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**Report to:** Business Investment Panel

**Date:** 21 September 2017

**Subject:** Strategic Inward Investment Fund Update

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## **1 Purpose**

- 1.1 To update members on the establishment of the Growth Deal 3 (GD3) Strategic Inward Investment Fund (SIIF);
- 1.2 To outline the current position regarding progress in committing grants through the SIIF;
- 1.3 To ask members to consider the suitability of one project for the SIIF.

## **2 Strategic Inward Investment Fund**

### **Context**

- 2.1 The GD3 settlement from Government included £13.45m of funding for inward investment, £12.45m of which has been allocated to a Strategic Inward Investment Fund (SIIF). The remaining £1 million will be specifically targeted at small interventions supporting inward investment in the digital technology sector. A proposed SIIF has been designed and was considered by Investment Committee on 16 June 2017.

The scheme will provide the region with a funding stream to support significant inward investment projects locating in Leeds City Region, enabling the region to compete more effectively against international locations for job creation projects. Awards will be made based on a formal application process and with applications considered by the Business Investment Panel and Investment Committee.

- 2.2 Awards will be for grants larger than £250k and, in the main, lower than £1 million, although no firm upper limit has been set. The target job creation figure for this scheme is 1,245 gross new jobs.
- 2.3 In line with existing schemes we will be looking to support investments with a cost per job of under £10,000. The scheme will run until 2021 and will not be actively marketed, but will be deployed selectively where a funding requirement has been identified and where the inward investment project meets the eligibility/selection criteria (see Section 3 below).

## Criteria

- 2.4 The fund aims to attract new business and investment to the region and facilitate expansions of indigenous businesses where their investment decision includes global alternatives. Therefore, projects creating significant numbers of new jobs in Leeds City Region will be of utmost importance.

Highest priority will be on foreign owned businesses because this represents entirely new economic activity at a national level, with a lower degree of associated displacement. Also, due to the current macroeconomic climate (i.e. the EU referendum result), it is evident that we are now operating in an increasingly competitive market place for attracting investment from foreign owned businesses.

- 2.5 UK businesses with internationally mobile projects can also access the scheme where these investments create over 150 new jobs. Although job safeguarding projects are not the priority objective for the fund, there is flexibility to be deployed for safeguarding where the need is sufficiently important at a city region scale (e.g. safeguarding c.500 jobs or more).

## Appraisals

- 2.6 The Business Investment Panel will be provided with an appraisal report, assessing the strategic fit, financial case, economic impact and deliverability of applicant projects. Appraisals will be broadly in line with existing BGP assessments, although it should be noted that the objectives and selection criteria of this scheme differ from those of the BGP and we should therefore expect projects of a slightly different nature. For example, applicant businesses will be large in the majority of cases.
- 2.7 Many of these businesses may have no current presence in Leeds City Region and the 'incentive effect' on attracting mobile investment projects will be a key criterion by which to judge applications. The scheme will utilise all available provisions in the General Block Exemption Regulations, with the ability to provide Research & Development Aid, Training Aid, Aid for Disadvantaged Workers, Regional Investment Aid (at 10% against eligible capital costs in Assisted Areas) and Environmental Aid.

## 3 SIIF Update

- 3.1 Spend and outputs for the SIIF are detailed below.

Performance indicator	Target	Total Commitments	Actual Outputs (07/09/17)
Direct jobs	1,245	329	0
Number of enterprises	10	1	0
Total investment	£120,450,000	£15,000,000	0
Programme Spend	£12,450,000	£1,500,000	£0

3.2 A full list of commitments is provided at **Appendix 1**.

#### **4 New applications**

4.1 Members are asked to consider the suitability of the following project for the SIIF, based on the reasons outlined at **Appendix 2**.

<b>Project Ref</b>	<b>District</b>	<b>Total Investment £</b>	<b>Grant Requested £</b>	<b>Proposed New Jobs</b>
1094369	Harrogate	£9,200,000	£500,000	200 (Manufacturing facility to create a total of >900)
<b>Total</b>		<b>£9,200,000</b>	<b>£500,000</b>	<b>200</b>

#### **5 Legal Implications**

5.1 The information contained in **Appendix 2** is exempt under paragraph 3 of Part 1 to Schedule 12A of the Local Government Act 1972 as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that the public interest in maintaining the content of the appendices as exempt outweighs the public interest in disclosing the information as publication could prejudice current and future decision making.

#### **6 Recommendations**

6.1 That members note the establishment of the SIIF, the role of the Business Investment Panel in considering applications to it, and the progress of the fund thus far.

6.2 That members consider the suitability of one project for the SIIF, as detailed at 4.1 and based on the reasons outlined at **Appendix 2**.