

Open Report on behalf of Executive Director for Environment and Economy

Report to:	Councillor Colin Davie, Executive Councillor for Economic Development, Environment Planning and Tourism
Date:	08 January 2015
Subject:	Agreement to participate in a pan-county financial instrument which provides finance to businesses
Decision Reference:	
Key decision?	Yes

Summary:

This report concerns the council participating - in its economic development role and in its role as an accountable body for the Greater Lincolnshire Local Enterprise Partnership-in a pan-Midlands financial fund. This financial fund, through a variety of financial instruments will create several types of finance for businesses which will help them grow. Access to finance is commonly reported as a barrier to local business growth.

Recommendation(s):

That the Executive Councillor agrees:

- i) Agrees in principle to enter into a pan-Midlands financial fund using funding from the legacy of the East Midlands Development Agency as Lincolnshire's contribution for providing finance to businesses across the East and South-East Midlands and West Midlands LEP areas.
- ii) Delegates to the Executive Director for Environment and Economy in consultation with the Executive Councillor for Economic Development, Environment, Planning and Tourism the authority to determine and approve the governance arrangements for the establishment, management and distribution of the fund and to determine the terms and approve the entering into any contractual or other legal documentation necessary to create the fund, secure the financial support distributed from the fund and otherwise bring the decision into effect.

Alternatives Considered:

1. Do not support the development of a financial fund
2. Establish a financial fund which is only applicable to Lincolnshire businesses

Reasons for Recommendation:

By entering into a pan-Midlands financial instrument, the county council will (i) address a clear need for business growth, and (ii) be able to use funding from the legacy of the East Midlands Development Agency and will be able to access European funding which will increase the size of budget substantially.

Further rationale for the recommendation and reasons for not recommending the alternatives is set out on Appendix A

1. Background

One third of Lincolnshire businesses cite a lack of access to capital as a constraint on their business growth. Private sources (banks, venture capital, etc) will provide some funding, and models such as crowd funding are starting to emerge.

However, there are still substantial gaps both in terms of the level of risk that some financial bodies are prepared to take, and in the size of finance that they will make available.

This has been a challenge that LCC has sought to address for a number of years, including detailed investigation of the issue in an Economic Scrutiny task and finish group and in correspondence with government ministers.

The East Midlands Development Agency, which was closed 5 years ago, had created a suite of financial instruments. When EMDA was closed, government agreed that any repaid loans from these financial instruments would be held in a "legacy" account which could only be used to support further finance for businesses.

Government have encouraged LEPs to take the lead in the programming of this funding, and county council staff have done this on behalf of the LEP –partly because of the staff's role in supporting the LEP to commission activity and partly because the county council is the LEP's accountable body.

By combining the amount of the legacy funding that is allocated to Lincolnshire with that of other LEPs, EU funding can be levered which in turn could create a financial instrument of £100m across the East and West Midlands. It is likely that the government will encourage a scheme of this nature because it fits their "Midlands Engine" ambitions.

The only funding that would come from Lincolnshire to that budget is the EMDA legacy funding; the fund will have no direct cash input from LCC or other partners.

LCC will need to promote the financial instrument effectively, through partnerships and through mechanisms such as County News or the Lincolnshire Growth Hub (business advice support service). If the financial instrument is managed and promoted successfully, then Lincolnshire businesses stand to be able to attract significant amounts of finance to support their plans for growth and productivity.

However, if LCC does not take a proactive role then the funding will be allocated to businesses from outside of the county. Whilst no direct local cash would have been lost in this scenario, it will be seen as a missed opportunity.

Establishing a financial fund is complex, and the region's LEPs have commissioned Blue Sky Consulting –a business with direct experience of managing financial instruments- to assist with the design. Their detailed advice is attached at Appendix A to this report.

The decision sought in this Report is for approval in principle to pursue a pan-Midlands approach. Further work will then continue to establish the structure of the fund (e.g whether there will be sub-funds), the mechanisms for establishing the fund (e.g accountable body or company structures), decision-making over the use of the funds (to include how local economic priorities are reflected) and the suite of legal instruments and other documents necessary to protect the fund in the course of carrying out its activities.

