

Cabinet
Council

9 June 2020
16 June 2020

Name of Cabinet Member:

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

Director Approving Submission of the report:

Director of Business, Investment and Culture

Ward(s) affected:

All

Title:

European Structural Investment Fund Business Support Additional Funding

Is this a key decision?

Yes - the proposals involve financial implications in excess of £1m per annum.

Executive Summary:

Coventry City Council has secured an additional £9.28m in European Structural Investment Funds (ESIF) which will allow four key business support programmes to be extended until June 2023.

ESIF includes both the European Regional Development Fund (ERDF) and the European Social Fund (ESF). ERDF is designed to fund economic development projects and support the growth of Small & Medium Enterprises (SMEs) in a modern economy. ESF is designed to support individuals who are employed to upskill and progress in their career.

The four programmes that have secured additional funding include three ERDF Programmes and one ESF programme. The ERDF Programmes, Business Support; Green Business and Innovation will seek to address the barriers to growth faced by existing SME's; support the development of new business start up's; assist SME's to improve their energy efficiency levels and support SME's to develop and test new products and technologies. The ESF Skills 4 Growth will work with SME's to identify skills gaps in their employees and address them through targeted training.

This additional funding will be also play a key role as the economy begins to recover after the Covid-19 pandemic.

The current ERDF Programmes are due to come to an end in Dec 2021 and the ESF Programme June 2020 (ESF). In view of this, the Council submitted bids for extensions to the ERDF programmes and a new ESF Skills 4 Growth Programme which have now been approved.

Across all the Programmes the amount totals £9.28m which represents 43% of the £21.6m funding made available in this round of Calls.

The Council has already taken a leadership role in bringing partners together from across the Coventry and Warwickshire Local Enterprise Partnership (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:

The Cabinet is asked to recommend that Council:

- 1) Approve the acceptance and drawdown of the grant funding totalling £9.28m (£8.12m for European Regional Development Fund and £1.16m for European Social Fund) from European Structural Investment Fund to be utilised in delivering the City's priorities as set out in this report.
- 2) Delegate authority to the Director of Business, Investment and Culture and the Director of Finance, following consultation with the Director of Law and Governance and the Cabinet Member for Jobs and Regeneration, to negotiate final terms and approve entry into:
 - a) the grant funding agreement for the extensions to secure the European Regional Development Fund funding with the City Council acting as the Accountable Body for the funding.
 - b) new funding agreement to secure European Social Fund funding with the City Council acting as the Accountable Body for the funding.
 - c) A Grant Aid Agreement with such delivery partners as is deemed necessary to deliver the City's priorities as set out in this report.
- 3) Following completion of the actions set out in recommendation 2), delegated authority is given to the Director of Business, Investment & Culture to manage to administer the Grant Funding Agreement with European Structural Investment Fund and the agreements with the delivery partners to ensure compliance 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 and Warwickshire Strategic Economic Plan](#)
[Coventry and Warwickshire LEP area ESIF Strategy](#)
[West Midlands Local Industrial 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 – 16 June 2020

European Social and Investment Funding 2014-2023

1. Context (or background)

- 1.1 ESIF includes both the European Regional Development Fund (ERDF) and the European Social Fund (ESF). ERDF is designed to fund economic development projects and support the growth of Small & Medium Enterprises (SMEs) in a modern economy. ESF is designed to support individuals who are employed to upskill and progress in their career
- 1.2 This report focuses on 3 ERDF programmes: Business Support Programme (BSP), Innovation Programme (IP), Green Business Programme (GBP) and an ESF programme called Skills 4 Growth (S4G).
- 1.3 In 2015, applications opened for the new programme of European Structural and Investment Funds (ESIF) to run until June 2023.
- 1.4 The ERDF programmes secured funding for Phase 1 programme (Jan 2016 – Dec 2019) and phase 2 programme (Jan 2019 – Dec 2021).
- 1.5 The ESF Skills 4 Growth programme secured funding for Phase 1 programme (Jan 2017 – June 2020)
- 1.6 In 2019, a final round of local ESIF calls for Coventry & Warwickshire was opened to submit application for remaining funds. This allowed the ERDF programmes to extend their Phase 2 programmes to June 2023. The ESF Skills 4 Growth programme was able to secure funding for a new phase 2 programme to run concurrently till June 2023.

2. An Enviably Track Record

- 2.1 The Council already manages and delivers several successful programmes and has been responsible for managing some £65m of EU funding since 2007 alone.
- 2.2 The current ERDF programmes have been delivering since Jan 2019. Up to 31st Dec 2019, these have delivered:
 - 349 SME assists
 - 47 new business start-ups
 - 168 new jobs
 - £7.2m of private sector investment.
 - Carbon savings of 682 tonnes
- 2.3 The current ESF Skills 4 Growth programme has been delivering since Jan 2017. Up to 31st Dec 2019, these have:
 - Supported 526 individuals to receive training including 97 participants from ethnic minorities, 62 participants with disabilities and 103 individuals over the age of 50.
 - Delivered 554 qualification achieved by 526 participants.

