

Cabinet
Council

08 October 2013
22 October 2013

Name of Cabinet Member:

Cabinet Member (Business, Enterprise and Employment) – Councillor Kelly

Director Approving Submission of the report:

Executive Director, Place

Ward(s) affected:

All

Title:

Accountable Body Report for the Successful Regional Growth Fund 4 Bid

Is this a key decision?

Yes - Regional Growth Fund Programmes affect the City as a whole, and the total expenditure involved is in excess of £500,000

Executive Summary:

The Council has been successful in securing Regional Growth Fund (RGF) money on behalf of the Coventry and Warwickshire Local Enterprise Partnership (CWLEP).

In October 2012, £24.3m was secured from the third round of RGF (RGF3). This Programme is now underway, offering £1m in grants to businesses, and providing funding for three key infrastructure projects – the Friargate Bridge Deck, Whitley Interchange and improvements to M40 Motorway Junction 12.

In the fourth round of bidding (RGF4), the Council was again successful with a bid on behalf of CWLEP, this time for a larger programme of business grants worth £4m. These grants will help businesses to invest in new equipment, premises or products, leading to the creation of up to 500 new jobs in Coventry and Warwickshire.

These funding Programmes are key to the CWLEP's and the Council's current economic development agenda; almost £13m in RGF3 cash is being used to fund the Friargate Bridge deck, which is needed to allow the Kickstart Project and to attract major tenants to the Friargate development. Both RGF3 and 4 are closely aligned to the emerging City Deal proposals and will form an important part of the support that Coventry and Warwickshire offers to businesses, particularly in advanced manufacturing sectors.

The condition on which both of these bids have been won is that the Council acts as accountable body. The RGF3 Programme was brought to Cabinet and Council for approval to act as accountable body in February 2013. This report asks the Council to act as accountable body for the successful RGF4 programme.

Recommendations:

Cabinet is requested to:

- 1) Recommend to Council to recognise the funding opportunity secured through Regional Growth Fund Round 4, and authorise the Council to act as guarantor for the Programme.

Council is requested to:

- 1) Council is asked to accept the recommendation from Cabinet.

List of Appendices included:

None

Background Papers

None

Other useful documents

None

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

Yes – Council, 22nd October 2013

Report title: Accountable Body Report for the Successful Regional Growth Fund 4 Bid

1. Context (or background)

- 1.1 The City Council has been successful in securing RGF4 on behalf of CWLEP in the latest bidding round which closed in March 2013. A further £4m has now been awarded for a Programme of grants to businesses in Coventry and Warwickshire. This grants programme will complement the existing European Funded grants programme to businesses the Council currently delivers, and further meets the demand from local business for financial support to grow and invest.

2. Options considered and recommended proposal

- 2.1 The preferred option is for the Council to act as accountable body for the new RGF4 Business Grants Programme, using established processes for handling grants to business which have been used in other Programmes and have been audited, such as Growing Places, or the European Funded Coventry and Warwickshire Enterprise and Business Growth Programme. In this case because the Grant Aid Agreements with individual businesses will result in the creation of **direct jobs**, the council is adequately able to transfer the job creation grant claw back risk to the business, which will be invoked if the jobs are not satisfactorily created.
- 2.2 An alternative option would be for the Council to withdraw as accountable body. In all likelihood the Department for Business, Innovation and Skills will withdraw the funding offer as it has been won in part through the Council's highly successful track record of managing and distributing economic development grant.

3. Results of consultation undertaken

- 3.1 The Jobs Strategy is the Council's proposal for taking forward the economy of the City in the light of the changed circumstances experienced over the last couple of years. The RGF funding is aligned to delivering the Jobs Strategy and the priorities of the CWLEP set out in their 5-year strategy based on the Local Economic Assessment and feedback from local businesses which include:

- Creating New Jobs
- Enterprise Entrepreneurship and Start-Ups
- Access to Finance, Innovation, Low Carbon

The RGF4 Programme has been approved by the CWLEP Board, in order to determine the investment priorities for Coventry and Warwickshire.

4. Timetable for implementing this decision

- 4.1 The RGF3 Programme will take place between now and June 2015.
-

5. Comments from Executive Director, Resources

5.1 Financial implications

5.1.1 The Council will be the accountable body for the RGF grant funds as specified in the report, totalling £4m. Whilst there is some financial risk in the form of grant claw back these are discussed further in section 6 of this report.

5.1.2 It is also worth noting that the activities funded through RGF have the potential to grow business rates benefit to the Council and through pooling arrangements as significant employment sites are unlocked across the Coventry and Warwickshire sub-region.

5.1.3 As accountable body, Council Officers will ensure effective governance arrangements are in place to facilitate appropriate control over the allocation of resources and spend against the approved Programme.

5.2 Legal implications

5.2.1 The Council has the legal ability to act as guarantor under the general power of competence under the Localism Act 2012 as it confers power where it is for the benefit of the Council, its area or persons resident or present in its area. The projects which will benefit Coventry with the creation of jobs within its area do fall within the power under the said Act. In the event that back to back obligations are not put in place there is a risk that there be grant claw in whole or in part if the grant obligations imposed upon the Council are not achieved, as is the case with all government grant funding. The Council will endeavour to have social clauses in its legal agreements with other parties for funding to require job creation as a condition of the funding.

