

Cabinet
Council

3 March 2015
17 March 2015

Name of Cabinet Member:

Cabinet Member for Business, Enterprise and Employment – Councillor Maton
Cabinet Member for Public Services – Councillor Lancaster

Director Approving Submission of the report:

Executive Director for Resources

Ward(s) affected:

All

Title:

European Regional Development Fund (ERDF) Open Call for Extension to Projects

Is this a key decision?

Yes as it has the potential to affect all wards within the City and expenditure is in excess of £1m

Executive Summary:

Coventry and Warwickshire have been very successful in the current round of European Regional Development Fund (ERDF) in attracting external funding to the area. Under the ERDF Sustainable Urban Development Programme Coventry & Warwickshire (C&W) had a notional allocation of £12.5m to spend on urban projects between 2006-2015 and over the course of the programme, through the City and CWLEP demonstrating a clear understanding of ERDF priorities and an ability to deliver on time, to budget and profile, we tripled that allocation to over £38m. When averaging this grant across the population, Coventry City Council has secured an average of over £116 per resident – the best across the West Midlands. This compares to £32 in Birmingham, £36 in Solihull, £58 in Stoke-on-Trent, £27 in Dudley £27 and £12 in Sandwell.

The Department for Communities and Local Government (DCLG) has given current ERDF programmes the opportunity to bid for more funds to extend delivery. Coventry has put forward a number of schemes for additional funds and is likely to find out at the end of February whether it has been successful or not. This has presented a good opportunity for the City to look at its capital programme and future schemes, to start to develop proposals for future projects. As always we have positioned Coventry & Warwickshire with the Department for Communities and Local Government (DCLG) as a place that they can invest ERDF in and we will successfully deliver.

If any projects are successful spend and delivery will need to have been made by 31st December 2015 as that is the fixed end of the programme and DCLG are not in a position to extend this. Early indications from DCLG are that there is little additional funding available at this stage, and priority will be given to projects '*bridging the gap*' between the current European Funding

programme and the new European Programme, such as business support type projects, rather than capital projects. However, the council is clear on its priorities and has submitted a bid which, if given the opportunity, could spend any further ERDF underspend in the future as it becomes available.

This report to Cabinet and Council is in advance of knowing the outcome of our bids and is seeking approval from members that if the Council is successful in securing ERDF, it can quickly move to become the accountable body for any additional ERDF it is allocated, contract and mobilise the workforce accordingly to ensure delivery by 31 December 2015. Any delay in the decision making process will jeopardise the Council's ability to deliver the schemes within the timeframes set.

A separate report *Public Realm Phase 3 extension (3a)* is on the agenda for this meeting and covers Friargate Bridge/Whitley and Public Realm projects in more detail.

Recommendations

Cabinet is requested to:

1. Recognise the opportunity to bid for further ERDF as a significant part of the Regeneration of the City, and retrospectively confirm, its support to bid for further of ERDF for the projects listed in the report;
2. Agree to receive a further report at a subsequent meeting of Cabinet confirming what projects, if any, have been successful in securing additional ERDF; and
3. Authorise the City Council to act as guarantor and delegate authority to the Executive Director for Place in consultation with the Executive Director for Resources to enter into grant aid agreements with DCLG on ERDF terms and conditions projects if they are successful in securing ERDF for the following projects: Enterprise & Business Growth, Fargo Village and Coventry International Transport Museum

Subject to being notified that it has been successful in securing additional ERDF, the Cabinet is requested to recommend that Council:

4. Authorise the City Council to act as guarantor and delegate authority to the Executive Director for Place in consultation with the Executive Director for Resources to enter into grant aid agreements with DCLG on ERDF terms and conditions projects if they are successful in securing ERDF for the following projects: Public Realm and Friargate Bridge/Whitley.

Subject to being notified that it has been successful in securing additional ERDF, Council is requested to:

5. Authorise the City Council to act as guarantor and delegate authority to the Executive Director for Place in consultation with the Executive Director for Resources to enter into grant aid agreements with DCLG on ERDF terms and conditions projects if they are successful in securing ERDF for the following projects: Public Realm and Friargate Bridge/Whitley.

List of Appendices included:

None

Background Papers:

None

Other Useful Documents:

1. European Regional Development Fund (ERDF) Open Call for projects – Council Report of 24th June 2014
[ERDF Open Call For Projects PUBLIC Cabinet Report - 17 June 2014.doc](#)
2. Public Realm Phase 3 extension (3a) - Council Report of 17th March 2015

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, 17 March 2015

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Report title: European Regional Development Fund (ERDF) Open Call for Extension to Projects

1 Context (or background)

- 1.1 Coventry City Council in conjunction with the Coventry & Warwickshire Local Enterprise (CWLEP) has been extremely successful in securing external funding for economic regeneration.
- 1.2 All external funding requires there to be an accountable body, and in more cases than not the expertise and experience within the City Council has meant it has taken on the role of accountable body to act as guarantor to the funder for the grant in the unlikely event that it has to be repaid.

