
Cabinet
Council

26 November 2015
01 December 2015

Name of Cabinet Member:

Cabinet Member for Business Enterprise and Employment, Councillor Kevin Maton

Director Approving Submission of the report:

Executive Director, Place

Ward(s) affected:

All

Title:

European Funding Programme 2014-20 – Coventry City Council First Round Applications

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:

The new 2014-2020 European Structural Investment Fund (ESIF) Programme was launched in March 2015. The programme will run until 2020, and in the first round funding for projects running from January 2016 to December 2018 £35.8m has been made available to bid for. This does remain a moving feast as Government continues to propose to push funding back towards the later parts of the 2014-2020 programme rather than in the early years.

The Council has been extremely successful in securing European funds in recent years and at the last count had secured in excess of £41million from the current European programme.

The Council has submitted bids in the new programme under the Research and Innovation, Small Medium Enterprise (SME) Competiveness, Low Carbon and Technical assistance and the Inclusive Labour Markets themes. Across all the bids the amount being bid for in the first round is £19.57m, 55% of the funding available.

The Council has already taken a leadership role in bringing partners together from across the Coventry & Warwickshire LEP area to develop projects and programmes that will lead to greater economic growth across the City and the sub region. The Council has an outstanding track record of securing, managing and delivering European programme in partnership.

This report provides information on each of the bids and requests Members' approval for the Council to act as accountable body and guarantor for these funding programmes.

Recommendations:

Cabinet is asked to:

1. Note the success of European Funding in delivering the City's Economic aspirations and to continue supporting the acquisition of European funds into the future.
2. Retrospectively endorse the submission of bids for 2014-2020 European Funding
3. Recommend that Council agree the funding opportunity from ESIF as a significant opportunity in delivering the City's priorities, authorise the City Council to act as guarantor and to delegate authority to the Executive Director Place to enter into the appropriate grant aid agreements should it be successful in securing funds.

Council is asked to:

1. Agree the funding opportunity from ESIF as a significant opportunity in delivering the City's priorities, authorise the City Council to act as guarantor and to delegate authority to the Executive Director Place to enter into the appropriate grant aid agreements.

List of Appendices included:

None

Background papers:

None

Other Useful Documents:

[Coventry Jobs Strategy](#)

[Coventry & Warwickshire Strategic Economic Plan](#)

[Coventry & Warwickshire LEP Area ESIF Strategy](#)

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, 01 December 2015

Report title: European Funding Programme 2014-20 – Coventry City Council First Round Applications

1 Context (or background)

1.1 In March 2015, applications opened for the new programme of European Structural and Investment Funds (ESIF). The programme will run until 2020, and in the first round funding for projects running from January 2016 to December 2018 will be available.

1.2 ESIF includes both the European Regional Development Fund (ERDF) and the European Social Fund (ESF). ERDF is designed to fund economic development projects, while ESF provides support to help people find sustainable employment.

1.3 An Enviably Track Record

1.4 The Council already delivers a number of successful programmes and in the current programme has secured **over £41m of ERDF** which is on track by December 2015 to deliver at least:

- £25m in Private Investment;
- £35m in Public Sector investment (from a range of sources)
- 1,000 jobs created
- 30ha of Brownfield land reclaimed/redeveloped
- 12,680m² of upgraded commercial floor space

1.5 Looking to the New Programme

1.6 Coventry City Council has submitted bids for both ERDF and ESF through the new programme. Bids have been submitted under the Innovation, SME Competiveness, Low Carbon and Technical assistance themes of ERDF, and the Inclusive Labour Markets theme of ESF. This report provides information on each of these bids and requests Members' approval for the Council to act as accountable body for these funding programmes.

1.7 It should also be noted that this is the only the '*First Round*' applications and the Council's Employment and Skills services will be bidding for funds under future rounds in particular ESF grant associated with jobs, skills and training.

2 Options considered and recommended proposal

2.1 The first option could have been to decline the opportunity to apply for ESIF funding but this was quickly discounted because the Council has an excellent track record of using European funding to run successful projects. There is a total of £35.8m ESIF money available for Coventry and Warwickshire and this is the primary source of economic development funding currently available.

2.2 An alternative option was to seek to join ESIF bids as a delivery partner rather than as lead bidder. This approach could provide some benefits in terms of reduced financial risk and programme management costs whilst still making European funding available for some of the Council's activities. However, as a City there is not another appropriate partner with the track record to manage a large diverse programme like the one we are proposing. Therefore this option has been discounted.

