in B1 above</i>			<i>What the estimated impact of the project will be on the measure identified</i>
(a) Monetised benefits:	£N/A		
(b) Other quantified benefits:	N/A		
(c) Non-quantified benefits:	N/A		

Other Attachments <i>provide as appropriate</i>	
Risk Register	Appendix 1