

Cabinet
Council

27 November 2018
04 December 2018

Name of Cabinet Member:

Cabinet Member for Jobs and Regeneration, Councillor J O'Boyle

Director Approving Submission of the report:

Deputy Chief Executive (Place)

Ward(s) affected:

All

Title:

European Regional Development Fund 2014-2020 – Coventry Second 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 2014-2020 European Structural Investment Fund (ESIF) Programme was launched in March 2015. The Programme will run until 2023 and in the first round, funding for projects running from January 2016 to December 2018, the Council was successful in acquiring £19.75m of funds to manage programmes under the Research and Innovation, Small Medium Enterprises (SME) Competitiveness, Low Carbon and Technical Assistance and Inclusive Labour Market themes.

These have added to the Council's strong track record in securing European funds in recent years and have secured in excess of £65m from the European Structural Funds since 2007.

However, the current EU funded Programmes are due to come to an end in December 2018 and the Council has submitted bids for Phase 2 programmes which run from January 2019 – December 2021 under the *Research and Innovation, Small Medium Enterprise (SME) Competitiveness, Low Carbon and Technical assistance themes*. Across all the bids the amount being bid for in the Phase 2 round is £10.03m, 39% of the £26m funding made available in this round of Calls.

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 EU-funded programmes.

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 recommend that Full Council:

1. Approve (if successful) the drawdown of the grant funding, totalling £10.03m from ESIF to be utilised in delivering the City's priorities as set out in this report.
2. Delegates authority to the Deputy Chief Executive (Place) and the Director of Finance and Corporate Services and the City Solicitor and including consultation with the Cabinet Member for Jobs & Regeneration to negotiate final terms and approve entry into:
 - (a) the grant funding agreement to secure the ESIF funding with the City Council acting as the Accountable Body for the funding: and
 - (b) back to back funding agreement with such delivery partners as is deemed necessary to deliver the City's priorities as set out in this report.
3. Subject to the terms of any agreement with ESIF and the delivery partners being approved by the Deputy Chief Executive (Place) in accordance with the delegation above, authorises the Deputy Chief Executive (Place) to administer the grant agreement with ESIF and the agreements with the delivery partners in accordance with their terms.

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List of Appendices included:

None

Background papers:

None

Other Useful Documents:

[Economic Growth and Prosperity 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, 04 December 2018

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Report title: European Regional Development Fund 2014-20 – Coventry City Council Second 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 2023, and in the first round, funding for projects running from January 2016 to December 2018 were made available (Phase 1).

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 manages and delivers a number of successful programmes and has been responsible for managing some £65m of EU funding since 2007 alone.

1.5 Across the existing Phase 1 programmes that have been delivered since January 2016, the Council is managing £9.34m of EU funds. Up to 30th June 2018, these have delivered:

- 611 SME assists
- 181 new business start-ups
- 466 new jobs created
- £8m of private sector investment.
- Carbon savings of 7,518 tonnes

1.6 Phase 2 Programme

1.7 Coventry City Council has submitted bids for ERDF Phase 2 for the current Programmes under the Innovation, SME Competiveness, Low Carbon and Technical assistance themes. 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.

1.8 It should also be noted that the Employment and Skills services will be bidding for funds under future rounds of Calls, in particular for ESF grant associated with jobs, skills and training. Future reports will be brought detailing these opportunities.

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 has been a total of £26m EU money available for Coventry and Warwickshire in this round of Calls 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 EU 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 EU 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 projects/programmes.

3 Summary of Bids

- 3.1 The total amount of funding available in the Calls for Phase 2 of ESIF for Coventry & Warwickshire has been £26m. The Council is bidding for £10.03m, 39% of the funding made available in this round of calls.
- 3.2 The bids have had outline approval from the Ministry for Housing, Communities and Local Government (MHCLG) for ERDF and full applications have been completed, of which CW Green Business has now been approved. The figures below may vary slightly during the final negotiation process.

3.3 *Coventry and Warwickshire Business Support*

- 3.3.1 This programme will build on the successful Coventry & Warwickshire SME Growth Programme, by supporting the development of sustainable new business start-ups and addressing barriers to growth faced by existing SMEs. The Programme will be delivered through an established partnership including Coventry City Council, CWLEP Growth Hub, CW Chamber of Commerce, Coventry University Enterprises, Coventry & Warwickshire Co-operative Development Agency and The Prince's Trust. The programme will assist 635 SMEs (including supporting the development of 200 new and young businesses), create 629 new jobs for the local economy and generate £8m of new private sector investment. A total of £4.78m of ERDF has been applied for.

3.4 *Coventry and Warwickshire Green Business*

- 3.4.1 This programme will build on the successes of the existing Coventry & Warwickshire Low Carbon Programme, and will support Coventry & Warwickshire SMEs to improve their energy efficiency levels, increase the adoption of renewable energy sources and enable the development of new innovative low carbon products and technologies. The programme will assist 215 SMEs, support 25 SMEs to collaborate with local universities, enable at least 10 new products to be launched, save at least 2,500 tonnes of GHG emissions and generate £2.35m of new private sector investment. A total of £3.21m of ERDF funding has been applied for.

3.5 *Coventry and Warwickshire Innovation Test Bed*

- 3.5.1 This programme will build on the successes of the Innovative Coventry & Warwickshire: Place Test Bed Programme by supporting Coventry & Warwickshire SMEs to develop and test new products and technologies. Warwickshire County Council and Coventry University Enterprises will act as delivery partners for this programme that will support 115 SMEs, generate 60 new jobs for the local economy, enable at least 15 new products to be introduced to the market and generate over £1.58m of private sector investment during its three-year duration. A total of £1.89m ERDF has been applied for.

