

Central Bedfordshire Council

EXECUTIVE

9 February 2016

European Structural Investment Funds (ESIF)

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This report relates to a Key Decision

Purpose of this report

1. To provide further detail regarding the outcome of the Innovation Bridge European Regional Development (ERDF) funding bid, as a follow on from the European Structural Investment Fund paper which was approved by Executive on 6 October 2015. This is to satisfy a recommendation that each project proposed under this fund is brought back to executive to gain approval to enter into the funding agreement for the project to commence.

RECOMMENDATIONS

That the Executive:

1. **notes the further detail provided about the Innovation Bridge ERDF funding bid including the budget, outcomes and any associated impacts and risks to the council; and**
2. **based on this information, provides approval to enter into the funding agreement with DCLG for this project, to enable the project to commence and give delegated authority to the Director of Regeneration and Business and the Section 151 Officer to approve any minor amendments to this funding agreement, in consultation with the Executive Member for Regeneration and the Executive Member for Education and Skills.**

Overview and Scrutiny Comments/Recommendations

1. The overall recommendations relating to this funding bid were approved by the Sustainable Communities Overview and Scrutiny Committee on 20 August 2015 and Executive on 6 October 2015. Both meetings resolved to support the approach to bid for ESIF funds.

Background

2. In the context of shrinking budgets and meeting the needs of our residents and businesses in Central Bedfordshire, it is important to maximise wider opportunities such as tapping into external funding.
3. A new European Structural Investment Fund (ESIF) programme has been announced by central Government, covering the period of 2014 to 2020. These funds aim to increase social and economic prosperity and to reduce disparity, creating a more competitive, prosperous and inclusive economy.
4. The funds offer the opportunity for Central Bedfordshire Council (CBC) to provide additional support for:
 - residents to move into employment or to progress up the career ladder by developing their skills;
 - businesses to tap into well skilled local residents, meeting business skills gaps; and
 - economic growth through promoting business innovation and development.
5. The South East Midlands LEP (SEMLEP) has been given an ESIF allocation of c£79 million (this will vary due to regular exchange rate reviews) for delivery over the 6 year period, comprising three ESIF funding streams:
 - **European Regional Development Fund (ERDF)** £37.6m managed by the Department for Communities and Local Government (DCLG);
 - **European Agricultural Fund for Rural Development (EAFRD)** has an indicative budget of up to £4.3m managed by the Department for Environment, Food and Rural Affairs (DEFRA).
 - **European Social Fund (ESF)** £37.6m managed by the Department for Work and Pensions (DWP).

European Regional Development Fund (ERDF)

6. CBC submitted a £3.9m ERDF application (including 50% match funding from the ERDF fund) under the first round of the new programme which successfully passed through the outline application stage and the full application stage.

This builds on our previous successful Innovation Bridge project which ended in August 2015. This was an ERDF funded partnership with the University of Bedfordshire which delivered innovation and research support to help local medium and small sized (SME) businesses to grow. A key driver for the project was to increase the levels of university engagement and support for business growth and innovation.

7. In order to provide the wider support offer that businesses are seeking and to maximise the funding opportunity, this bid expands the Innovation Bridge project to deliver across a broader geographic area including SEMLEP, the Greater Cambridge Greater Peterborough LEP and the New Anglian LEP. It proposes to deliver support to 350 SME businesses, including over 60 new start ups. The previous programme supported over 50 SME businesses and helped to create 20 jobs. The SEMLEP target for the new Innovation Bridge programme is to support 133 businesses and being the lead partner for the project puts us in a good position to market the project locally.
8. The Innovation Bridge project will consist of two main parts. The first part offers an SME business at least 12 hours of consultancy time with one of the participating universities. This will be used to assess their innovation needs and link them with an appropriate university academic to undertake a small research project to help scope out their innovation needs and provide them with an innovation action plan. The business will then have a chance to apply for an innovation grant to further their innovation requirements and implement some of the innovation activity scoped out during the first phase of the project. Grants will be provided for innovation related revenue or capital projects and based on a 30% intervention rate (i.e. a business can receive a grant to cover up to 30% of the costs proposed) up to certain maximum limits on grant size and other eligibility criteria.
9. The bid is a partnership between Central Bedfordshire Council (as the lead partner) and the University of Bedfordshire, Anglia Ruskin University and University Campus Suffolk. ERDF requires 50% match funding which will be delivered through a small amount of CBC staff time, university staff time, a 15% overhead match on salaries and through a grant element of the project where a business who requires the grant must provide match themselves. The total project value including match funding is £3.9m. CBC will administer the project, the majority cost of which will be covered by the ERDF funds and grant match (minus c. £9,000 of staff time match).
10. This project will form a key tool in our Business Support Package for Central Bedfordshire businesses to grow and prosper. It is planned that the project will commence on the 1 April 2016 and last for three years. To commence the project, the Department for Communities and Local Government (DCLG) will require CBC to enter into a funding agreement (draft example in Appendix B).

