

## Pendle UKSPF Project Selection report

**Investment theme:** Supporting Local Business

**Year 3 – 2024 to 2025**

E19: Investment Plan	<b>£206,407</b>
E19: Available project funds allocation	<b>£180,670</b>

Available funds are Revenue but UKSPF revenue grant funding may be used for revenue or capital expenditure, in line with the Lead Local Authority's accounting practices

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## Intervention E19

**Description:** Increasing investment in research and development at the local level. Investment to support the diffusion of innovation knowledge and activities. Support the commercialisation of ideas, encouraging collaboration and accelerating the path to market so that more ideas translate into industrial and commercial practices.

**Objective:**

Creating jobs and boosting community cohesion, through investments that build on existing industries and institutions, and range from support for starting businesses to visible improvements to local retail, hospitality and leisure sector facilities. Promoting networking and collaboration, through interventions that bring together businesses and partners within and across sectors to share knowledge, expertise and resources, and stimulate innovation and growth. Increasing private sector investment in growth enhancing activities, through targeted support for small and medium sized businesses to undertake new-to firm innovation, adopt productivity enhancing, energy efficient and low carbon technologies and techniques, and start or grow their exports

**Examples:**

- Research and development grants for local organisations, for example universities
- Grants to encourage and support partnership working between organisations locally and regionally.
- Funding to support the development of sector clusters and high growth ecosystems

**Levelling Up Missions:**

Mission 1: By 2030, pay, employment and productivity will have risen in every area of the UK, with each containing a globally competitive city, with the gap between the top performing and other areas closing.

Mission 2: By 2030, domestic public investment in R&D outside of the Greater South East will increase by at least 40%, and over the Spending Review period by at least one third. This additional government funding will seek to leverage at least twice as much private sector investment over the long term to stimulate innovation and productivity growth

## Outputs and Outcomes to be met

The Output	Number of businesses receiving grants	10
Outcome of the grant	Number of business adopting new to the firm technologies or processes	5
Outcome of the grant	Number of businesses with improved productivity	5
Outcome of the grant	Number of new to market products	1

## Summary:

The grant project seeks to encourage investment in innovation and the development of new ideas or investment (adoption) in new to the firm technologies, as well as increased productivity.

To a smaller extent it also seeks the commercialisation of new to the market products being brought to the market.

The scheme will provide direct access to finance to support innovation which will allow for Pendle businesses to become more productive and adopt new technologies or processes, with an end result that business remains strong and competitive within the market place.

The project will be managed in-house.

Grants of upto £18,000 will be available for R&D, new product development and new or improved technology solutions.

The grant will fund 60% of eligible project costs with the enterprise putting in

- SME – 40%
- Large enterprise – 50%

All sectors, size and age of enterprise are eligible as long as they can achieve the outputs and outcomes required.

The grant programme does not seek to support lifestyle businesses<sup>1</sup> or those with low growth ambitions, including a lack of job creation prospects. As a result the application will request details how the grant project will be transformative on Growth and the anticipated number of jobs expected to be created as a result of the investment.

Eligible geography: Enterprises within the Pendle borough<sup>2</sup>

### Key stages

- Promotion and engagement
- Completion of expression of interests prior to launch
- Successful EOIs invited to submit application.
- Appraisal by grants manager and if approved taken to grant panel
- Grant offer letter issued if approved
- Monitoring of project

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<sup>1</sup> a business with low or no growth ambition that generates enough profit to fund the entrepreneurs lifestyle on their own terms, without ambitions for further growth.

<sup>2</sup> If a business operates from more than one premises, with the other premises being outside the borough of Pendle, the investment to be funded and the outcomes achieved, must take place within Pendle borough.

## **Background**

The E19 Intervention selected by Pendle BC primarily seeks to encourage investment in innovation and the development of new ideas or investment (adoption) in new to the firm technologies, as well as increased productivity.

To a smaller extent it also seeks the commercialisation of new to the market products being brought to the market.

This intervention was proposed by Pendle Council to continue support for businesses in a similar vein to the Growth & Innovation Fund, delivered between 2021 and 2022 and funded by the Community Renewal Fund.

The proposal was selected for adoption by the UKSPF Local Partnership Group and an element of funding allocated to this within Year 3 of the programme (2024-25).

## **Process for Shortlisting projects**

Under the planning process for UKSPF, a competitive grant round was undertaken in which organisations submitted proposals and then applications to the council for consideration for UKSPF funding. These submissions formed a closed pool of applicants which was narrowed down based on best fit to the programme. Primarily whether a project fit the requirements of the Intervention being considered against ability to meet the required outputs and outcomes, ability to fit the spend profile, either on its own or in combination with other suitable providers and considerations including value for money and whether a project was advanced enough to meet the required timescales for the programme.