European Regional Development Fund (ERDF)

- 1.3 The 2007 – 2013 ERDF programme for the West Midlands is allocated regionally across three priorities. Priority 1 is largely aimed at universities and research institutions while Priority 2 is aimed at offering support to businesses and generating business start-ups and Priority 3 has geographical targeting on Sustainable Urban Development. Under priority 3 CWLEP had a notional allocation of £12.5m to spend on urban projects between 2006-2015 and over the course of the programme, through the City and CWLEP demonstrating a clear understanding of ERDF priorities and an ability to deliver on time, to budget and profile, we tripled that allocation to over £38m. When averaging this grant across the population, Coventry City Council has secured an average of over £116 per resident – the best across the West Midlands. This compares to £32 in Birmingham, £36 in Solihull, £58 in Stoke-on-Trent, £27 in Dudley £27 and £12 in Sandwell.
- 1.4 The 2007 – 2013 ERDF programme covers expenditure up until December 2015 and currently has a slight underspend across the West Midlands. As a result DCLG issued an invitation for current projects to bid for additional funding but has not stipulated how much it is envisaged it will have available to allocate. Projects needed to demonstrate additional impact and be completed by 31 December 2015. The closing date for bids was noon Friday 16 January 2015 and decisions on these extension projects will be made by Friday 27 February 2015.
- 1.5 Projects summarised below requiring cabinet and council approval were submitted as part of the open call:
 - 1.5.1 Public Realm. A separate report *Public Realm Phase 3 extension (3a)* is on the agenda for this meeting and is more detailed, but to give some indication of the projects the additional Public Realm investment could see:
 - a major initiative to promote tourism in the city including improvements to the links between the Cathedral and the revamped and expanded Motor Museum along with enhancements to the Hill Top conservation area;
 - de-culverting of the River Sherbourne and waterside landscaping at Palmer Lane to kickstart the regeneration of this area;
 - re-paving of Far Gosford Street to complement the Gosford Street public realm scheme, and complement the redevelopment of many historic buildings and Fargo Village;
 - enhancement to Bishop Street to complete the link between existing public realm works and the canal basin scheme to help promote regeneration;

- an enhancement of the Lidice Place proposals in front of St Johns church;
- extension of the Belgrade Plaza scheme to include the provision of an alternative route to West Orchards car park to alleviate congestion.

- 1.5.2 **Friargate Bridge/ Whitley** - Works to enhance access to Coventry railway station from Warwick Road, and works at Whitley Bridge. (Details in the Public Realm Phase 3 extension (3a) report).
- 1.5.3 **Enterprise and Business Growth** – Increase in grant has been requested for Access to Finance to provide support to businesses to enable growth and also to provide support to business-start ups in rural Warwickshire.
- 1.5.4 **Fargo Village** - New floorspace being created due to one of the site occupiers expanding
- 1.5.5 **Coventry International Transport Museum** – Funding is required to replace asbestos discovered in the museum and to carryout additional masonry repairs on the clock tower. Also, for two FTE salaries needed to support the project during 2015.
- 1.5.6 **CWLEP Small Business Loans** – Increased grant to provide additional finance provision for businesses.

2 Options considered and recommended proposal

- 2.1 **Option 1 - The City Council retrospectively approves the submission of bids and acts as accountable body for any secured ERDF** - The City Council has acted as lead applicant or accountable body for many European-funded projects since 1984 when the area first became eligible for such funding. In essence it means being responsible for monitoring the spend, submitting grant claims to DCLG for eligible expenditure and demonstrating that the grant has been spent in achieving the outputs of the project.
- 2.1.1 **Option 2 - Proceed without ERDF** - Without ERDF support the projects will either be scaled down or delayed or not proceed. This call is the last opportunity to attract ERDF grant in this current programme, and in particular in respect of Public Realm projects as the current national thinking is that urban development projects will not be eligible for ERDF grant in the new programme 2014-2020 to Coventry & Warwickshire only Core Cities will have the privilege to use these future funds for sustainable urban developments.
- 2.1.2 **Option 3 - Decline to take on the accountable body role** – The Council is already managing the accountable role in respect of projects in Table 5.1. If the Council declines to take on the role of accountable body for any additional funds granted this would not be favourably looked on by DCLG and in our view and would most likely result in DCLG withdrawing the applications for funding. DCLG need to be sure that the accountable body has a track record of successful delivery and are satisfied that the City Council will fulfil this role. In addition, the fewer accountable bodies that DCLG contract with, the lower the cost of managing the whole programme and the greater cohesion across the programme.
- 2.2 **Recommended Proposal**
- 2.2.1 It is recommended that the Council moves forward with Option 1.