- 2.3 The recommended option is for the Council to act as lead applicant for ESIF projects, and to act as accountable body for this funding programme. This maximises the European grant available, and also allows the Council to take a leadership role, working with key partners, in how ESIF projects are delivered. As previously mentioned, the Council has an excellent track record of managing grants of this type using them to create new jobs and economic growth for Coventry and Warwickshire. These bids will allow this work to continue in the new programme.

3 Summary of Bids

- 3.1 The total amount of funding available in the first round of ESIF for Coventry & Warwickshire is £35.8m and the Council is bidding for £19.57m (Broken down as £12.17m ERDF and £7.4m ESF)
- 3.2 The bids have had outline approval from Department of Communities and Local Government (DCLG) for ERDF and Department of Work & Pensions (DWP) for ESF, and full applications are now being completed. The figures below may vary slightly during the final negotiation process.

3.3 *Coventry and Warwickshire SME Growth Programme*

- 3.4 This project aims to build on the very successful Enterprise and Business Growth project which was funded from the previous ERDF programme and will end 31st December 2015. The Council established a partnership of business support providers including Warwickshire County Council, the Chamber of Commerce, the CWLEP Growth Hub Coventry University Enterprises, Coventry & Warwickshire Community Development Agency, The Prince's Trust and the Highlife Centre. This group has spent the last year developing a programme which will help people start new businesses, and provide grants and specialist advice to help growing businesses create new jobs. The Council will act as accountable body for just over £4.5m in ERDF funding, and over the three years it is anticipated that the programme will lead to in-depth specialist advice to at least 950 businesses, including 550 start-ups, which will lead to the creation of 850 new jobs in the Coventry & Warwickshire economy and over £6m private sector investment.

3.5 *Low Carbon Business and Low Carbon Infrastructure Programmes*

Two programmes are proposed which will use ERDF grant to encourage energy efficiency and carbon reduction activities in Coventry and Warwickshire. The activities will be split into two main themes; firstly through support for businesses to improve their energy efficiency and reduce their carbon footprint by setting up a Green Business Support Network, helping them move into the low carbon goods and services sector, and providing grants to help them do so. The second theme is around low carbon infrastructure which includes the expansion of community and district energy schemes as well as the provision of electric vehicle charging points. The programme is worth up to £5.7m and, is anticipated, will supporting over 530 businesses of which 30 will be new businesses, and creating of over 210 jobs with over £5m private sector investment

3.6 *Innovative Coventry and Warwickshire: Place Test Bed*

- 3.7 This project will enable Coventry and Warwickshire to act as a test-bed for new technologies. The area's urban and rural centres will trial emerging technologies in the fields of data capture, energy usage, IT connectivity, smart systems, digital technology and health and assistive technologies. The project will achieve these aims by providing specialist support to SMEs developing these technologies, including Coventry University

Enterprises as a delivery partner. Over three years, the project will work with 100 companies, create 90 jobs and bring 6 new products onto the market with £2.9m of Private Sector Investment. A total of £1.8m ERDF has been applied for.

3.8 **Youth Employment Initiative: Ambition Coventry**

3.9 The Ambition Coventry project will provide support to help young people, who are disengaged, or are at risk of disengagement, move into jobs. The project has been developed by a consortium of public, private and third sector organisations that will provide barrier breaking, training and employability support to 3,100 young people over a period of just less than three years. The project will be jointly funded by the Youth Enterprise Initiative (other European funding) and ESF. A total of £7.2m in ESIF funding has been applied for, with a further £3.6m in match funding coming from the Council and its partners.

3.10 **Technical Assistance Project**

3.11 This project will provide funding to allow Coventry City Council, Warwickshire County Council and Coventry University staff to provide expert advice to other organisations in the process of applying for ESIF funding. The Council will act as accountable body for this project which will bring in a total of £181,000 ERDF and £184,000 ESF funding. Of this total, £145,000 (40%) will be available to fund existing Council staff.

