



Meeting of the City Council

16 July 2014

Report title	City Investment Fund	
Referring body	Cabinet – 25 June 2014	
Cabinet member with lead responsibility	Cllr Peter Bilson Economic Regeneration and Prosperity	
Wards affected	All	
Strategic director	Tim Johnson, Education and Enterprise	
Originating service	Democratic Support, Delivery	
Contact employee(s)	Dereck Francis Tel Email	Democratic Support Officer 01902 (55)5835 dereck.francis@wolverhampton.gov.uk

Recommendation(s) for action or decision:

The Council is recommended to:

1. Approve the creation of a fund of up to £350,000, from the Economic Development Reserve, that offers discretionary grants to help secure exceptional inward investment opportunities or provide incentives to retain existing major employers considering relocation.
2. Delegate authority for the Cabinet Members for Economic Regeneration and Prosperity and Resources in consultation with the Strategic Director Education and Enterprise, to agree a robust policy for utilising the fund.
3. Delegate authority to the Cabinet Members for Economic Regeneration and Prosperity and Resources in consultation with the Strategic Director Education and Enterprise to agree any subsequent awards.

1.0 Purpose

- 1.1 To approve the creation of a city investment fund.

2.0 Summary

2.1 On 25 June 2014 Cabinet considered an exempt report on a proposal to create a discretionary fund to offer grants to exceptional inward investment opportunities as part of an enhanced package of business support to potential investors or to retain existing strategic employers. The fund, which would operate within de-minimis state aid rules and would ensure:

- a. An appropriate incentive is available for significant inward investors to create jobs in the city or to retain strategic businesses that are considering relocation
- b. Wolverhampton can compete with other locations offering similar incentives to inward investors
- c. Quick internal decisions can be made in line with the commercial market to ensure opportunities are not lost to the city
- d. That the potential investor is obliged to create jobs and procurement opportunities for local residents and businesses

2.2 The full exempt report can be accessed by members of the Council online by following the link:

<http://wolverhampton.moderngov.co.uk/uuCoverPage.aspx?bcr=1>

2.3 Cabinet recommended to Full Council that it:

1. Approve the creation of a fund of up to £350,000, from the Economic Development Reserve, that offers discretionary grants to help secure exceptional inward investment opportunities or provide incentives to retain existing major employers considering relocation.
2. Delegate authority for the Cabinet Members for Economic Regeneration and Prosperity and Resources in consultation with the Strategic Director Education and Enterprise, to agree a robust policy for utilising the fund.
3. Delegate authority to the Cabinet Member for Economic Regeneration and Prosperity and Resources in consultation with the Strategic Director Education and Enterprise to agree any subsequent awards.

3.0 Background

3.1 The Council has recently been approached by a local agent regarding interest from a business who wishes to relocate from the South West.

3.2 However, although a package of support around recruitment and searches for potential business grants was offered, it was clear that other local authority areas are offering discounted business rates or grants to encourage this business to locate in their area. There is currently no agreement in place within the Council to allow an offer to be made to match these competing authorities, potentially making Wolverhampton a less attractive investment location.

3.3 In order to be able to compete both locally and nationally with other locations to attract occupiers such from business interest received or to retain strategic businesses within the city, the Council could offer financial incentives to cover such areas as reduced rates, feasibility studies, master planning or other areas of support. The creation of a fund would allow a grant to be offered, in exceptional circumstances, to attract significant inward investors to Wolverhampton. The fund can be related to achieving the ambitions laid out in the Wolverhampton City Strategy namely:

- Attracting new business – by increasing attractiveness to inward investors
- Developing and growing a skilled workforce – by creating new jobs for local residents