3 Results of consultation undertaken

3.1 The New Jobs Strategy 2014 - 2017 is the Council's proposal for taking forward the economy of the city in the light of the changed circumstances experienced over recent years. ERDF matched against core funds for these projects is aligned to delivering the Jobs Strategy and the priorities of the CWLEP set out in their 4-year strategy based on the Local Economic Assessment and feedback from local businesses which include:

- Creating New Jobs
- Creating business growth
- Removing barriers to growth

The proposals submitted as part of the ERDF call are aligned to the priorities and aspirations of the CWLEP Strategic Economic Plan (SEP) and will provide match funding to access Growth Deal funding going forward

3.2 The development of the ERDF projects has been completed with LEP partners and reflects the CWLEP's priorities most in need of public investment.

3.3 The CWLEP has undertaken a consultation exercise with local business to determine the priorities it should focus on. The proposals and projects here fully align to the proposed CWLEP SEP and the new European Structural Investment Fund (ESIF) Strategy.

4 Timetable for implementing this decision

4.1 The requests for additional funding were submitted Friday 16 January 2015 and decisions on these extension projects will be made by Friday 27 February 2015.

4.2 All projects are currently delivering what they have already been contracted to deliver with DCLG will continue to do so until decision on grant extensions are received and until Cabinet approval is given to engage in the additional activity.

4.3 All spend must take place by 31 December 2015.

5 Comments from Executive Director Resources

5.1 Financial implications

5.1.1 The Council are proposing to be the accountable body for all of the ERDF projects listed above. Whilst this is not unusual, the financial implications to the Council should be clearly understood as per the table below.

5.1.2 The Council's financial contribution for Public Realm and Friargate Bridge/Whitley is covered in the *Public Realm Phase 3 extension (3a)* report submitted to this meeting. The Council's financial contribution in respect of the remaining projects is from existing approved resources.

5.1.3 In the event that any of the above ERDF project bids or non-City Council match funding requirements are not successfully secured, the proposed works will need to be scaled down to match available resources.

Table 5.1 Table of Projects Submitted to DCLG for ERDF Funding £000's

Scheme	Project	ERDF Request	CCC Match	Other Match	Private Match	Total Investment
Projects above £2.5m requiring <u>Council Approval</u> to act as guarantor						
Public Realm	Refer to Public Realm Phase 3 extension report	6,890	66	7034	1121	19,347
Regeneration	Friargate Bridge / Whitley Bridge - Refer to Public Realm Phase 3 extension report	4,811	0	7890	479	13,438
Projects above £0.5m up to £2.5m requiring <u>Cabinet Approval</u> to act as guarantor						
Business Support	Enterprise & Business Growth	540	0	40	2,778	3,357
Regeneration	Fargo Village	534	8	0	389	932
Culture & Tourism	Coventry International Transport Museum	527	23	0	60	610
Projects up to £0.5m agreed by the Executive Directors Place & Resources (For Cabinet and Council Information only)						
Business Support	Small Business Loans	357	0	0	357	714
GRAND TOTAL		13,659	97	14,964	5,184	38,398

5.2 Legal implications

- 5.2.1 The Council will act as the accountable body for the ERDF projects on the terms of the EU and DCLG requirements. The Council will be issued with a grant offer containing terms and conditions. It is anticipated that based on other grant funding agreements entered into by the Council there will be provisions relating to repayment/clawback of the grant to DCLG in certain circumstances, the risk of such will be managed in accordance with 6.3.
- 5.2.2 For one of these projects, the terms and conditions will be devolved across to the Transport Museum Trust in a grant agreement. These will ensure appropriate conditions and obligations which are imposed upon the Council are passed to the grant recipients who receive the funding for delivering projects. The Council has power to act as guarantor under Section 1 of the Localism Act 2011 and in respect of the leisure function at the transport museum under section 19 of the Local Government (Miscellaneous Provisions) Act 1976.

5.2.3 All other grant agreements in respect of the projects in the table above will be amended accordingly.

6 Other implications

6.1 How will this contribute to the Council plan (www.coventry.gov.uk/councilplan) ?

6.1.1 The City Council's New **Jobs Strategy 2014-17** highlights the importance of creating jobs which the city needs. All project extensions will support job creation within Coventry and be aligned with the following two objectives of the strategy:

- Secure job opportunities through investment – businesses and investors continue to recognise Coventry as the right place for them to invest and grow
- Help people get jobs – pursuing prosperity so that in Coventry everyone who wants a job will have the opportunity to secure one that matches their skills.