It is proposed that these matters be delegated to the Executive Director for Economy and Environment.

Legal issues will be addressed during the course of this development including ensuring that the setting up of the fund and its activities are State Aid compliant and procurement rules are adhered to in the commissioning of third party involvement in the establishment or management of the fund.

In addition to the economic outcomes of the financial fund, there are a number of matters to which the Executive Councillor must have due regard in reaching his decision.

Equality Act 2010

The Council's duty under the Equality Act 2010 needs to be taken into account by the Executive Councillor when coming to a decision.

The Council must, in the exercise of its functions, have due regard to the need to:

- (1) Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (2) Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

- (3) Foster good relations between persons who share a relevant protected characteristic and persons who do not share it: [Equality Act 2010 section 149\(1\)](#). The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation: section 149(7).

Having due regard to the need to advance equality of opportunity involves having due regard, in particular, to the need to:

- (1) Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- (2) Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
- (3) Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to tackle prejudice, and promote understanding.

Compliance with the duties in this section may involve treating some persons more favourably than others.

A reference to conduct that is prohibited by or under this Act includes a reference to:

- (a) A breach of an equality clause or rule
- (b) A breach of a non-discrimination rule

It is important that the Executive Councillor is aware of the special duties the Council owes to persons who have a protected characteristic as the duty cannot be delegated and must be discharged by the Executive Councillor. The duty applies to all decisions taken by public bodies including policy decisions and decisions on individual cases and includes this decision.

To discharge the statutory duty the Executive Councillor must analyse all the relevant material with the specific statutory obligations in mind. If a risk of adverse impact is identified consideration must be given to measures to avoid that impact as part of the decision making process.

It is not considered that this decision in itself carries with it any potential for differential impact on people with a protected characteristic. Close attention will be

given to the Council's public sector equality duty as further decision-making develops in relation to the project.

Child Poverty Strategy

The Council is under a duty in the exercise of its functions to have regard to its Child Poverty Strategy. Child poverty is one of the key risk factors that can negatively influence a child's life chances. Children that live in poverty are at greater risk of social exclusion which, in turn, can lead to poor outcomes for the individual and for society as a whole.

Whilst there is no immediate impact on Child Poverty from this limited initial funding decision the potential impact on the Lincolnshire economy from a scheme such as that proposed is considerable and would significantly improve the economic wellbeing of the area and with it the potential for the Council to address the issues set out within its Child Poverty Strategy.

Joint Strategic Needs Assessment (JSNA) and Joint Health and Wellbeing Strategy (JHWS)

Similarly, the economic consequences of a successful scheme would have a positive impact in dealing with many of the issues highlighted in the JSNA and the JHWS.

2. Conclusion

Participating in a financial fund of this nature will provide Lincolnshire businesses with the opportunity to access substantial finance for growth, at no direct cost to LCC. LCC will need to be an active commissioner of the financial fund so that it meets Lincolnshire business needs and so that it is effectively promoted at Lincolnshire business.

3. Legal Comments:

The Council has the power to adopt the recommendation.

Legal advice will be required in the course of development of arrangements for the proposed fund to ensure that it is compliant including with State Aid requirements. The matters that the Executive Councillor must have regard to in reaching a decision are dealt with in the body of the Report.

The decision is consistent with the Policy Framework and within the remit of the Executive Councillor if it is within the budget.

4. Resource Comments:

Accepting the recommendation in this report should not have any financial implications for Council budgets and the Council is not currently the custodian of any cash that will be contributed to this fund. This is also true for the future development of the management and governance of this fund.

5. Consultation

a) Has Local Member Been Consulted?

n/a

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

The decision will be considered by the Economic Scrutiny Committee on 8th December 2015 and the comments of the Committee will be reported to the Executive Councillor.

d) Policy Proofing Actions Required

n/a

6. Appendices

These are listed below and attached at the back of the report	
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Appendix A	ERDF Fund & Fund update
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7. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Justin Brown, who can be contacted on 01522 550630 or Justin.Brown@lincolnshire.gov.uk.