

MARCHES LEP LTD BOARD MEETING PAPER

Meeting date:	25 th January 2022	Agenda Item:	AOB		
Author	Rachel Laver, CEO				
Report Title:	Marches Investment Fund				
For:	Discussion	x	Decision	x	Information

Purpose of the Paper:

To agree the Operating Guidelines of the Marches Investment Fund.

Summary of Recommendations:

It is recommended that:

- The Marches Investment Fund operates as a Loan only fund
- The fund operates on Evergreen Fund principles
- The fund is promoted to raise awareness of availability of a loan fund
- Opportunities to match the fund are explored
- Any arrangement fees (legal, due diligence) associated with loans are met by the borrower
- Interest rates charged on loans are commensurate with risk and security offered and do not breach subsidy control regulations
- Security is sought on each loan
- Co-investment with other funds such as Midlands Engine Investment Fund are allowed on a parri-passu basis.

Main points:

The LEP was awarded £8.2m of Growing Places Funding (GPF) in February 2012, it is projected approximately £4.8m will remain by 31 March 2022. The following loans have been made out of the fund:

GPF - Loans		
Project		Value
Dicentra Loan	£	650,392.00
Harper Adams Loan	£	749,999.98
Shell Store Loan	£	2,493,801.00
Total	£	3,894,192.98

These loans were made on various terms and the LEP, in agreement with the S151 officer has discretion to use the funds as it sees fit. How the funds have been used by different LEPs varies across the country, with some using the funding as loan only and others using it as grant funding to help with a covid response and therefore no longer have any GPF left.

Evidence from the from Midlands Engine Investment Fund as well as detailed knowledge of GPF loan funding in other areas indicates that there is a strong appetite for loan funding in areas where businesses might find it difficult to secure funding from more traditional banks.

In April 2020 the LEP Board approved the use of £1,586,500 of GBF to support strategic tourism and business initiatives affected by the impact of the floods and the COVID-19 virus.

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MIF Flooding & Covid Recovery Grant	
Project	Value
Crisis funding grant - T&W (Flooding & Covid19)	£ 404,557.00
Crisis funding grant - Shropshire (Flooding & Covid19)	£ 737,722.00
Crisis funding grant - Hereford (Flooding & Covid19)	£ 444,220.00
Project Costs Total	£ 1,586,499.00

Last LEP Board decision on utilising MIF:

At the 23 May 2017 Board meeting it was agreed the following former Growth Deal 3 projects now be assessed for Value for Money with a view to them receiving a loan or a grant from MIF.

- Shell Store Incubation Centre, Rotherwas Enterprise Zone, Hereford.
- Model Farm Employment Park, Ross on Wye
- Oswestry Innovation Park
- Residential Opportunities Fund.

The Shell Store project went ahead with MIF funding and the Oswestry Innovation Park went ahead using LGF3 funding. The other two projects didn't go ahead for various reasons.

Financial implications:

At the moment the funding is only earning a small amount of interest (0.01%). The costs of making any new loan such as due diligence and legal should be met by the borrower so that the LEP isn't subsidising the loans. Interest should also be charged on the loans in order to comply with subsidy control regulations and therefore also offer the opportunity for the fund to make a modest return.

Legal implications:

Any loans should be compliant with the new subsidy Control regulations.

Risks, opportunities and impacts:

There is the opportunity to support new projects with loan funding and have a revolving tool to support regeneration. There is also the opportunity for the MIF funding to work for the LEP and make a modest return.

The risks associated with investing the funding are that there could be a default on loans made and the fund is eventually fully spent.

There is a risk of criticism if the funding continues to remain unused.

Equality implications:

n/a

Additional information:

n/a

Report Author:

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