3.4 Companies eligible for the discretionary fund would expect to satisfy following criteria.

Criteria	Level	Essential	Desirable
Number of new jobs or safeguarded jobs	50+	✓	
Quality of jobs	High Skilled, level 3 or above		✓
Strategic sector	Automotive or aerospace, construction, ICT, creative industries, green technologies, business and professional service. Or proven track record in supplying, or buying, from businesses in these priority sectors (supply chain implications).		✓
Length of lease	Five years +	✓	
Commitment to local jobs and procurement	Signing of growth pledge, all contracts and sub contracts advertised on 'find it in Wolverhampton' website.	✓	
Demonstrable payback of investment	Through additional business rates, Corporate Social Responsibility agreements or Section 106 conditions within five years of agreement	✓	

3.5 A key part of this proposal is the signing of the Growth Pledge by the investor with a commitment to local procurement and local employment. Monitoring will take place to comply with the groups of people who share a protected characteristic described by the Equality Act 2010.

- 3.6 Any decision against the above criteria will depend on the strategic importance of the investment, namely the creation of the quality employment opportunities and an investment that could demonstrate a pay-back period to Wolverhampton City Council.
- 3.7 Any grant provided would need to fall within European Union De Minimis limits of €200,000 over 3 years, approx. £165,851 over 3 years. This is a maximum of £55,283 discount per year over 3 years.
- 3.8 This fund would not be externally promoted, but would be a negotiation tool to secure these exceptional opportunities. A report on each grant would be produced after 12 months highlighting the use of the funds and the impact this has had.
- 3.9 No payments would be made until a process of due diligence had been completed to ensure commitments will be followed up and company accounts are in order and a claw back arrangements has been agreed.
- 3.10 This grant would be offered as part of a wider package of support that would include:
- Supporting new investors with recruitment and training needs, including:
 - Multi-agency support coordinated by dedicated council account manager
 - Support for bespoke pre-recruitment offer including a bespoke recruitment fair, tailored pre-recruitment skills offer to ensure potential recruits have an overall suitability to roles include knowledge of key company values and strategic direction and post recruitment support to ensure employees are offered on-going skills and business support
 - Marketing and promotion to ensure 'red carpet' employer profile raising
 - Explore further funding opportunities:
 - Provide a funding search on all the requirements for their new building and associated costs – for both revenue and capital
 - Develop proposals and support with bid writing for any potential applications
 - Provide early intelligence on funding streams for their future growth
 - The Wolverhampton & Black Country Business Networks: becoming part of Wolverhampton's vibrant local business community with links to trade and investment all over the globe. They will be a welcome member of this network and a dedicated client manager will make sure that they can meet new customers and secure new markets.
- 3.11 An internal process will be followed to ensure transparency and fairness. A grant must have a clear and measurable link to the criteria set out in 3.3; these principles will be further developed under the formulation of the policy. In addition the business must provide a clear business case setting out the short and long term benefit to the council and its tax payers of providing any such a grant.

4.0 Financial implications

4.1 The discretionary fund will be derived from the Economic Development Reserve which was set up to continue the momentum of business support in the city, with specific focus on assisting business relocations. Subject to consideration of the final outturn for 2013/14 it is estimated that this reserve will have up to £350,000 available to support grant payments. Allocations will be based on a business case that demonstrates clear financial and economic benefits to the Council. The grant process will also need to include clawback arrangements should businesses not meet the conditions on period of time within the city etc. [MF/05062014/Q]

5.0 Legal implications

5.1 The fund and any grant that is awarded will not breach state aid rules. Whilst any offer will need to be reviewed by the legal services the principle of discretionary grants in these circumstances is in accordance with the Localism Act 2011. RB/05062014/F

6.0 Equalities implications

6.1 A key part of this proposal is the signing of the Growth Pledge by the investor with a commitment to local procurement and local employment. Monitoring will take place to comply with the groups of people who share a protected characteristic described by the Equality Act 2010.

7.0 Environmental implications

7.1 There are no environmental implications arising from this report.

8.0 Human resources implications

8.1 There are no human resources implications arising from this report.

9.0 Corporate landlord implications

9.1 There are no corporate landlord implications arising from this report.

10.0 Schedule of background papers

10.1 25 June 2014 Cabinet report – City Investment Fund