6.1.2 All these schemes will indirectly or directly provide jobs across the city and sub-region. The Jobs Strategy specifically acknowledges the importance of public realm improvements in creating new jobs in the city centre. 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". One of its long-term outcomes is accelerating economic growth for the city and creating a more diverse range of businesses and employment.

6.1.3 The proposed extensions to the current Public Realm programme are closely aligned with one of the **CWLEPs core objectives**, which is to develop Strategic Infrastructure. It is also aligned with the CWLEP's Inward Investment objective, particularly as improved public realm will help to open up new employment sites (most notably the Friargate Bridge and City Centre South sites), and provide compelling reasons for companies to locate into the region.

6.1.4 The CWLEP recognises the importance of a successful Coventry city centre to the sub-region as a whole in its strategy. The proposed extension of the Public Realm Phase 3a is closely aligned with the "Unlocking Growth Potential" theme of the Coventry and Warwickshire Strategic Economic Plan (SEP), specifically by unlocking the potential for development on key new city centre employment sites.

6.2 How is risk being managed?

6.2.1 Arrangements are in place within the Place Directorate to deliver the accountable body role ensuring that procedures are in place to manage risk for these five projects.

6.2.2 The financial risk associated with the ERDF sits with the Council. However the risk of claw back by DCLG and/or the EU is minimal so long as the expenditure is defrayed against eligible activity and in the permitted timeframe. This risk will be mitigated by the implementation of strict procedures for the project management of ERDF-funded work. We will maintain close liaison with our monitoring officer in DCLG, and ensure that funding contracts awarded by the Council for the completion of infrastructure works place risk on the organisations which complete the works.

- 6.2.3 The Council has a good track record for maintaining and achieving significant financial controls and well established procedures for handling public funds and these will be applied to the ERDF projects in order to ensure that the best possible value is achieved for the EU's investment in the schemes. Therefore the view of officers is that risk of clawback for each scheme is minimal.
- 6.2.4 The Council has already put in place an External Funding Board, chaired by the Assistant Director Financial Management, with officers from both Place and Resources, whose role is to ensure that the Council satisfactorily carries out its legal responsibilities and manages the risks to the Council in holding these types of funds. The group sits alongside partnership decision making and strategy groups such as the CWLEP Board where investment policy is determined and spend proposals are approved. The Executive Director Resources and Assistant Director City Centre & Development Services are also members of the CWLEP Executive & Secretariat.
- 6.2.5 The City Council's Resources & New Projects (RNP) Team is highly experience in dealing with external funding and will lead the programme management for all the various projects ensuring that suitable monitoring and governance arrangements are in place.
- 6.2.6 The individual projects will each have project officers/managers in place responsible for managing compliance with the funding requirements such as publicity, procurement and for monitoring progress including making grant claims to DCLG. The highly experienced Planning, Transport & Highways division who have already successfully delivered the Public Realm programme will continue to implement any successful public realm schemes.
- 6.2.7 The RNP Team will have regular meetings with all the projects to review overall progress and to liaise between them and the Governments Local Growth teams within DCLG and Department for Business Innovation and Skills (DBIS).

6.3 What is the impact on the organisation?

6.3.1 HR Implications

- 6.3.2 To ensure successful delivery of these large projects and the Council's ability to provide an adequate accountable body function, additional staff resources may be required and will be recruited through the council's authorised recruitment protocols. Staff are already in place for the existing ERDF funded projects and it is envisaged they will continue to carry out this function and take on the new projects. Due to the temporary nature of the funding, any recruitment that may take place would offer fixed term contracts.

6.4 Equalities / EIA

- 6.4.1 Each of the infrastructure projects will undertake an Equality Impact Assessment as part of project development and impact.

6.5 Implications for (or impact on) the environment

6.5.1 The large scale infrastructure projects will have an impact on the environment in the city centre. All businesses 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. The Far Gosford Street projects and the CTM are all aimed at improving the visual environment of the city centre. The public realm improvements will result in freer flowing traffic through improving junction capacity and introduce more green spaces and trees into the city centre.

6.6 Implications for partner organisations?

6.6.1 The public realm activities would increase the attractiveness of these sites to private sector developers, and is likely to bring new employment land forward for development (again, this is reflected by the fact private sector developers have committed to provide some of their own resources to develop). The separate report *Public Realm Phase 3 extension (3a)* gives more detail.

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