

Cabinet
Council

11th February 2014
25th February 2014

Name of Cabinet Member:

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

Director Approving Submission of the report:

Executive Director, Place

Ward(s) affected:

All

Title:

City Deal - Wave 2 Growth Hub Regional Growth Fund 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:

Coventry and Warwickshire has successfully negotiated a City Deal with central government which aims to create 15,000 new jobs by developing the local economy, with a particular focus on the Advanced Manufacturing and Engineering sector. Members endorsed the City Deal Proposals at the Council meeting on 14th January 2014.

One of the most important elements of the Coventry and Warwickshire City Deal is the establishment of a “Clearing House”, where key business support activities will be located in one building. This will make it far easier for businesses to access the support that they need to grow.

The Council has again been successful in bidding for funding on behalf of the Coventry and Warwickshire Local Enterprise Partnership (CWLEP), and a total of £2.7m of Regional Growth Fund (RGF) money has been secured. This pot of RGF money is managed by Lancaster University, and is intended to fund the first year of City Deal activities, with a particular focus on the activities of the Clearing House.

This report seeks Cabinet approval for the Council to act as accountable body for this funding, which aims to create almost 200 new jobs, create 50 placements and support 160 businesses.

Recommendations:

Cabinet is requested to recommend that Council:

Recognise the funding opportunity secured through Wave 2 Business Growth Hubs Funding, and authorise the Council to act as guarantor for the Programme.

Council are requested to recognise the funding opportunity secured through Wave 2 Business Growth Hubs Funding and authorise the Council to act as guarantor for the Programme.

List of Appendices included:

None

Background Papers:

None

Other useful documents:

Coventry and Warwickshire City Deal document

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 – 25th February 2014

Report title:

City Deal - Wave 2 Growth Hub Regional Growth Fund Bid

1. Context (or background)

- 1.1 In 2012, the Government announced that there would be a second wave of City Deals, and Coventry was included in this second wave. City Deals are intended to be a transaction between cities and their wider areas and central Government and aim to give cities the powers and tools they need to drive local economic growth; unlock projects or initiatives that will boost their economies. Coventry City Council, Warwickshire County Council, the five Warwickshire districts and neighbouring Hinckley and Bosworth Borough Council have all signed up to the proposal, which aims to create 15,000 new jobs by developing the local economy, with a particular focus on the Advanced Manufacturing and Engineering sector. Members endorsed the City Deal Proposals at the Council meeting on 14th January 2014.
- 1.2 One of the most important features of the Coventry and Warwickshire City Deal is the establishment of a “Clearing House” where key business support activities are located in one building. The aim is to make it much simpler for businesses to understand the support that is available, to build on existing services, and to develop new bespoke activities designed to encourage local businesses to grow, develop new products and to create new jobs. The City Deal proposes that the Clearing House will be located in Cheylesmore House on the edge of Coventry City Centre.
- 1.3 The Council has again been successful in bidding for funding on behalf of CWLEP. A total of £2.7m in grant has been secured, which will be used to support the first year of Clearing House activities. The cash comes from the Wave 2 Growth Hubs Programme, which is managed by Lancaster University using funding from the Regional Growth Fund (RGF). This will allow the following activities to take place during the 2014/15 financial year.
- A £1.25m programme of SME grants
 - A specialised Innovation Amplifier programme worth £0.25m, run by Coventry University Enterprises.
 - Two UK Trade and Investment (UKTI) Advisors who will work exclusively with Coventry and Warwickshire Businesses
 - A pilot Skills for Growth Programme
 - An Innovation Brokerage, which will encourage local SMEs to work with the sub-region’s innovation assets such as the Manufacturing Technology Centre and MIRA (formerly the Motor Industry Research Association).
 - Staffing costs for the Clearing House, including Business Account Managers and Project Management Staff.
 - A Customer Records Management system
 - Programme Management funding to cover the Council’s administrative costs
- 1.4 These activities will produce the following outputs during the 2014-15 financial year:
- 198 new jobs
 - 48 one-year placements in Coventry and Warwickshire-based AME SMEs
 - Provide 160 businesses with at least 12 hours of business support
 - Generate £5.25 million in new private sector investment
 - Successfully refer 300 businesses to nationally funded business support programmes

2. Options considered and recommended proposal

- 2.1 Coventry City Council acts as guarantor for this programme which will be delivered in partnership with the Chamber of Commerce, Warwickshire County Council and Coventry University Enterprises. This approach delivers knowledge, experience and economies of scale through the Resources and New Projects team who already manage RGF3, RGF4, Growing Places and ERDF.
- 2.2 An alternative approach to securing this funding would have been for another organisation to act as the guarantor for this programme, such as the Chamber of Commerce or Warwickshire County Council. However, the City Council is already acting in this role for almost £30m in RGF money and has the necessary financial management expertise readily available, and Warwickshire County Council have also indicated that they support Coventry City Council being the accountable-body.
- 2.3 Partners could have also chosen not to submit a bid for funding, and sought to finance the City Deal and Clearing House from partner resources. The opportunity to secure valuable economic development cash to kick start a major new initiative for Coventry and Warwickshire was too great an opportunity to be overlooked so this option was also ruled out and a bid was submitted.