The proposal submitted by Pendle Council was the only proposal of its kind, for grant support to businesses. This aligned with growth and investment requirements of the Pendle borough business stock, as identified in the Hatch Evidence base report for UKSPF.

## **Value for money**

Pendle Council has a duty to consider value for money in the allocation of UKSPF funding. Value for money has been considered, first in the undertaking of a competitive grant round where multiple providers were given the opportunity to put costed projects forward which would be suitable to our programme. Only one proposal, submitted by PBC itself, put forward a project suitable for E19.

It has been considered that the project should be managed in-house as the most cost effective way of managing the scheme and to give fair opportunity for any enterprise in the borough with an eligible project to come forward and make an application.

## Management of Project

Managing the grant project in house has a number of benefits. The skills and expertise to do so are already in place and the grant could be managed alongside the Town Deal Business and Resilience Grant scheme.

The proposed UKSPF funded grant scheme is a relatively small scheme in value and scope and so would sit comfortably alongside management of the other programme. Without it being a significant additional burden. Existing templates for management and administration of the grant could be adapted.

It is hoped that the same Grant Panel put together for the Town Deal scheme, would be agreeable to reviewing the applications for this scheme also. At around 10 applications, it would be small.

If this panel declines then other individuals will be approached who can bring a similar broad experience to the panel.

### **Design of the scheme: Considering the Grant Value**

The funding available for spend is £180,670, available within a single financial year.

The required Output for the Intervention is for a minimum of 10 enterprises to be supported by grant funding. Whilst the individual value of a grant may vary this would work out on average at £18,067 per grant.

Not all applications may be of equal value, some may be smaller, allowing for more remaining spend to support another business, or to allow for a slightly large grant than £18,000. But it is difficult to determine this prior to launch.

**Recommendation:** The grant value to be set at a maximum £18,000 per application.

By setting the maximum grant at £18,000 we know we will have enough in the budget to fund 10 grants – as required

In this scenario if all grants are equal then this would leave an underspend of £67. This could be spent easily by allowing a single applicant to claim slightly over the maximum permitted by the scheme. This would result in the intervention rate to that applicant being ever so slightly higher.

It is recommended that The Director of Place is given the discretion to amend the grant intervention level in order to manage the spend within the timescales available. This could include increasing the Intervention rate to attract more applicants if demand for the scheme is low.

## Design of the scheme: Consideration of Timescales

In giving consideration to a suitable Intervention rate for the scheme it is important to consider timescales.

### Time frame of the scheme – July to February (8 months)

The UKSPF programme follows the financial year commencing 1st April, with spend of funds allowed no later than March 31st 2025.

In reality the project will be shorter than this. Likely commencing in July<sup>3</sup> upon receipt of UKSPF funding from government and with a deadline for grants claims being the end of February (claims will need to be submitted in advance for payment to be processed - with year-end being a busy time for the Creditors team) to give time for payment to be processed.

### Time frame from enquiry for grant to project completion and claim (3-5 months or longer)

From initial enquiry of a business for a grant to the time when it submits its grant claim can take a number of months, in some cases upto 12 months. This project does not have the luxury of time.

5 months would not be considered unusual.

Looking back at the projects funded under the Community Renewal Fund, the turnaround time appears to have been around 3 months. Showing that a shorter timescale can be achievable.

Even so we would be looking at final grant enquiries being received realistically no later than end of November or as early as end of September. This means that there might only be an active window of the grant of 3 months (July-Sept). or 5 months (July to November)

### Grant application cycle timeframe

8 weeks can be typical	enquiry through to grant offer letter
3-12 months can be typical	grant offer to grant claim

Subject to funds remaining, new applications could be considered after this time but realistically we could only consider projects which are able to complete and claim the funds within the available timescales. It would be made clear to the applicant that projects which cannot achieve completion and claim of the funds by the required date are unable to claim grant funding.

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<sup>3</sup> UKSPF Year 2 funding was not released to PBC until July. it is realistic to consider the annual allocation of funds may not be received again until at least July, when DLUCH have completed end of Year reporting. In terms of timescales this would be similar in nature to the Growth and Innovation Grant Fund, funded by the Community Renewal Fund) between 2 Aug 2021 and 31 March 2022.

Any grants where an R&D process is yet to be undertaken, to be funded by this project, would naturally be of a longer cycle as there will be a time window from conducting the innovation exercise to implementing the innovation.

Applications not involving a full R&D cycle from start to finish but where the firm are looking for the implementation cost of innovations already identified, would be shorter.