3.12 **Table 1 – Summary of CCC Partner Led Bids**

| Programme | Jobs Created | SMEs Supported | Of which are new Businesses | Support to Young People | Private Investment (£'m) | New Products to Market | ESIF Grant (£'m) |
|--|---------------------|-----------------------|------------------------------------|--------------------------------|---------------------------------|-------------------------------|-------------------------|
| SME Growth | 850 | 950 | 550 | - | 6.0 | - | 4.5 |
| Low Carbon | 210 | 530 | 30 | - | 5.7 | - | 5.7 |
| Innovative C&W | 90 | 100 | | - | 2.9 | 6 | 1.8 |
| Youth Employment Initiative (YEI) | - | - | - | 3,100 | - | - | 7.2 |
| Technical Assistance | - | - | - | - | - | - | 0.37 |
| Total | 1,150 | 1,580 | 580 | 3,100 | 14.6 | 6 | 19.57 |

4 **Results of consultation undertaken**

4.1 The ESIF bids have been developed by partnerships led by the Council. These partnerships bring together a broad representation of organisations working on economic development and employment activities in Coventry and Warwickshire. This includes public and private sector partners, such as universities and third sector organisations. Partners involved in the development of the various ESIF applications include:

- City College
- Community Energy Warwickshire
- Coventry and Warwickshire Chamber of Commerce

- Coventry and Warwickshire Cooperative Development Agency
- Coventry and Warwickshire Reinvestment Trust
- Coventry District Energy Company
- Coventry University Enterprises
- Henley College
- Orbit Housing
- The Highlife Centre
- The Princes Trust
- Warwickshire County Council
- Whitefriars Housing Group

- 4.2 Each of these partners has had the opportunity to influence the ESIF bid in the relevant themes, allowing the views of a wide range of people and businesses from Coventry and Warwickshire to be considered in the project design.
- 4.3 The ESIF bids deliver against Coventry & Warwickshire's Strategic Economic Plan (SEP) which has undertaken significant consultation. In addition an extensive consultation process around the development of the Coventry & Warwickshire's ESIF Strategy has also taken place.

5 Timetable for implementing this decision

- 5.1 Should the ESIF bids be successful, the DCLG and DWP issue funding agreements which will allow the projects to start on January 1st 2016. Once this is agreed, each delivery partner will be given a Grant Aid Agreement that sets out their contribution to project in terms of match funding and outputs, and sets out how much ESIF funding will be available to them. This process is expected to be completed early in 2016.
- 5.2 Projects will run until December 2018. In previous European funding programmes the Council has successfully negotiated extensions of both time and funding several times, so it is possible that the end date will be extended.

6 Comments from Executive Director, Resources

6.1 Financial implications

- 6.1.1 The Council is proposing to be the accountable body for each of the five First Round ESIF 2014-20 programmes as specified in the report, totalling £19.57m if approved. Whilst there is some financial risk, there is no immediate implication of being accountable body. These schemes will bring significant economic benefit to the city. Grant risk is discussed further in section 8.
- 6.1.2 The ESIF applications in this first round will provide a total of up to £2.8m in grant funding towards the Council's staffing costs between January 2016 and December 2018.
- 6.1.3 Table 2 (below) illustrates that the total of match funding provided by Council for existing salaries and associated overheads is £4.3m. This reflects current revenue budgetary provision for the 3 year grant programme period. In addition, Delivery Partners will be providing £5.47m in match funding over the same period, with SMEs providing £5.7m in contributions towards grant activities. The Resource and New Projects team will monitor this to ensure grant is fully maximised where possible.

6.1.4 Table 2 – Summary of Financial Profiles for Each Application (£m)

| | ESIF Grant | CCC Match Funding | Delivery Partner Match | Match Funding From SMEs |
|-----------------------------------|--------------|-------------------|------------------------|-------------------------|
| SME Growth | 4.5 | 1.06 | 1.94 | 6.0 |
| Low Carbon | 5.7 | 0.61 | 1.77 | 5.7 |
| Innovative C&W | 1.8 | 0.26 | 0.18 | 2.9 |
| Youth Employment Initiative (YEI) | 7.2 | 2.24 | 1.36 | 0 |
| Technical Assistance | 0.37 | 0.15 | 0.22 | 0 |
| Total | 19.57 | 4.32 | 5.47 | 14.6 |

CCC's match is required at varying levels for the individual projects depending on the type of activity being funded, the source of funding, and the contributions from delivery partners. Should the level of available CCC match funding change for any reason, it will be necessary to find alternative match within the programmes in order to maintain the level of ESIF grant that has been requested.

6.2 Legal implications

6.2.1 The Council will act as the accountable body for the ESIF projects on the terms of the EU and DCLG and DWP requirements. The Council will be issued with a grant offer containing terms and conditions. The terms and conditions will be devolved to any partners within the various programmes. 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.

7 Other implications

7.1 **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)?**

7.1.1 At its highest level the ESIF strategy delivers part of the Coventry & Warwickshire Local Enterprise Partnership's SEP.