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

6.1.1 The Council's Jobs Strategy highlights the importance of creating jobs which the City needs. The Regional Growth Fund Programmes will unlock major development sites and provide jobs across the City and sub-region. Coventry's Sustainable Community Strategy sets out the ambitions for "a prosperous Coventry with a good choice of jobs and business opportunities for all the City's residents".

6.2 How is risk being managed?

6.2.1 The Council has well established procedures for handling grants in a way that allows the applicants to achieving their aims whilst minimising the risk to the Council. The approaches used to reduce risk in awarding these grants include:

- (i) A comprehensive scoring process for applications which means that only feasible projects which produce real employment benefits are selected for funding;
 - (ii) Detailed financial checks by the Council's Business Investment Team before applications are processed. For grants over £100,000 more detailed checks are completed by accountants from the Resource Directorate, who are independent from the Project Team and have no contact with the applicant business;
 - (iii) Cash is only paid to businesses in arrears on receipt of adequate evidence that funds have been used legitimately under the terms of the grant and is connected to job creation activities; and
-

- (iv) Legal Services have approved the contracting procedures used to award these grants, and are involved in drafting individual contracts for larger grants.

6.2.2 The financial risks in all RGF projects sits with the Council but is predicated on the creation of jobs in the private sector through the provision of grants. The grant conditions associated with the creation of jobs will be passed onto successful applicants for the funds.

6.2.3 Government holds a “*general power of variation*” over our RGF funding, as they do with all other government funding. This gives them the right to reduce funding or cease a programme completely and seek repayment of grants already paid if external funding is not being managed to the correct standards, or it does not appear that the employment outcomes will be met.

6.2.4 This risk of claw back will be mitigated by the implementation of strict procedures for the programme management of RGF-funded work, which have been externally audited. Close liaison with our RGF Monitoring Officer within DCLG is also present.

6.2.5 The Accountable Body Group (established as part of the previous report to Cabinet and Council in February 2013) will oversee the management of risk of RGF4 alongside RGF3 and Growing Places.

6.3 What is the impact on the organisation?

6.3.1 To ensure successful delivery of the RGF4 programme and the Council’s ability to provide an adequate accountable body function, under the programme management and delivery costs of the RGF, additional staff resources are required. A recruitment exercise has now taken place in line with the Council’s recruitment procedure to recruit additional staff required to the Place Directorate to deliver the programme management, accountable body function and any direct delivery for both RGF3 and RGF4. New posts are funded 100% through the RGF grant money.

6.4 Equalities / EIA

6.4.1 Although the RGF Programmes focus on business and infrastructure, close attention has been paid to equality and diversity principles. The expectation is that those businesses assisted will generate significant employment opportunities. The crucial issue, therefore, is applying equality and diversity principles to these opportunities. As part of this process the City Council’s Employment Services will engage with businesses as part of the recruitment process.

6.5 Implications for (or impact on) the environment

6.5.1 The investment in businesses and large scale infrastructure will have an impact on the environment as new road infrastructure is put in place. All business are now very conscious of energy costs. At the point of making investments in plant and machinery or indeed property the opportunity to reduce energy consumption per unit of output is invariably taken.

6.6 Implications for partner organisations?

6.6.1 The LEP is a partnership and is the strategic body with responsibility for the development and use of these funds. The key local partners of the LEP are the Chamber of Commerce and Warwickshire County Council who are delivery partners and are committed to the Programmes.

6.6.2 This fund will also complement and support the Coventry & Warwickshire City Deal proposals, enabling it to capitalise on the growth opportunities within the sub- region and support the growth of new and existing businesses within advanced manufacturing and engineering.

Report author(s):

Name and job title:

Stephen Weir, Regional Growth Fund Programme Manager

Directorate:

Place

Tel and email contact:

(024) 7683 1394

stephen.weir@coventry.gov.uk

(All enquiries should be directed to the above person)

Contributor/ Approver name	Title	Directorate	Date doc sent out	Date response received or approved
Contributors:				
David Cockroft	Assistant Director, City Centre & Development Services	Place	2/9/13	9/9/13
Andy Williams	Resources & New Projects Manager	Place	23/8/13	23/8/13
Michelle Salmon	Governance Services Officer	Resources	4/09/13	4/09/13
Helen Williamson	Business Partner	Resources	23/8/13	2/9/13
Names of approvers: (officers and Members)				
Clarissa Evans	Commercial Team Manager, Legal Services	Resources	20/8/13	4/9/13
Phil Helm	CSD Finance Manager	Resources	23/9/13	29/8/13
Nigel Clews	Acting Executive Director, Place	Place	23/8/13	10/9/13
Councillor Kelly	Cabinet Member (Business, Enterprise and Employment)	-	9/9/13	10/9/13

This report is published on the council's website: www.coventry.gov.uk/councilmeetings