We are currently awaiting final approval from DCLG, having dealt with appraisal feedback following submission of the full application.

11. As the lead applicant for the project, CBC will take on the responsibility for the project – to manage the relationship with the managing authority (DCLG) and to ensure that the project is compliant and the money is spent and evidenced in a compliant way. CBC must also ensure all the outputs for the project are delivered through the partnership. CBC will programme manage the project and provide administrative support to ensure the project is run in accordance with ERDF rules. CBC will also manage the grant panel and application process for the innovation grant. All the money for the project will pass through CBC and any issues with the partners, the match funding and any risks for the project will be our responsibility. There will be 2.5 new recruits working on the project as well as three existing members of staff, spending part of their time on the project (see paragraph 41). The three university delivery partners will be involved in the delivery of the actual client activity – providing the research and business support activities to the businesses and ensuring the associated staff time spent on the project is evidenced correctly for DCLG. Through a service level agreement, they will share in the responsibility for the delivery of the overall outputs for the project.

Reasons for decision

12. This provides an excellent opportunity to build on the success of the previous Innovation Bridge programme. It will embed innovation support for businesses at the core of the CBC business support offer and provide CBC with strategic influence as it covers a wider geography - including SEMLEP, the Greater Cambridge Greater Peterborough LEP and the New Anglian LEP.
13. Including match funding, the bid is valued at £3.9m. The programme will commit CBC to the ESIF funding criteria and have implications on the Council which are described further in paragraphs 14 to 44. A summary of the cash flow forecast and the associated risk can be found in Appendix A.

Council Priorities

14. The proposed funding bid focusses on business innovation – a key growth generator. This supports the Council's priority to enhance the local community as it will enable businesses to grow and help create additional jobs by providing support for businesses to grow and expand. This was demonstrated through the previous programme through the numbers of jobs created (20) and the positive feedback from businesses (95% rated the support as good or excellent and 55% reported an increase in business confidence).

Corporate Implications

15. CBC is committing to be the lead body to deliver the programme which has a total value of £3.9M over 3 years. This will include funding for additional resource requirements such as additional fixed term staffing. The whole programme should have a positive impact on CBC resources as it enables the authority to meet some important needs including business growth and provides part funding for existing staff and full funding for the additional posts to be created. The following paragraphs provide more detail.

Legal Implications

16. The Council's Executive Arrangements and Regulation 8 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 confirm that key decisions must be taken by the Council's Executive.
17. Service level agreements with University delivery partners will be approved by legal services and such agreement will be consistent with the content of the Council's bid and terms of the grant funding agreement. This will help the Council mitigate the risk of clawback of grant funding and state aid.
18. In the event that the Council, or delivery partners, engage private partners for the delivery of services, the terms of such engagement must comply with the requirements of the grant funding agreement and a procurement process must be followed in accordance with EU regulations, the Council's contract standing orders and Public Contracts Regulations 2015 if applicable. All contracts will be approved by legal services with particular focus on ensuring that expenditure and activity is sufficiently auditable to manage risk and compliance.
19. The Council is subject to the requirement to obtain best value in any procurement process because it is a best value authority for the purposes of the Local Government Act 1999. The Act requires the Council to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. To this end, the Council must be satisfied that its procurement processes achieve best value in terms of price and quality.
20. The Council is required under the Public Services (Social Value) Act 2012 to consider the following in respect of procurements that are subject to the EU procurement regime:
 - a) How what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area; and

- b) How, in conducting the process of procurement, it might act with a view to securing that improvement.

