

Cabinet Report / Key Decision Date: 19th September 2017

Title: Enterprising West of England (EWOE) Programme	
Ward: Citywide	Cabinet lead: Cllr Craig Cheney
Author: Robin McDowell	Job title: Economic Development Team Manager

Revenue Cost: £ 670,000	Source of Revenue Funding: BCC - General Fund (Economic Development Enterprise Projects cost centre); Match funding: South Gloucestershire Council, Bath & NE Somerset Council, and European Regional Development Fund (ERDF).
Capital Cost: £ nil	Source of Capital Funding: n/a
One off <input checked="" type="checkbox"/>	Saving <input type="checkbox"/>
Ongoing <input type="checkbox"/>	Income generation <input checked="" type="checkbox"/>

Finance narrative:

- Cabinet approval is sought to manage and progress two ERDF part-funded interventions, and which together form part of the Enterprising West of England programme, and totalling some £670k to 2019. Bristol City Council is a consortium partner for delivery of the programme, along with the neighbouring local authorities, the Princes Trust and YTKO Ltd. The delivery agreement is with Business West who, as grant recipient, is Accountable Body for the ERDF funding.
- The Council signed up to the joint arrangement in November 2016, and projects have been in progress since April 2017. Each delivery partner is entitled to claim grant for delivery of agreed projects subject to appropriate match funding being secured. The overall ERDF grant available is £1.9m, which must be defrayed by December 2019, in delivering a series of business start-up and development interventions. A further £1.9m is required to match the overall West of England project.
- Bristol City Council's match funding requirement is £352k (of which £52k is match in kind – provided for within existing staffing budgets, and payment to the Accountable Body for management) over the 3 year funding period. At this stage the Council has provided indicative match in the funding agreement, but this has yet to be confirmed. Whilst provision currently exists within the Economic Development base budget to fund the financial match (£100k per annum for 3 years), beyond 2017/18, funding is subject to the 2018/19 budget process and must be considered in context of the severe financial challenge facing the Council, as outlined in the agreed Medium Term Financial Plan.
- The agreement does not preclude alternative external financing sources, or seeking contributions from other partners, to be delivered as match, and these should be explored, in accordance with the resourcing principles agreed by Cabinet in July as part of the Medium Term Financial Plan.
- The two partnership projects outlined below are led by the Council, and in total represent £670k of the overall programme. Environmental Business & Resource Efficiency (EBRE) is a £151k project delivered over the three years, requiring £45.5k match (over the 3 financial years to Dec 2019), to be procured as part of an open tender process for the provision of business advice and associated services. Outset Bristol & South Gloucestershire – start-ups & early stage SME support is a £519k joint project, with assumed match of £214k. Project delivery will primarily be through YTKO Ltd as the named delivery partner in the funding agreement, who in line with the funding agreement have already started the project.
- For both projects it will be important to ensure that services procured have clear outputs that align with the requirements of the signed funding agreements and demonstrate clear evidence based pathways that support new businesses and deliver additional job outcomes that maximise local benefits. If projects fail to deliver as per the funding agreement, the Council could be liable for clawback of some of ERDF grant.

Finance Officer: Chris Holme, Interim Head of Corporate Finance

Summary of issue / proposal:

- The Enterprising West of England (EWOE) programme was conceived by Bristol City Council in 2015 and became the subject of an outline funding bid for European Funding in February 2016.
- The programme aims to provide business support to new and growing companies targeted at support to residents in disadvantaged areas of the West of England and from groups under-represented in enterprise especially in South Bristol and city-wide. It has been underway since April 2017 and will engage 700 companies and create 230 new jobs all at a cost within recognised HM Government Value

for Money parameters. The accountable body for delivery of the entire project is Business West.

- This report concerns itself however only with that part of the programme being undertaken in Bristol, activities in South Gloucestershire, and Bath & NE Somerset for which Bristol City Council is accountable, and thus seeks retrospective approval for the Council to enter into the Consortium Partners Agreement and commit match funding to the EWoE programme.

Summary of proposal & options appraisal:

- The two EWoE work packages for grant / contract funding by the Council and local authority partners and the required outputs and outcomes are summarised at Appendix A.
- The EWoE partners are governed by a consortium agreement signed in March 2017 with Business West to contribute match funding and corresponding outputs to the project. The consortium was openly procured in 2016 through the national ERDF Calls process managed by DCLG. The consortium and project governance is also summarised at Appendix A.
- A grant agreement between the Council and consortium partner YTKO has been prepared. This will be on an annual renewable basis, as revenue has been committed or allocated for years 1 and 2 but not yet for year 3, providing flexibility to change funding and outputs levels in future years if necessary.
- A contract is required with an external supplier to be procured by open process outside the EWoE consortium for EBRE, due to the specialism involved. This would be of 2 years duration but contain a break clause to mitigate the risk of any budget reductions in years 2018-19 and 2019-20.
- Options to reduce or delay the funding commitments over 3 years were considered. However, given the consortium agreement signed in March, any further delay or reductions are likely to have an adverse operational and financial impact on the programme and consortium delivery partner, YTKO, which commenced delivery in Bristol at risk in April. Business West, as lead partner, and YTKO have taken action to mitigate risks to delivery of EWoE outputs by Dec 2019. Due to Brexit timetable, DCLG, as managing authority for ERDF funding, will not allow any slippage of annual spend or output targets.