### Building a pipeline

For the timing reasons explained, it will be important that the detail of the scheme is agreed early, and a grant officer begins marketing the grant and building a pipeline of prospective applicants who will be ready to go when we launch (anticipated July 2024).

Some projects will not be able to wait and will drop out and change their minds but some will remain active and can have application forms worked up and investments ready to go.

Between now and 20 <sup>th</sup> October (Council Executive)	Council officers design scheme documents
20 <sup>th</sup> October	Council Exec approves scheme
From November 1 <sup>st</sup>	Council officers to start marketing the scheme in order to develop a pipeline of applications
May to June 2024	Return to pipeline. Oldest enquiries first. Do they still have a valid project.  Submission of applications and quotes.
June 2024	Grant panels for those applications still with valid projects
1 <sup>st</sup> July 2024	Upon receipt of funds for the year, first grant offer letters could be issued.
31 <sup>st</sup> July 2024	7 months until grant claim deadline
31 <sup>st</sup> August	6 months until grant claim deadline
30 <sup>th</sup> September	5 months until grant claim deadline
31 <sup>st</sup> October 2024	4 months to end of programme.
30 <sup>th</sup> November 2024	3 months until grant claim deadline
31 <sup>st</sup> December 2024	2 months until grant claim deadline
31 <sup>st</sup> January 2025	1 months until grant claim deadline

### Could the available timeframe be extended?

Could the available time window be extended by allowing projects to commence early and, thus giving them more time to implement the project and make the grant claim?

In line with section 7.2 of the UKSPF Prospectus, it can be assumed that the Fund can support investment in interventions from April (the commencement of the UKSPF Year). However, any such interventions will be at risk prior to sign off of the funds by government.

As such if the council made a commitment to give a grant before receipt of the funds this would be at the councils own risk as we would become responsible for meeting this cost. This is not recommended.

Could we include a clause in the grant offer letter that if funds were not received then the business would agree to meet the full costs of the project, without grant support?

No. This would be against the principles of Subsidy Control law in that Subsidies should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy. If the business has committed to meeting the cost of the project, then there is an implicit agreement that they would have funded the support in the absence of the grant.

The same principle would apply to the funding of projects retrospectively (eg for investments already completed and paid for). The business would already have made a commitment to the cost of that project.

#### Subsidy Control Act 2022

##### Section 9

##### SCHEDULE 1 - The subsidy control principles, D

D: Subsidies should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy.

*Costs that would be funded anyway*

The realistic conclusion is that formal offers of grant assistance should not be made until the UKSPF funds for the year are received.

### Project monitoring

UKSPF spending and monitoring should both complete by March 2025. If grant projects require a period of implementation of the investment, with monitoring of results to follow. Then this would necessitate an earlier cut off for applications in order for the business, once it has made the investment, for the outcomes which follow from this, to take effect, and thus be recorded for the grant scheme – within the period for monitoring. If both spend and monitoring deadline are the same outcomes will not be recorded.



This is common where, for example, Jobs created is a requirement of the grant scheme. An investment leads to the requirement of new employment; sometimes directly and sometimes indirectly. For example

- A direct job might be where a machine has been purchased and a machine operator is required to be recruited for the operation of the machine. A period of recruitment may be required.
- An indirect job may be where the result of the new investment leads to company growth, thus allowing for more employment opportunities to occur within the business. This typically follows sometime after the investment.

Job creation is not a reportable outcome of this scheme. It is something which will be asked about on the application form, and will form part of the monitoring process, for the purpose of showing progress towards the Levelling Up Mission, but is not actually a requirement of the grant or the monitoring return to government.

In regards to the monitoring for this scheme. It is anticipated to be relatively quick.

Of the three Outcomes to be met;

- Adoption of new to the firm technologies or processes

The case has already been made for the investment at application stage. Once the investment is made and the technology or process is adopted, the outcome is complete.

- Improved productivity

The business will understand prior to making the investment that there will be a productivity improvement, and this will be understood at application stage. It is likely to be a significant factor in the buying decision. If this is so then the business will have an understanding of what they think the productivity improvement is going to be already. They will be asked about this at application stage.

As the indicator mandates that this must relate to GVA per hour or GVA worked. If this needs to be evidenced in practice then it should be possible to understand this within a very short period of time.

- Investment in new to market products

There is a journey for the business in this but our involvement depends on how far along that journey we get involved. We do not need to support the whole journey, only to support it along that journey. So our grant could support one aspect in the development of that new to market product as commences along the process of that journey. Whilst there would be an interest in knowing the eventual outcome of that products success upon the marketplace, this is not specified in the outcome criteria and due to the short timescales of this programme, may not be something that occurs within its parameters.