These criteria will be given due consideration in any EU procurement process.

Financial Implications

21. The team managing the ERDF programme from the previous funding round have worked closely with the Finance Team to establish systems and protocols to ensure match funding can be properly evidenced and claimed, and that expenditure is ERDF eligible. These systems will be reviewed and worked upon in readiness for a new programme across the SEMLEP, GCGP and NALEP areas. Without the proper systems in place, it will put the ESIF programme at risk and therefore these systems will be in place before the project commences.
22. In order to embed the ERDF financial requirements within the Council, funding is included to cover the costs of a part time External Funding Finance Manager which is proposed to sit within the corporate finance team within the overall delegation of the Section 151 Officer and play a pivotal role in the overall management of the ERDF programme. Depending on timing, this could be a post which is shared with the ESF programme (yet to be announced), but for now will be a part time post dedicated to the ERDF programme. This role will play an integral part in mitigating and controlling financial risk to the council.
23. A small element of match funding for the programme (c. £9,000) has been identified within existing budgets in the Business Investment service area of CBC – provided through staff time rather than cash. There is no commitment to provide funds in excess of this.
24. As the lead applicant for the programme, CBC must ensure adequate cash flow as there may be a delay in receiving funding from DCLG for payment of claims. This cash flow also takes into account the forecast delay in grant match funding from the businesses participating in the programme. A summary of this cash flow forecast and the associated risk can be found in Appendix A. To mitigate risk, the grant programme has been conservatively estimated and forecast to ensure that there is confidence in the grant funding element of the project and sufficient mitigations are in place to minimise risk to the Council.
25. If a funding clawback situation arises due to a failure of a partner to provide sufficient evidence in meeting the criteria, we will ensure it is passed to the correct deviating delivery partner through a formal Service Level Agreement. We are working with Legal and Finance on ensuring correct agreements, systems and processes are in place.

26. ESIF allocations to SEMLEP, GCGP, NALEP (and the wider UK) have been made in Euros at a fixed Exchange Rate and it is noted the overall allocations may vary over time in line with exchange rate fluctuations. This is being managed by the LEPs committing to funds at an early stage of the programme in sterling and they will take account of any exchange rate fluctuations by varying uncommitted funding.

Procurement Implications

27. All procurement will be undertaken by Central Bedfordshire Council in accordance with the Council's Procurement Rules and the guidance contained in the Council's Procurement Toolkit. Where there is a conflict between these rules and procedures and the ESIF Procurement Guidance CBC will ensure that the ESIF rules are followed.
28. The ESIF regulations have greater requirements to adhere to, than our corporate process. For example, ESIF regulations require additional levels of publication.
29. Experience from the previous European Funded projects delivered by CBC has provided several guiding principles for this as follows:
- all contracts are advertised openly on the Central Bedfordshire Council procurement web pages, using the Intend procurement system where the value of the contract indicates that this is appropriate;
 - all bid submissions are evaluated in an open and transparent manner by a team of evaluators using the Central Bedfordshire Council procurement toolkit and seeking guidance on EU principles where required; and
 - contract management and initiation takes place in accordance with the Council's procurement team and legal team who have experience of EU procurement standards and requirements.

Equalities Implications

30. Central Bedfordshire Council has a statutory duty to promote equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations in respect of nine protected characteristics; age disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

31. To follow ESIF requirements all projects must adhere to European Equalities and Diversity requirements which mean:

- no beneficiaries are excluded from participation in the ESIF programmes on the grounds of their protected characteristics;
- the needs of all potential beneficiaries are considered at project design stage in order that the service is appropriately delivered;
- services are responsive to the needs of all communities where relevant; and
- support is targeted towards under-represented communities where relevant.