Recommendation(s) / steer sought:

Cabinet is recommended to approve:

- i) the Strategic Director for Resources to endorse the Consortium Partners Agreement for the Enterprising West of England programme (already in delivery) to provide advice and support to start up and early stage businesses generating economic value and jobs in City of Bristol and West of England.
- ii) commitment of £300k revenue over 3 years from the Economic Development Enterprise Projects cost centre commencing in 2017/18 and approve a further £52k of match funding in kind (staff salary match).
- iii) management by the Council of related income streams for the programme comprising EU-ERDF grant and match funding contributions from South Gloucestershire Council and Bath & North East Somerset Council totalling £369,500 over 3 years and its payment to delivery partners and contractors, subject to their achievement of ERDF outputs validated by DCLG.

City Outcome: See the summary of outputs and outcomes for Outset Bristol and Environmental Business packages at Appendix 1. The project contributes to Bristol / West of England's small business formation and growth, targeting public support on areas with lower enterprise density and greatest need, contributing to the Mayor's aims of inclusive growth, resilience, and improving economic opportunities for all.

Health Outcome summary: support of new opportunities for entrepreneurs and creation of additional jobs for residents in disadvantaged areas and groups contributes directly or indirectly to improved public health.

Sustainability Outcome summary: specialist support to small businesses to implement environmental and resource efficiency best practices, leading to carbon emissions reduction and greater resilience.

Equalities Outcome summary: Outset Bristol and EWoE packages will in Bristol target support mainly on economically disadvantaged wards /neighbourhoods and social / demographic groups under-represented in enterprise, eg. young people, women, black and minority ethnic communities and disabled people.

Impact / Involvement of partners: Key local partners, viz. Business West, South Gloucs and B&NES Councils, as well as national partners, Prince's Trust and YTKO, are members of the EWoE consortium and pooling their funding resources to lever match ERDF funding, and so generate larger-scale impacts.

Consultation carried out: the programme was conceived and consulted on during 2015 as part of the West of England strategy for ESIF (EU Structural & Investment Funds) 2015-20, and its Enterprise Growth theme, involving public, business and third sector partners. Cabinet Members for Place and Deputy Mayor were briefed and consulted in Nov 2016 in relation to private and social enterprise support via ERDF. See Appendix B for further details.

Legal Issues:

- The European Structural and Investment Fund (ESIF) is a fund under which organisations (both private/public) can make applications to DCLG (who is the Managing Authority) for European Regional Development Funding (ERDF) and/or ESIF. The payment of a grant under the fund is conditional on match funding being received or committed.
- Business West LTD (BW) is a registered company and has previous experience for the delivery of various projects under the ESIF (as Lead Applicant and Delivery Partner). Enterprising West of England (EWOE) is a programme that offers business support, BW was the Lead Applicant for ERDF for EWOE. The application submitted by BW envisaged that individual projects would be delivered by a consortium of partners' i.e. BCC, BANES, South Glos, North Somerset, YTKO and the Princes Trust.
- A consortium agreement is currently in place between Business West as Lead and various delivery partners (including BCC) which sets out the terms and conditions on which grants from the EDRF will be paid to the delivery partners (via BW) for projects they deliver under the EWOE. Requirements to adhere to state aid and procurement law are also contained within the agreement in addition to details of the committed and indicative match funding that will be provided by the delivery partners for the delivery of individual projects under the EWOE.
- BCC has provided an indicative amount of match funding and has yet to commit any funding. BW will not pay grants to delivery partners (including BCC) until match funding has been provided or committed in writing. If a delivery partner wishes to claim a grant for the delivery of a project it must provide the necessary information and verify details of the project to BW who in turn submit the necessary paperwork to DCLG.
- BW is the Accountable Body to DCLG for the delivery of projects under the EWOE and for making grant claims on behalf of the delivery partners. There is a risk that if a grant is paid to a delivery partner and a project cannot be successfully delivered, eg. because match funds cannot be provided, the delivery partner will be in default and liable to repay the grant to BW (accountable to DCLG for same).
- BCC can mitigate the risk by ensuring that any match funding being provided by BCC is not only committed but available before a grant claim is defrayed. If BCC is delivering projects with other delivery partners and relying on match funding from third parties again ensuring that match funding is available before a grant is defrayed could mitigate the risk of delivery failure and the grant having to be repaid. Under the collaboration agreement only Eligible Expenditure can be claimed and BCC should ensure therefore that it is only eligible expenditure that is defrayed.
- All projects delivered under the umbrella of the consortium agreement should be governed by appropriate agreements to ensure that projects are delivered in accordance with the project specific requirements. Conditions should also be contained which will allow BCC to claw back of funding (from a delivery partner or third party) where projects are not delivered in accordance with the project specific requirements, in circumstance where committed match funding has not been provided, where a delivery partner is in breach of the consortium agreement and in circumstance where DCLG could claw back the grant from BW and/or BW from the delivery partner.
- There should be a process of early communication and application to BW/DCLG if a project change is anticipated. Projects should be procured and delivered in accordance with the consortium agreement, state aid and procurement rules.

Legal Officer: Sinead Willis, Solicitor, Commercial and Corporate Governance Team.

DLT sign-off	SLT sign-off	Cabinet Member sign-off
Nicki Beardmore / RLT 9/8/17	Denise Murray 17/8/17	Cllr Craig Cheney 18/8/17
Appendix A – Further essential background / detail on the proposal		YES
Appendix B – Details of consultation carried out - internal and external		YES
Appendix C – Summary of any engagement with scrutiny		NO
Appendix D – Risk assessment		NO
Appendix E – Equalities screening / impact assessment of proposal		YES
Appendix F – Eco-impact screening/ impact assessment of proposal		YES
Appendix G – Exempt Information		NO

