

# BUSINESS GRANT PROCEDURES

## BACKGROUND

1. This document replaces the Procedural Arrangements approved by the Economic and Property Committee on 18<sup>th</sup> June 2002 and sets out the process under which all grant programmes are managed by the former Economic Development Unit.
2. The Regeneration and Planning Policy Unit (RAPPU) manage grant programmes which assist companies with their new development proposals, the acquisition of plant and machinery, their relocation requirements, refurbishment of buildings, and investment in new technologies.
3. The aim of the grant programmes is to stimulate business growth and job creation.
4. The nature of the grant programmes generally makes it impossible to foresee all of the circumstances under which applications for financial assistance may be made. These Procedural Arrangements should therefore be regarded, as a framework **within** which all grant programmes will operate.

## APPLICATION PROCEDURES

5. Expressions of interest are invited for grant schemes. EOI's are followed up by a site visit from a member of the Business Support Team. At these meetings, the investment proposals are looked at in detail and timely advice given on any improvements which could be made to those aspects for which assistance is being sought.
6. Where a project meets the basic eligibility requirements of a Programme, the enquirer is provided with a copy of the application form for that Programme and a copy of the typical terms under which a formal offer would be made. If the request for financial assistance is to be pursued, this form should be completed, in full, and returned together with all supporting documentation. All applicants will be requested to submit the following:

### Quotations

7. Under normal circumstances 3 detailed quotations for the proposed investment will be required however, in the following circumstances, the requirement to submit three quotations for **building works/capital equipment** as part of the application will be waived:-
  - Where the nature of business of the applicant is the same as the works which are proposed, for example, a security alarm company wishing to install a new alarm system in their own premises.
  - Where applicants are purchasing specialist equipment, second-hand equipment or services with limited suppliers.

- Where applicants are required to use the developer who owns the land, one quotation for building works will be acceptable if the quotation is from that developer.
8. In each of the above cases, the waiving of the requirement for comparable quotes will be subject to the receipt of a letter from the applicant, clearly explaining why that is the case.
  9. In relation to building works, if only one quote is received, it would be appraised by a Quantity Surveyor appointed by the Council to assess whether it represented value for money. Additionally, if the applicant (or a subsidiary of) proposed to undertake the works, the profit element for the works would not be eligible for assistance. If the quote did not represent value for money, the application would be processed using a costing that the Quantity Surveyors consider would represent value for money. Under such circumstances the applicant will have no right of appeal.
  10. Where the application is for the purchase of plant/equipment or the provision of services the onus will be on the applicant to demonstrate value of money, e.g. supplying book-prices.
  11. For those projects involving **revenue support** one quotation will be considered acceptable providing the applicant can demonstrate that at least one other supplier has been approached and detailed reasoning is supplied with the application explaining why no other quote has been provided.

### **Enclosures**

12. The following enclosures will be required as part of each application: -
  - copies of the business's audited accounts for each of the last two years (in the case of new start businesses cashflow projections will be acceptable);
  - a copy of the company's Business Plan or Business Healthcheck (mandatory for businesses with fewer than 25 employees);
  - separate letters authorising the Council to approach the applicant's bank and accountant;
  - A copy of the lease for the property where appropriate (for example rental support grants);

Where **building works** are involved, the applicant will also be required to submit:-

- a Schedule of Works and Bill of Quantities on which all the quotations have been based;
- four copies of all layout, elevation or other plans relating to the development; and
- a Structural Engineer's report where applicable.
- evidence that a planning application has been approved or submitted.

13. Upon receipt, all applications are checked to ensure their eligibility that the form has been completed in-full and that all relevant enclosures have been included. Ineligible applications are not registered and are returned to the applicant. Applicants who submit incomplete applications are sent a letter advising that their application will be returned to them unless all outstanding information is submitted within 10 working days.

## **ASSESSMENT/DUE DILIGENCE**

14. By their very nature all applications for financial assistance will be different and will be judged on their individual merits.