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. This additional 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

4. Timetable for implementing this decision

- 4.1 If Member approval is given, a funding contract will be completed which will make this funding available for Clearing House activities starting from 1st April 2014. The majority of these activities will be completed by the end of March 2015, although funding for some activities will be available in the first quarter of the following financial year.

5. Comments from Executive Director, Resources

5.1 Finance Implications

- 5.1.1 All spend proposed within this report is grant funded from RGF including Coventry's own administrative costs, and therefore requires no financial investment from the Council.
- 5.1.2 The recommendation seeks authorisation for the Council to act as guarantor / accountable- body for the RGF grant funds and associated outputs as specified in the report, totalling £2.7m. There is some financial risk in the form of grant claw back from non-delivery of outputs which, as discussed further in Section 6 of this report, will be mitigated by formal Grant Aid Agreements with delivery partners for each aspect of the Programme.

5.2 HR Implications

- 5.2.1 There will be a number of staff from the Place Directorate working towards the achievement of the goals within this programme and the overall CWLEP Clearing House. Provision has been made within the funding bid to cover the additional costs of staff based within the City Centre & Development Services Division to programme manage and deliver the project. Any new staff will be recruited on fixed term contracts for the duration of the programme.

5.3 Legal implications

- 5.3.1 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. The Council will act as the accountable body for the RGF funding on the terms of the Lancaster University/BIS requirements. The Council will be issued with a grant offer containing the terms and conditions of funding and the Council will pass on certain of the obligations contained in its grant offer from BIS to the grant recipients who receive funding from the Council for delivering projects. 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.
- 5.3.2 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. This City Deal and Clearing House will unlock the provision of 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 One of the activities which will be complete using this funding will be a programme of grants to businesses. 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.
- 6.2.2 This risk of claw back will be mitigated by the implementation of strict procedures for the programme management which have been developed for our other External funding work (RGF3, RGF4, ERDF and Growing places) in partnership with the Resources Directorate and have been externally audited by KPMG and Grant Thornton. Close liaison with our contacts at the Lancaster University RGF Secretariat will also help to reduce risk. Other things to note as part of our risk management in awarding grant 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;
- (iii) A well-established grants panel that makes decisions on individual grant applications, chaired by the City Council and including membership of both the Place and Resources Directorates;
- (iv) 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
- (v) Established contracting procedures and processes already used for current external funded programmes.

6.2.3 The grants will be monitored by the Resources and New Projects team who have a strong track record of securing, developing and retaining external funding within Economic Development Projects and programmes.

6.2.4 The financial risks in all RGF projects sits with the Council but is predicated on the creation of jobs in the private sector and achievement of other performance indicators through the activities of the Clearing House. Grant aid agreements with partner organisations will be used to pass on these conditions and mitigate the financial risk to the Council if these performance indicators are not met.

6.2.5 Government holds a "*general power of variation*" over 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. In this case, the Council's funding contract will be with Lancaster University rather than directly with government, but this principle will still be in operation.

6.2.6 The Accountable Body Group (established as part of the previous report to Cabinet and Council in February 2013, and now renamed External Funding Board) will oversee the management of risk of Wave 2 Growth Hubs RGF funding alongside other RGF and Growing Places.

6.3 What is the impact on the organisation?

6.3.1 Nothing further to add.

6.4 Equalities / EIA

6.4.1 Although the programme's focus is on business, 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 Economy & Jobs team will engage with businesses as part of the recruitment process.

6.5 Implications for (or impact on) the environment

6.5.1 None

6.6 Implications for partner organisations?

6.6.1 Partner organisations such as the Chamber of Commerce and Coventry University Enterprises will receive funding from this programme in order to complete their activities which will be passed on using Grant Aid Agreement. It is likely that this funding will allow these partners to maintain budgets for existing members of staff, or to allow the employment of new members of staff. Therefore it is expected that this will have a positive impact on our partner organisations.

Report author(s):

Name and job title:

Stephen Weir, Regional Growth Fund Programme Manager

Directorate:

Place

Tel and email contact:

024 7683 2036

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	30/12/13	6/1/14
Andy Williams	Resources & New Projects Manager	Place	30/12/13	30/12/13
Michelle Salmon	Governance Services Officer	Resources	30/12/13	2/1/14
Names of approvers: (officers and Members)				
Rosalyn Lilley	Senior Solicitor, Legal and Democratic Services	Resources	30/12/13	30/12/13
Phil Helm	Finance Manager, Place	Resources	30/12/13	6/1/14
Jaz Bilen	Human Resources Manager, Place	Resources	30/12/13	2/1/14
Martin Yardley	Executive Director	Place	30/12/13	6/1/14
Councillor L Kelly	Cabinet Member (Business, Enterprise and Employment)	-	30/12/13	6/1/14

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