

<b>Subject:</b>	<b>Change of use of £1,586,500 of Marches Investment Funds (MIF) to support strategic tourism and business initiatives affected by the impact of the floods and the COVID-19 virus</b>
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**1. Purpose:**

- To outline a proposal to use £1.586 m of Marches Investment Funds (MIF) to support strategic tourism and business initiatives which will address the impact of both the floods and the COVID-19 virus on the local economy;
- To seek Board member approval to allocate circa £1.586 m of MIF funds between Herefordshire, Shropshire and Telford and Wrekin Councils to issue as grants to support strategic tourism and business initiatives.

**2. Recommendations:**

- To agree to the payment of £1.586,500 of MIF funds to Herefordshire, Shropshire and Telford and Wrekin Councils to use as grants to support strategic tourism and business initiatives over the next 6 months;
- To agree to the repayment of £236k from MIF to Telford and Wrekin Council, this sum is included in the above referenced £1.586 m;
- That the three Councils produce business cases setting out their detailed plans for how they will invest the funds in supporting strategic tourism and business initiatives and submit these to the LEP Chair and CEO for Review by 24 April 2020;
- The LEP Chair and CEO and another private sector Board Member be given delegated authority to review and approve the business cases.

**3. Background**

The LEP Chair had sought the view of the then MHCLG Area Director, T Bray about the use of MIF for grants when experiencing the flooding crisis. Attached at Appendix 1 is his response on 24/02/2020 which states it is a decision for the LEP Board. Also, to note the LEP Team has been advised by MHCLG that approx. 15% of LEPs have used GPF ( MIF) for grant purposes to date as opposed to loans and we are aware that as recently as last week that two LEPs have announced business grant schemes for SMEs supported by their GPF using the money that had been repaid from loans.

At the LEP Board meeting on 24/03/2020 the Board gave it's support to explore options with the 151 Officer and the Ministry of Housing , Communities and Local Government (MHCLG) as to whether some of the Marches Investment Fund (MIF) be used to provide grants to support strategic initiatives. It was agreed that, subject to the change of use of some of the MIF approval, discussions would take place with local authority leaders and Business Board Chairs on the types of strategic projects it could support. N.B. When Government awarded all LEPs these funds in 2012/13 they were called Growing Places Funds (GPF) and the funds were to be used as loan schemes to support housing and site development projects.

James Walton , the Finance Officer for the LEP (Section151 officer) is content in principle for the £1.586 m to be released. The funds will be taken from :-

- the repayments received to date on the loans made by the MIF which total £1.218m plus the interest earned to date on MIF of £132k
- and a £236k payment into MIF from Telford and Wrekin Council under the Telford Land Deal programme. See Appendix 2 for detail on the funds received into MIF from the Land Deal.

N.B. The loans were provided as capital funding, so while it is feasible to use repaid funds as a grant rather than a loan facility, the repaid funds were nevertheless received as capital receipts and rules are specific around their treatment. It is reasonable to flex this arrangement to treat interest earned on repayments as revenue funding, so as a minimum around 10% of allocations can be treated as revenue and the remainder capital. Another option would be to allow local authorities to substitute revenue funding of their own at an equivalent level of the capital allocation, although this would require a change in the proposed procedures for producing Business Cases for the LEP to approve. The LEP Team and finance teams are exploring arrangements approved in other LEPs and will review these arrangements if and where possible.

#### 4. Proposal

It is proposed that the £1.586,500 from the MIF loan scheme be divided up between the three local authorities on the following basis using population data from NOMIS , the Government’s Labour Market Statistics website :-

	2018 Population data		
Herefordshire	192,100	28%	= £444,220
Shropshire	320,300	46.5%	= £737,722
Telford & Wrekin	177,800	25.5%	= £404,557

N.B. When the LEP seeks its annual contribution from the three local authorities towards the LEP running costs the % split is worked out on population data.

After discussions with the three Local Authorities they are all keen to use the funds to support strategic initiatives which will support the tourism sector and those places and businesses severely affected by flooding in February 2020 which are now facing further challenges as a result of the impact of the COVID-19 pandemic.

The Councils are indicating the funding could be used to:-

- Support for key attractions and businesses whose viability is threatened, recognising their multiplier impact on wider visitor economy and in attracting people to live and work in the Marches .
- In the autumn undertake a tourism/ open for business marketing campaign to support those seasonal businesses worst affected and reinforce that all of the local economy is back open.

- Support for the recovery of the flood affected market towns as key focal points of employment.
- An enhanced business support package through the Marches Growth Hub, providing access to a range professional advice during and after the crisis to help businesses initially remain viable and then plan for recovery. In particular, seeking to assist those that might not have been able to access any other national support. N.B. This may not be needed as we await guidance from BEIS on how the additional £257K awarded on 8/04/2020 to the Marches Growth Hub can be used.

It is proposed the three local authorities will produce business cases in consultation with both the Council Leaders and their respective Business Board Chairs , as agreed at the 24 March LEP Board meeting and submit these to the LEP Team by 1 May 2020 for approval .

**Financial implications:**

There is currently £8.2m held in the MIF. Of which £2.493m was ringfenced in 2018 to provide a loan to the Shell Store incubator project on the Hereford Enterprise Zone and £236k is held as ringfenced funds awarded to the MIF by Telford Land Deal but for use across the Marches. The balance of funds - £5.4m - are uncommitted. The allocation of £1.586 m (which includes the £236k from the Land Deal ) will reduce the total funds available in MIF to approx. £4.14 m.

N.B At the 24/03/2020 Board meeting the Board noted that consideration could be given to utilising MIF, if allowed under accounting rules ,to cover the over-allocation of Growth Deal grant.

**Legal implications:** None

**Risks, opportunities and impacts:**

Other sectors which have been affected by the impact of the Covid – 19 pandemic may complain that they should have funds allocated to support their sector. This can be refuted on the basis that that the tourism and leisure sector, a key employer in the Marches, along with a number of key towns which had already been severely affected by the flooding crisis. It is envisaged that this support for strategically important tourism and business initiatives and the open for business campaign later in the year will have a positive impact on the wider economy.

**Appendices:**

1. T Bray email of 24/02/2020
2. Business Case for supporting Ironbridge Gorge Museum Trust – *Confidential (not available on website) as contains commercially sensitive information.*