15. To ensure that all applications meet the statutory legal requirements and represent value for money, applications involving building operations the following Units will be consulted:- Planning Services, Building Consultancy and Engineering Services and, where relevant, Property Services.

16. For applications relating to revenue support and to the purchase of new plant or equipment, the onus will be placed on the applicant to demonstrate value for money through the quotations and evidence supplied in support of their application.

17. For financial assistance towards rental support, a copy of the application form and the lease for the property will be circulated to the Council's Property Services Unit to assess value for money of the lease agreement.

18. Where the applicant is required to provide a copy of their Business Plan this will be circulated to Burnley Enterprise for them to check the viability and advise on the level of risk involved.

19. All applications will be subject to a financial appraisal either by the Council's Accountancy Services or an external accountant appointed by the Council for grants above £100,000.

20. In determining the extent to which a particular scheme should be supported, consideration will be given to the results of the consultation process; the outputs that the applicant has indicated will be achieved by the proposal; and the contribution that these outputs will make towards the achievement of the Programme's outputs.

21. Applicants are required to provide details of skill and pay levels for each job created or safeguarded, along with training commitments undertaken by the company. These details are then fed into the determination process to assess the quality of the application.

22. Where the applicant intends to purchase capital equipment, the full purchase value of the equipment will be considered eligible for financial assistance. However, if the applicant intends to "hire purchase" or lease the capital equipment, then the deposit and upto the first twelve months payments will be considered eligible for grant assistance. (A copy of the hire purchase/lease agreement will be required at the time the applicant seeks grant payment).

23. In respect of awarding grants using external funding (example: Regional Growth Fund) the approval will be authorised by an independent panel, consisting of a representative from the private sector; a representative from the funding body and an accountant appointed by the Council. The panel will be chaired by the Project Manager for the grant programme.

The primary objective of the panel will be to:

- Assess applications for funding on the basis of the level of job creation and private sector investment directly in line with the priorities of the funding programme.
- To consider the need for the grant, the level of grant being applied for and also what the grant is to be utilised for to ensure the application is in line with the priorities of the funding programme and appropriate use of public funding.
- Examine the financial requirements of applications ensuring that recommendations regarding the level and type of funding and any conditions that may be needed are fair and reasonable.

## **VALUE ADDED TAX**

23. Financial assistance is only offered against any VAT elements of work where an applicant cannot recover VAT (e.g. not VAT registered). In all other cases, the financial assistance offered will be based on the 'net' cost of a scheme.

## **APPROVAL PROCESS**

24. Following an assessment of the application, an appraisal form is prepared containing details of the applicant, the nature of the project, expected outputs and the proposed level of grant together with the recommendations of the appraisal panel where applicable.

25. *The final approvals will be authorised as follows:*

- For those grant applications with a proposed recommendation of <£20,000 approval will be sought from the Head of Regeneration and Planning Policy as the sole signatory. If approved then the grant assessment sheet will be forwarded to the Director of Economic Regeneration for information.
- For those grant applications with a proposed recommendation of between £20,001 and £50,000, approval will be sought from both the Director of Economic Regeneration and the Head of Regeneration and Planning Policy. If approval is given then the grant assessment sheet would be forwarded to the Executive Member for Regeneration for information.

26. For those grant applications with a proposed recommendation of £50,001 and above approval will be sought from the Director of Resources in consultation with the Executive Member.

27. A list of companies awarded grants will be sent on a quarterly basis to Members of the Regeneration Scrutiny Committee.
28. On occasions when a panel decision is required and one or more members of the panel decide they cannot support an application on the basis of the information provided and these concerns cannot subsequently be resolved with the business concerned, the application will be refused. In such circumstances, a short report outlining the reasons for refusal will be submitted for information to the next meeting of the Executive.