Risk

32. The programme requires us to enforce robust approaches in order to maximise the funding opportunities offered through this ERDF call. Minimising risks of poor performance, lack of delivery and potential claw back. A full risk analysis has been completed as part of the bid development. CBC as the lead body will need systems and contracts in place to ensure risks are mitigated and possibilities of claw back by DCLG are closely managed, ensuring failure to deliver or incorrect claims are identified quickly and project managed effectively. An outline of the risks and mitigating actions can be found in Appendix A.
33. A risk register will be maintained and have a supporting risk strategy. These will be reviewed at the regular steering group meetings, risks clearly identified with the appropriate ownership agreed for effective management. The documents will be live and updated regularly.
34. Any potential risks in the project will be managed through the project management approach – including the steering group, project sponsor, programme manager and regular reviews of the risk register. In addition to this gateways have been built into the project to review particular risks, including gateways to review the performance of the grants to ensure the private sector match that the project requires is received and to implement mitigating actions if not.

Sustainability Implications

35. The ERDF programme will meet the key objectives of CBC's Sustainable Development Policy:
- Social progress that recognises the needs of everyone;
 - Effective protection of the environment;
 - Prudent use of natural resources; and
 - The maintenance of high and stable levels of economic growth and employment.

36. The ERDF programme encourages innovative approaches to growth and development which consider environmental impact.
37. As the lead authority, CBC's Sustainable Development Policy will apply to all partners and ensure that sustainable development covers the three areas of economy, society and the environment, across the whole of the bid area (SEMLEP, GCGP and NALEP).

ICT

38. Due to the scale of the project, there is a need to procure a Management Information System to manage the programme. The system needs to be accessed by all external delivery partners across a wide geographical area. This system and access will need to be stable, comply with data protection and allow for meaningful data to be analysed ensuring the smooth monitoring of delivery and performance. A budget has been established in the project to support this delivery and discussions will take place with ICT to ensure the system is fully compliant with our security and other requirements.

Human Resources

39. The programme requires the recruitment of 2.5 fixed term staff to assist with the operation of the project. All other staff involved are existing staff from the Business Investment service area and their time dedicated to the project will be in the main covered by the project budget (apart from the c. £9K of staff match time). The costs of the new recruits (apart from the cost of staff recruitment) will be met from the ERDF programme funding. A summary of the CBC staffing for the project is provided below:

Title and role in the project	Time commitment to project	Existing staff or new recruit
Head of Investment and Employment – Project Sponsor	6% of FTE – approximately 2 hours a week	Existing
Business Growth Manager – Programme Manager	2 days a week	Existing
Business Support Officer – Project Coordinator	1.5 days a week	Existing
2 x Contract Management Officers – Project compliance and grant management	FTE	New recruit – fixed term for the life of the project
1 x European Finance Manager	2.5 days a week	New recruit – fixed term for the life of the project

40. There is also a financial risk associated with redundancy payments for staff contracted wholly to deliver the ERDF programme, should the programme have to be terminated early. This has been assessed by the programme management team and adequate provision has been made in the Business Investment reserves budget to cover this eventuality.

Conclusion and next Steps

41. Delivering an ERDF programme offers CBC both additional funding for its own business support activities, an enhancement to the CBC business support offer and strategic positioning, particularly in the context of devolution and future EU funding opportunities. It provides an in-depth opportunity to look at economic growth across Central Bedfordshire and beyond into the three LEP areas covered and to work with key influential partners.
42. Working in partnership within and outside of CBC itself has encouraged synergy and the development of shared approaches to maximise efficiency and effectiveness of the delivery of business support. It has also created closer working with the Universities, important partners in future innovation and growth and the associated programmes being delivered across the region.
43. If the approach is agreed, CBC will seek to enter into the funding agreement (example attached in Appendix B) with the Managing Authority – DCLG, with the steer and approval of legal services and the delegated powers of the Director of Regeneration and Business and the Section 151 Officer to approve any minor amendments to this funding agreement, in consultation with the Executive Member for Regeneration and Executive Member for Education and Skills.

Appendices

44. Appendix A - Summary of financial information and any associated impact on the council.
45. Appendix B - Example funding agreement – provided by DCLG

Background Papers

46. None