3. ESIF Developments to 2023

- 3.1 Coventry City Council submitted bids for extension to the current ERDF Phase 2 Programmes under the Research & Innovation, SME Competitiveness and Low Carbon 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.

- 3.2 Coventry City Council also submitted a phase 2 application bid for a new Skills 4 Growth Programme under ESF funding. This report provides information on this bid and requests Members' approval for the Council to act as accountable body for this funding programmes.

4. Options considered and recommended proposal

- 4.1 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 £21.6m EU money available for Coventry and Warwickshire in this round of Calls and this is the primary source of economic development funding currently available.
- 4.2 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.
- 4.3 The recommended option is for the Council to act as lead applicant for ESIF projects and to act as accountable body for these funding programmes. This maximises the EU grant available, allowing the programmes to continue until June 2023 and designates 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, improve employability and increase economic growth for Coventry and Warwickshire. These bids will allow this work to continue in the new programme/extension.

5. Summary of Bids

- 5.1 The total amount of funding available in the Calls for the extensions of ESIF for Coventry & Warwickshire was £21.6m. The Council has been awarded the total sum of £9.28m, which represents 43% of the funding made available in this round of calls. This is made up of £8.12m of ERDF funding and £1.16m of ESF funding.
- 5.2 The 3 ERDF bids for extension funding (BSP, IP & GBP) have been approved by the Ministry for Housing, Communities and Local Government (MHCLG)
- 5.3 The bid for funding for the new phase 2 ESF programme (S4G) has also been approved by the Department for Work and Pensions (DWP).

5.4 *Coventry and Warwickshire Business Support*

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 extension will assist 390 SMEs (including supporting the development of 126 new and young businesses), create 498 new jobs for the local economy and generate £14.08m of new private sector investment. A total of £4.41m of ERDF has been applied for.

5.5 Coventry and Warwickshire Green Business

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 143 SMEs, support 12 SMEs to collaborate with local universities, enable at least 6 new products to be launched, save at least 1658 tonnes of GHG emissions and generate £1.78m of new private sector investment. A total of £2.04m of ERDF funding has been applied for.

5.6 Coventry and Warwickshire Innovation Test Bed

This programme will build on the successes of the Coventry & Warwickshire Innovation 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 63 SMEs, generate 40 new jobs for the local economy, enable at least 13 new products to be introduced to the market and generate over £1.45m of private sector investment during its three-year duration. A total of £1.67m ERDF has been applied for.

Table 1 – Summary of CCC ERDF Bids

| Programme | Jobs Created | SMEs Supported | Of which are new Businesses | Private Investment (£'m) | New Products to Market | ERDF Grant (£'m) |
|----------------------------|---------------------|-----------------------|------------------------------------|---------------------------------|-------------------------------|-------------------------|
| Business Support | 498 | 390 | 126 | 14.08 | - | 4.41 |
| Green Business | - | 143 | 4 | 1.78 | 6 | 2.04 |
| Innovation Test Bed | 40 | 63 | 1 | 1.45 | 13 | 1.67 |
| Total | 538 | 596 | 131 | 17.31 | 19 | 8.12 |

NB: A job creation target is not formally included in the contracted outputs for the ERDF low carbon funding. However, during the first phase of the Programme, 1Jan 2016-Dec 2018, applicants to the Green Business Programme, created 60 jobs and we expect that there will be a similar level of job creation in future.

5.7 Coventry & Warwickshire Skills 4 Growth

The aim of the programme is to upskill participants via training and help grow SMEs. Delivery partners will work with SMEs to identify skills gaps in their employees and address them via training. The programme will be delivered through a partnership which includes; Coventry and Warwickshire Chamber Training, Midland Group Training Services Ltd, CCC Adult Education Service, Pet-xi Training Ltd & WorkSafe Health, Safety Training Ltd Middle England Training and Coventry Building Academy. £920,000 of grant will be available for SMEs to support 50% of the cost of training, with SMEs providing the remaining 50% as private sector match. The programme aims to support 1620 people within CWLEP priority sectors, with a specific focus on people in the following demographics; female, aged over 50, BAME backgrounds, no basic skills

qualifications, disabled and single adult household with dependent children, a full breakdown is shown in Table 2.

Table 2 – Summary of CCC ESF Bids

| Programme | Number of Participants | | | | | | | ESF Grant (£'m) |
|------------------------|------------------------|--------|----------|------|-----------------|------------|-----------------|-----------------|
| | Total | Female | Aged 50+ | BAME | No basic skills | Disability | Single Parents. | |
| Skills 4 Growth | 1620 | 258 | 324 | 285 | 243 | 128 | 81 | 1.16 |

6. Results of consultation undertaken

6.1 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 and training in Coventry and Warwickshire. This includes public and private sector partners, such as; other councils services, private companies, universities and third sector organisations. Partners involved in the development of the various ESIF applications where relevant include:

- Coventry and Warwickshire Chamber of Commerce
- Coventry & Warwickshire LEP Growth Hub
- Coventry and Warwickshire Co-operative Development Agency
- Coventry University Enterprises
- Coventry University
- The Princes Trust
- Warwickshire County Council
- Coventry and Warwickshire Chamber Training
- Midland Group Training Services Ltd
- CCC Adult Education Service
- Pet-xi Training Ltd
- WorkSafe Health and Safety Training Ltd
- Middle England Training
- Coventry Building Academy

6.2 Each of these partners have had the opportunity to influence the ESIF bid under 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.