3.6 **Coventry & Warwickshire ERDF and ESF Technical Assistance**

3.6.1 This project will provide funding to allow Coventry City Council, Warwickshire County Council and Coventry University staff to continue providing expert advice to other organisations in the process of applying for ESIF funding. We have applied for three-year extensions to existing projects, with the Council continuing to act as accountable body for this project, and has requested an additional £110k ERDF and £44k of ESF funding.

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

Programme	Jobs Created	SMEs Supported	Of which are new Businesses	Private Investment (£'m)	New Products to Market	ESIF Grant (£'m)
Business Support	629	635	200	8.0	-	4.78
Green Business	-	215	11	2.35	10	3.21
Innovation Test Bed	60	115	6	1.58	5	1.89
Technical Assistance	-	-	-	-	-	0.15
Total	689	965	217	11.93	15	10.03

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 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:

- Coventry and Warwickshire Chamber of Commerce
- Coventry and Warwickshire Co-operative Development Agency
- Coventry University Enterprises
- Coventry University
- The Princes Trust
- Warwickshire County Council

4.2 Each of these partners have 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 underwent a significant consultation process. They will also deliver against the Coventry & Warwickshire's ESIF Strategy, which again was developed after extensive consultation.

5 Timetable for implementing this decision

- 5.1 Should the ESIF bids be successful, the MHCLG issue Funding Agreements which will allow the Programmes to start on January 1st 2019. 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 late in 2018, in order that the programmes can start promptly.
- 5.2 The Programmes will run until December 2021. In previous EU funding programmes, the Council has successfully negotiated extensions of both time and funding on numerous occasions, so it is possible that the end date will be extended.

6 Comments from the Director of Finance and Corporate Services

6.1 Financial implications

- 6.1.1 The Council is proposing to be the accountable body for each of the five Second Round ESIF 2014-20 programmes as specified in the report, totalling £10.03m if approved. Whilst there is some financial risk, there is no immediate implication of being the accountable body. These schemes will bring significant economic benefit to the city. Grant risk is discussed further in Section 7.
- 6.1.2 The ESIF applications in this round will provide a total of up to £1.25m in grant funding towards the Council's staffing costs between January 2019 and December 2021.
- 6.1.3 Table 2 (below) illustrates that the total match funding provided by the Council for salaries and associated overheads is £2.49m for Phase 2 applications. This reflects current revenue budgetary provision for the 3 year grant programme period. In addition, Delivery Partners will be providing £1.96m in match funding over the same period, with SMEs providing £11.93m in contributions towards grant activities.
- 6.1.4 Of the £26.41m investment, £14.5m is capital and £11.9m is revenue. The Economic Development Service team will monitor this to ensure grant is fully maximised where possible.

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

	ESIF Grant	CCC Match Funding	Delivery Partner Match	Match Funding From SMEs	Total
Business Support	4.78	1.66	1.12	8.0	15.56
Green Business	3.21	0.38	0.49	2.35	6.43
Innovation Test Bed	1.89	0.37	0.27	1.58	4.11
Technical Assistance	0.15	0.08	0.08	0	0.31
Total	10.03	2.49	1.96	11.93	26.41

CCC's match, which is already secured as part of the Council's commitment to the Economic Growth and Prosperity Strategy, 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, MHCLG 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 Plan?

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

7.1.2 The ESIF programme will make a significant contribution towards delivering the outcomes of the Council's Economic Growth and Prosperity Strategy.

7.1.3 The CW Green Business Programme will reduce operating costs and encourage businesses to grow by helping to reduce energy bills, as well as support the development of new low carbon products. These activities will contribute towards the carbon reductions commitments within the Climate Change Strategy 2012.

7.1.4 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 the accountable body for a total £10.03m of ESIF funding in this second round of Programmes and 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 Programme 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 programme will be overseen by a single Strategic Board** chaired by the appropriate senior manager from the Council to ensure that risk is managed across all Programmes.
- iv. The accountable body function will be completed by the Council's Economic Development Service (EDS) 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 **Economic Development Service will be the specialist services delivering the business support services** from within the Council. With an enviable track record in delivery, both these service areas are highly competent in dealing with EU Funds.
- v. **All of the grant funding awards to businesses from the programme will continue to be considered by a Grants Panel**, chaired by a Council representative and including representation from key partners, who are expected to include Warwickshire County Council, the Chamber of Commerce and the Growth Hub. This Panel reduces risk to the Council by ensuring that grant awards are made independently and fairly.

7.3 What is the impact on the organisation?

7.3.1 HR Implications

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.

7.4 Equalities / EIA

- 7.4.1 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, CW Business Support will run services designed to help Black and Minority Ethnic people, young people, lone parents and the disabled start new businesses.

7.5 Implications for (or impact on) the environment

- 7.5.1 Some of the projects will have a positive environmental impact. CW Innovation Test Bed and CW Green Business will help to support the development of new low carbon products and technologies, with the latter programme also helping businesses reduce their energy bills. Efforts will be made to ensure that each programme minimises any negative environmental impacts by encouraging project staff to use public transport and keep electronic records where possible.

7.6 Implications for partner organisations?

- 7.6.1 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. Funding will be passed on to partner organisations through these programmes, 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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