

# Hull and East Yorkshire LEP

Paper E – Business Loan Fund Strategic Review

Report to the Business Support Board, November 2021

Report from Karen Oliver Spry, Investment Programmes Manager

## 1. Summary

1.1. This report updates the Business Support Board in relation to the strategic review of the Growing Places Fund (Business Loan Fund) that is underway and discuss the key questions posed to the BSB members.

## 2. Recommendations

2.1. The Business Support Board notes the report

2.2. The Business Support Board discusses and responds to the following key questions as part of the review process:

- **What business needs/gaps currently exist that require financial intervention?**
- **What should be the strategic priorities for the programme (e.g., post-Covid/Brexit adaptation and pivoting, transition to net zero, increased productivity, job creation)?**
- **What might business growth look like for recipient businesses and how should it be measured through programme metrics?**

## 3. Report

### Background

3.1. In 2012 the Humber LEP received an allocation of funding known as Growing Places Fund with which to stimulate delivery of stalled infrastructure projects and other economic development activity. In common with several LEPs at the time, a revolving Business Loan Fund (BLF) programme was established, administered by the LEP with Hull City Council as accountable body.

3.2. The programme has offered loans to businesses at commercial level interest rates but providing favourable, flexible terms with no fees to help de-risk activity. Although originally aimed at stalled infrastructure and development, the flexibility of the fund has meant that the type of project considered has been varied and loans have been awarded for property purchases and investment in capital equipment, as well as infrastructure and development schemes.

- 3.3. At the time of inception, the impact of the global economic recession that started in 2008 meant that finance options to support business growth were limited. There was widespread consensus that the availability of finance from conventional lenders had been significantly scaled back, as had the availability of government grant funding with the demise of the Regional Development Agencies.
- 3.4. The BLF has subsequently become part of a broader and increasingly populated funding picture that includes increased accessibility to traditional bank finance, as well as newer companies specialising in various types of mezzanine finance and the Northern Powerhouse Investment Fund (NPIF) supported by a £5m contribution from the Humber's European Social Investment Fund (ESIF) contribution. In addition, since 2013, businesses have had greater access to capital grant funding via a £30m Regional Growth Fund grant programme, £131m Local Growth Fund secured through the government's Growth Deals and latterly £1.5m from the Getting Building Fund programme.
- 3.5. Interest in and take up of the loans offered has for a number of years been limited, with only 2-3 applications received p/a. This is in stark contrast to the ongoing and significant interest in grant programmes such as Growing the Humber and Growing Hull and East Yorkshire, although both have been promoted by business support providers.
- 3.6. There is also a desirability to retain the extensive knowledge, skills, and experience of programme delivery from within the Investment Programmes Team and to identify a mechanism by which ongoing legacy programme monitoring commitments can be fulfilled.
- 3.7. At the close of the Humber LEP at the end of the March 2021, the entire Growing Places Fund and Business Loan Fund programme were transferred to the HEY LEP's governance and administration. In July, the LEP Board agreed a recommendation to close the Business Loan Fund programme to new applications pending an officer review of the programme and options for a new business support programme to be conducted under the oversight of the Business Support Board.

### Review Update

- 3.8. At the 20/21 year end £12.83m loans had been agreed since programme inception and the value of the Growing Places Fund was £8.9m, inclusive of interest earned. Of this £5.6m was committed in outstanding loans, with a further £1.3m committed as further advances, leaving approximately £2m available for commitment. Repayments of approximately £0.8m are expected in the current financial year suggesting a new programme could start with around £2.8m from April 2022.

- 3.9. A small number of repayments are expected in FY 22/23 and 23/24 which would top up the available funding by approximately £1.2m and a number of end of scheme bullet repayments are expected to result in significantly increased funds (additional £2.4m) in FY 24/25.
- 3.10. The review aims to explore existing and anticipated need, opportunities, value and best practice from other LEP or Combined Authority areas in order to develop a programme proposal for consideration by the Business Support board and recommendation to the LEP Board with intended launch from 1<sup>st</sup> April 2022.
- 3.11. Progress to date has included a review of key strategic documents, reports and strategies and consultation with key stakeholders in Hull City Council, Growth Hub, previous loan recipients etc with more consultation with economic development teams, business advisors, other LEPs etc programmed in over coming weeks.
- 3.12. Early indications suggest that a grant only or blended grant/loan scheme may be welcomed.

### Timescales

A working timetable is provided below – this may be subject to change.

What	When
Officer-led strategic review commences	21 <sup>st</sup> July 2021
Literature review and stakeholder engagement	August – December 2021
Business Loan Fund deadline for outstanding applications	31 <sup>st</sup> October 2021
Business Support Board - update and consultation	1 <sup>st</sup> November 2021
Final loan commitments under current programme agreed by Investment Panel	14 <sup>th</sup> December 2021
Business Support Board – report of findings and feedback on initial proposal	13 <sup>th</sup> January 2022

Business Support Board – recommends new programme for launch in April	17 <sup>th</sup> March 2022
Recommended programme agreed by LEP Board	31 <sup>st</sup> March 2022
New programme launched	April 2022

#### 4. Consultation

4.1. As part of the consultation process, the Business Support Board is asked to consider the following key questions to support decision making:

- **What business needs/gaps currently exist that require financial intervention?**
- **What should be the strategic priorities for the programme (e.g., post-Covid/Brexit adaptation and pivoting, transition to net zero, increased productivity, job creation)?**
- **What might business growth look like for recipient businesses and how should it be measured through programme metrics?**

4.2. Further thoughts and considerations of the above will be very welcome after the meeting and can be emailed to [k.oliver-spry@heylep.com](mailto:k.oliver-spry@heylep.com)

#### 5. Financial and resource implications

5.1. There are no immediate resource implications. The review and proposal development will be undertaken by the existing Investment Programmes Team.

5.2. The resourcing requirement for the proposed new programme will be explored as part of the review with advice and recommendations supplied as part of the proposal.