6.3 The ESIF bids deliver against Coventry & Warwickshire's Strategic Economic Plan (CWSEP) and West Midlands Local Industrial Strategy, both of which underwent significant consultation processes. They will also deliver against the Coventry & Warwickshire's ESIF Strategy, which again was developed after extensive consultation.

7. Timetable for implementing this decision

7.1 The ESIF application have been reviewed by their relevant funding bodies, MHCLG and DWP, and have been successful.

7.2 MHCLG will issue Funding Agreements which will allow the ERDF Programmes to continue from January 1st, 2022.

- 7.3 DWP will issue Funding Agreements which will allow the new ESF Skills 4 Growth programme to commence from July 1st, 2020.
- 7.4 Once this is agreed, each delivery partner will be issued with a Grant Aid Agreement that sets out their contribution to project in terms of match funding/outputs and sets out how much ESIF funding will be available to them.
- 7.5 This process is expected to be completed in 2020 to allow for the smooth transition into the extension period for ERDF programme and quick start for the new Skills 4 Growth programme.
- 7.6 The Programmes will run until June 2023. In previous EU funding programmes, the Council has successfully negotiated extensions of both time and funding on numerous occasions. As we are leaving the EU, this is unlikely to happen again.

8. Comments from Director of Finance and the Director of Law and Governance

8.1 Financial implications

- 8.1.1 The Council will continue to be the accountable body for each of the 4 Programmes as specified in the report, totalling £9.28m. 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. Risk is discussed further in Section 9.2
- 8.1.2 The ESIF project extensions in this round will provide a total of up to £1.22m in grant funding towards the Council's staffing costs.
- 8.1.3 Table 3 (below) illustrates that the total match funding provided by the Council for salaries and associated overheads is £1.49m. This reflects current revenue budgetary provision for the ERDF 18-month extension period and the new ESF programme. In addition, Delivery Partners will be providing £0.97m in match funding over the same period, with SMEs providing £18.22m in contribution.
- 8.1.4 Of the £29.96m investment, £18.2m is capital and £11.76m is revenue. The Economic Development Service team will monitor this to ensure grant is fully maximised where possible.

8.1.5 Table 3 – Summary of Financial Profiles for Each Application (£m)

| | ESIF Grant | CCC Match Funding | Delivery Partner Match | Match Funding From SMEs | Total |
|---------------------|-------------|-------------------|------------------------|-------------------------|--------------|
| Business Support | 4.41 | 0.83 | 0.59 | 14.08 | 19.91 |
| Green Business | 2.04 | 0.22 | 0.23 | 1.78 | 4.27 |
| Innovation Test Bed | 1.67 | 0.20 | 0.15 | 1.44 | 3.46 |
| Skills 4 Growth | 1.16 | 0.24 | | 0.92 | 2.32 |
| Total | 9.28 | 1.49 | 0.97 | 18.22 | 29.96 |

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 ERDF grant that has been requested. This can be provided from existing approved resources and reflects current revenue budgets.

8.2 Legal implications

8.2.1 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.

8.2.2 There is a risk of clawback in the event of non-compliance with the terms and conditions set out in any agreement entered into between the Council and the Funding Body. Strict monitoring of compliance (in addition to the measures identified in paragraph 9.2 of this report) will be undertaken to minimise this risk.

9. Other implications

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

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

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

9.1.3 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 for Coventry 2020](#).

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

9.2 How is risk being managed?

9.2.1 The Council will act as the accountable body for a total £9.28m of ESIF funding 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.

9.2.2 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. **For ERDF Programmes Contract Variation Agreements aligned to their original 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. **For ESF Skills 4 Growth programme, 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.
- iii. **Each ESIF programme has already established an Operational Group of management-level representatives** from each of the delivery partners. These groups are chaired by Council officers and manage risk by ensuring that partners are on course to achieve their output targets and are keeping records correctly etc.
- iv. In addition, **the ERDF programmes are currently overseen by a single Strategic Board** chaired by the appropriate senior manager from the Council to ensure that risk is managed across all Programmes.
- v. The accountable body function will continue to be completed by the Council's Economic Development Service (EDS). 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.
- vi. **Grant funding awards of greater than £25,000 to businesses from the ERDF programme will be judged 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.

9.3 What is the impact on the organisation?

9.3.1 HR Implications

Programme Team staff are already in place to ensure successful delivery of these large projects and the Council's ability to provide an adequate accountable body function. Any new staff will be recruited on temporary fixed term basis.

9.4 Equality and Consultation Analysis (ECA)

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 young people, lone parents and the disabled start new businesses. Skills 4 Growth have set minimum targets for under-supported demographics, see table 2 for more details.

9.5 Implications for (or impact on) climate change and the environment

- 9.5.1 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.

9.6 Implications for partner organisations?

- 9.6.1 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 till June 2023 to deliver significant and aligned outcomes for residents and businesses in Coventry and Warwickshire.

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