## EUROPEAN STATE AID RULES

29. All support for industry from any public source has to comply with European Community State Aid Rules. These Rules are designed to ensure that the aid granted by one Member State does not distort trade or affect competitiveness throughout the rest of the Community.
30. Aid will be related to the provisions of General Block Exemption Regulation (GBER) Section 2 Article 15, SME investment and Employment Aid.
31. For the purposes of State Aid, the Commission defines small and medium sized Enterprises (SME's) as a company with:-

Category	Employees	Turnover	Or	Balance Sheet Total
Medium-sized	Fewer than 250	Not exceeding 50 m euros <i>(approx. £40million)</i>		Not exceeding 43m euros <i>(approx. £35 million)</i>
small	Fewer than 50	Not exceeding 10m euros <i>(approx. £8 million)</i>		Not exceeding 10m euros <i>(approx. £8 million)</i>
micro	Fewer than 10	Not exceeding 2m euros <i>(approx. £1.6 million)</i>		Not exceeding 2m euros <i>(approx. £1.6 million)</i>
<b>Ownership</b>	Not more than 25% of the capital or voting rights is owned by an enterprise that is not itself an SME			

32. Outside of the assisted area the aid intensity rates will be 20% for small enterprises and 10% for medium Enterprises. Part of Burnley is designated as an Assisted Area. In these areas aid will be permitted at 15% for large sized enterprises, 25% for medium sized enterprises and 35% for small sized enterprises.
33. Aid to SME's, not awarded within the parameters outlined above, or to companies outside the definition of an SME, may be offered as de minimis aid. The amount of de minimis aid available to an individual business, or group, is limited to 200,000 Euros in the current financial year and two previous years.

## **FORMAL OFFER**

34. A formal written offer of financial assistance is issued to all applicants. This letter sets out the terms and conditions upon which the grant is offered. Applicants are given between one and two weeks in which to decide whether they wish to accept the offer.
35. If an applicant chooses to accept the offer of financial assistance, one complete signed copy of the offer letter must be returned to the Head of Economic Development, by the date specified in the letter. The offer letter and the applicant's acceptance thereof will then constitute a contract between the parties.

## **PAYMENT**

36. Grant aid awarded to businesses will only be paid retrospectively, upon completion of the project and upon the applicant submitting receipted invoices. On larger building projects in particular, interim claims for stage payments will be permissible; payment being made on the basis of the receipted invoices submitted by the applicant for works completed up to that time.

## **PERFORMANCE MONITORING**

37. Officers of the Council's Regeneration and Planning Policy Unit will monitor the performance of all grant programmes. Individual recipients of financial assistance under the Programmes are monitored by the Business Support Team to ensure that their specified outputs are being met and that any jobs created show a degree of permanence in line with that stipulated in the funding body requirements. i.e. six months. The Council may from time to time audit these monitoring returns.

## **ASSET REGISTER**

38. A 'Register' detailing all assets acquired with the benefit of grant funding is held by the Council's Regeneration and Planning Policy Unit, for scrutiny by the Programme's external auditor. In this case, monitoring forms will be sent to grant recipients on which all assets acquired or disposed of must be recorded.

## **CLAWBACK**

39. The offer letter contains a number of clauses under which the Council may, at its absolute discretion, seek the repayment of all or part of the grant awarded to a business. The main circumstances under which this action may be taken are where an applicant:
- persistently fails to complete or return their monitoring forms; and/or
  - fails to achieve the projected outputs for the scheme; and/or
  - where the building improved is subsequently sold by the applicant; and/or

- where the company assisted relocates outside the Borough, even if it retains ownership of the building improved; and/or
- where the plant/machinery/equipment purchased is subsequently sold or relocated outside the Borough.
- where the company ceases trading.

40. In cases of potential clawback officers from the Business Support Team will inform the Business Innovation and Skills Department to seek their view on whether clawback is to be sought. If the decision is made by the Business Innovation and Skills Department to instigate clawback then the Regeneration and Planning Policy Unit will attempt to clawback the grant.

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