The UKSPF Guidance states that a process for monitoring projects beyond March 2025 will be announced and this is the sort of thing that we could continue to monitor as part of that.

For our immediate purposes the outcome could be considered as complete once we have funded the specific investment within that journey of bringing a new product to market. The plan for this and the intention for it, and other support assisting them to do this, could be made clear at application stage.

## **Design of the scheme: Setting the Intervention rate**

The grant intervention rate is the percentage of grant as a proportion of projects costs. eg a 50% intervention rate would provide 50% grant and 50% of remaining project costs being met by the business.

Due to short timescales for spending the money and the long nature of grant programmes, it is imperative that we attract sufficient interest to the scheme in order to get the funds spent.

Failure to do so could result in unspent funds being returned to government.

The Growth and Innovation Fund under the Community Renewal Fund (the precursor to UKSPF), which this grant project has been based on, had an intervention rate of upto 60%. It ran from 2 Aug 2021 to 31 March 2022; 8 months.

This is a similar timescale to our own projected project. Although completed successfully, the Community Renewal Fund grant still had spend to make right up to the final month, with some grant claims being made with only days to go. This CRF grant provided grants at 60% of eligible project costs.

Under European ERDF funded grant programmes only SMEs could apply. This restriction has been removed from UKSPF, allowing firms of any size to be supported. Even larger firms who tend to have a higher level of available funds.

It is proposed that to appear attractive to enterprises and generate sufficient early interest in the scheme, that the Intervention rate be set at

- 60% for SMEs
- 50% for Large enterprises

If insufficient interest is generated by this then it is proposed that delegation be given to the Director of Place for the intervention level to be increased to 75% for SMEs, to make the scheme appear more attractive to enterprises.

Should this generate insufficient interest or should remaining spend be difficult to achieve towards project completion, that the intervention rate be increased, if necessary by as much as 100% to an enterprise.

Match Funding is encouraged for value for money purposes but ultimately is not a mandatory requirement for UKSPF.

## Project description

Draft project proposal for businesses



Funded by  
UK Government



### Pendle Productivity and Innovation Fund

Pendle Productivity & Innovation Fund will allow businesses in Pendle to apply for funding which will enable them to increase their productivity in order for them to become more resilient and grow.

This grant programme, administered by Pendle Council, is funded by the UK government through the UK Shared Prosperity Fund.

#### Eligibility

The grants are for enterprises of any size<sup>4</sup> and of any age who meet the required criteria for the grant programme.

The enterprise must operate from premises in the borough of Pendle and any investment to be funded by the grant must take place at their premises in Pendle with the resulting benefit and outcomes achieved of the project, occurring in Pendle borough.

#### What can the grants be used for?

The project will consider investments for either Revenue or Capital costs

The purpose of the grant programme is to support local investment in Innovation

- research and development
- innovation (knowledge and activities)
- commercialisation of ideas

. An example of revenue spending for Innovation could include

- R&D related consultancy support, including to centres of Higher Education and specialist Research and Development Centres for feasibility studies, new product development or a commercialisation pathway for new ideas. Such a project must result by the end of the programme in implementation within the business which would generate the required outcomes of the grant programme.

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<sup>4</sup> Enterprise means a sole trader, micro business, small and medium-sized enterprise, or large business. It also includes social enterprises where these engage in economic activity.

An example of capital spending for Innovation might be;

- investment in machinery, technologies or equipment to implement new processes, new product development, or improved technology solutions. which by the end of the programme would generate the required outcomes of the grant programme.

Grant investments must fall into one or more of the following categories:

**Grants can support the investment in new to the firm technologies or processes which meet the following criteria**

- the technology or process must be introduced to the firm as new
- A technology or process is new to the firm if it did not use a technology or process with the same functionality before, or the production technology or process is fundamentally different from those already used. This may be tangible or intangible.
- it must be procured through an external source. Eg the grant will not reimburse for in-house development costs.
- Only one investment can be supported. If an enterprise introduces multiple new technologies or processes<sup>5</sup>

*Note: As this is about adaptation eg the adoption of a new to the firm technology or process as a replacement of a former existing one. This outcome is not suitable to be met by an enterprise less than 12 months old*

**Grants can support investment which results in improved productivity which meet the following criteria**

- Productivity refers to the gross value added per hour worked or gross value added per worker.