7.1.2 The ESIF projects proposed here will all contribute to the Council's aim to be a top ten City that is "*globally connected and locally committed*". The SME Growth Programme and Innovative Coventry and Warwickshire will support business growth and create jobs for local people, as well as raising the city's profile by providing an additional incentive for businesses currently based elsewhere looking to invest in the city.

7.1.3 The ESIF programme will make a significant contribution towards delivering the outcomes of the Council's Jobs & Growth Strategy 2014-2017.

7.1.4 The Low Carbon Programme will reduce operating costs and encourage businesses to grow by helping to reduce energy bills, as well as providing infrastructure to improve the sustainability of the city centre such as the extension of the district heating network and new electric vehicle charging points. These activities will contribute towards the carbon reductions commitments within the Climate Change Strategy 2012.

7.1.5 The Youth Enterprise Initiative will help young people move into employment who may otherwise have struggled, and the project will include some of Coventry's most vulnerable young people in its target groups.

7.1.6 Overall the ESIF projects aim to make a strong contribution to the Council's aims to promote the growth of sustainable Coventry economy.

7.2 How is risk being managed?

7.2.1 The Council will act as accountable body for a total £19.57m of ESIF funding from the first round applications, and it will be responsible for ensuring that the funding is spent in compliance with the programme's regulations, and this will include ensuring that partners use their grant correctly.

7.2.2 Managing these complex programmes with several partners does present some risk, but 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 ESIF projects in order to ensure that the best possible value is achieved for the EU's investment in the schemes. Risk will be managed using the following approach:

- i. **Grant Aid Agreements** will be issued to partners which will pass on the risk of any funding claw back to partners in the event of non-compliance on their part.
- ii. **Each project will establish an Operational Group of management-level representatives** from each of the delivery partners. These groups will be chaired by Council officers and will manage risk by ensuring that partners are on course to achieve their output targets and are keeping records correctly etc.
- iii. In addition **each project will be overseen by a Strategic Board** with senior representatives of each organisation, again chaired by the appropriate senior manager from the Council.
- iv. The accountable body function will be completed the Council's Resources and New Projects Team (RNP) within the Place Directorate. This is **a specialist function which is responsible for managing large economic development funding contracts**. The team has a great deal of experience in this area and is currently managing funds worth £100m+ and is highly regarded by the Government's Local Growth Team. The External Funding Board, which is chaired by Barry Hastie, Assistant Director (Financial Management) also oversees the performance of the various economic development programme. The **Economy & Jobs Team will be the specialist service delivering the employment, skills and business support services** from within the Council. With an enviable track record in delivery and into its second Job & Growth Strategy both these services are highly competent in dealing with European Funds.

- v. ***All of the grant funding awards to businesses from the programme will be considered by the CWLEP Grants Panel***, chaired by a Council representative and including representation from Warwickshire County Council, Districts and Boroughs, the Chamber of Commerce and the Growth Hub. This group reduces risk to the Council by ensuring that grant awards are made independently and fairly.

7.3 What is the impact on the organisation?

7.4 HR Implications

- 7.4.1 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. Some staff are already in place for the existing externally-funded projects. Any new staff will be recruited on temporary fixed term basis.

7.5 Equalities / EIA

- 7.5.1 The ESIF projects are likely to have a positive equalities impact. Many of the interventions are designed to assist people from groups which may otherwise struggle to access support. For example, in the SME Growth Programme, the Highlife Centre will run a service designed to help Black and Minority Ethnic people start new businesses. Similarly the Youth Enterprise Initiative: Ambition Coventry will aim to work with young people who are likely to have the greatest difficulties staying in education or entering the job market, those with convictions, minority ethnic groups, newly arrived, people with learning difficulties, disabilities or mental health difficulties and young parents.

7.6 Implications for (or impact on) the environment

- 7.6.1 Some of the projects will have a positive environmental impact, particularly the Low Carbon Business and Low Carbon Innovations which have been established specifically in order to help businesses reduce their energy bills and to provide low carbon infrastructure such as electric vehicle charging points. Efforts will be made to ensure that the other projects minimise any negative environmental impacts by encouraging project staff to use public transport and keep electronic records where possible.

7.7 Implications for partner organisations?

- 7.7.1 Securing this ESIF funding will allow the Council to part-fund the activities of a large number of important partner organisations working in business support and with disadvantaged young people. Funding will be passed on to partner organisations through these projects, giving them focused funding for a three year period to deliver significant and aligned outcomes for residents and businesses in Coventry & Warwickshire.

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