*The enterprise must be able to calculate this and show it as evidence of improved productivity, against an initial baseline prior to support being implemented, in order to meet this criteria.<sup>6</sup>*

*Note: As this is about improvement to existing productivity. This outcome is not suitable to be met by an enterprise less than 6 months old*

**Grants can support investment which results in new to market products which meet the following criteria**

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<sup>5</sup> This includes whether a business were permitted to submit a second (or further) grant application. Such an application could not be for the Outcome purpose. This would result in double counting of outcomes.

<sup>6</sup> Question to put on an application form. How will you calculate this and show it as evidence of improved productivity. Another Question. Ask them to record their calculated productivity baseline figure as well as their projected target.

A product is new to the market if there is no other product available on a market that offers the same functionality, or the design or technology that the new product uses is fundamentally different from the design or technology of already existing products.

Products can be tangible or intangible (incl. services and processes).

Support must be for a business to introduce one of the following:

- Product - when it is either at pre-launch or launched to the market
- Process - when it has been introduced into the business
- Service - when it has been introduced to the market

*Note: This outcome can include start-up enterprises if the criteria is being met.*

### **Value of grants:**

- The grant will support upto 60% of eligible project costs for SMEs or 50% for Large businesses<sup>7</sup>
- The maximum grant value is £18,000

### **Payment of Grant**

Grant payment is upon evidence of defrayed expenditure.

The scheme cannot support investments made retrospectively.

### **Process**

An expression of interest is to be made to the Council.

If your project is considered acceptable you will be sent an application form which you must return. Applications can be submitted to Pendle Council from the 1st January 2024 for projects with spend to be made once the project formally commences. Anticipated between April and July 2024.<sup>8</sup>

You must include timescale for project spend and outcomes to be achieved.

Grant claims should be made by 28<sup>th</sup> February 2025

Approval of an application is subject to PBC being satisfied that the project meets the criteria of the scheme, will deliver within the expected timescales and is subject to approval of the Grant Panel.

### **Timescale**

The duration of the programme of funding is anticipated to be from July 2024 to 31<sup>st</sup> March 2025.

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<sup>7</sup> An SME is any organisation that has fewer than 250 employees and a turnover of less than €50 million or a balance sheet total less than €43 million. <https://www.gov.uk/government/publications/fcds-small-to-medium-sized-enterprise-sme-action-plan/small-to-medium-sized-enterprise-sme-action-plan#:~:text=An%20SME%20is%20any%20organisation,is%20in%20the%20below%20table>.

<sup>8</sup> Offers of grant funding will not be made by Pendle Council until Pendle Council receives the grant funding from government, anticipated between April 1<sup>st</sup> and July 1<sup>st</sup>. Spend must not be made before approval from Pendle Council.

All outcomes must be achieved and reported to Pendle Council by 31<sup>st</sup> March 2025.

All grant claims must be made to Pendle Council no later than 28<sup>th</sup> February 2025 in order to be processed for payment. Pendle Council cannot pay out grant funds under this scheme after 31<sup>st</sup> March 2025 and any late claims are made at risk of forfeiture of the grant award.

### **Monitoring**

Projects will be monitored and non-compliance or a failure to achieve outcomes may result in clawback of all or part of the grant. You will be asked to provide evidence to show how this has been met.

Monitoring will take place quarterly until after the programme close date or until outcomes have been achieved and evidenced, if this is sooner.

### **Get in touch**

If your enterprise is interested in taking forward a grant funded project please fill in a simple Expression of Interest (EOI) Form.

On this form you will be asked to tell us briefly what your proposals are with an estimate of cost. Your project will then be assessed by an officer based in the Economic Development Team of Pendle Borough Council.

If your project is deemed eligible for support you will be asked to complete a full application form. The full application will ask for more detail about the project and your business. As part of that process you will be asked to submit your most up-to-date company accounts for the previous year and any current business plan.

A Business Grants Panel will assess your application. If your application is successful you will be issued with a Grant Agreement .

please contact the Project Lead for the programme - Mike Williams  
[michael.williams@pendle.gov.uk](mailto:michael.williams@pendle.gov.uk) or 01282 661963.

### **Additional information**

Funding is limited. It is at the discretion of the authority which applications to take forward for support. This is because the fund must result in a minimum number of each of the stated mandatory outcome requirements. As a result, some expressions of interest may be turned away or asked to be placed in a queue.

Only one grant application per enterprise<sup>9</sup>

The Grant is administered by Pendle Council and funded by the Department of Levelling Up, Communities and Housing via the UK Shared Prosperity Fund

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<sup>9</sup> Subject to demand of the fund and remaining availability of the funds and in compliance with scheme requirements.

Grant support under this scheme is considered a Subsidy. Only businesses within the Subsidy Control limits can be considered for support. This will be assessed at application stage.