

## Policy Committee – 28<sup>th</sup> July 2015

# LEEDS CITY REGION ESIF PROGRAMME – Ad:Venture ENTERPRISE GROWTH PROPOSAL



Report of the Strategic Manager for Planning and Regeneration

Ward(s) affected: All Wards

### 1. Purpose of Report –

To consider the Council's contribution as part of a local authority-led consortium formed in response to a European Structure and Investment Funds (ESIF) Programme call for proposals relating to Enterprise Growth in the Leeds City Region.

### Recommendations –

Members are recommended to:

- 2.1 Endorse the proposed bid by the local authority-led consortium to deliver an Enterprise Growth Project (Ad:Venture) across the Leeds City Region.
- 2.2 Agree to contribute up to £46,123 as matched funding for the proposed Enterprise Growth Project (Ad:Venture) being developed by the local authority-led consortium for the Leeds City Region.

### 3. Background -

- 3.1 In March 2015, the Leeds City Region Local Enterprise Partnership launched its European Structural and Investment Fund (ESIF) programme setting out how it proposes to use an allocation of £170million of European Regional Development Funds (ERDF) to deliver projects across nine thematic objectives. These objectives are based on local priorities outlined in the City Region's Strategic Economic Plan, and includes support for growing small and medium sized enterprises (SMEs); developing a skilled and flexible workforce; creating a low carbon economy and delivering infrastructure for growth including digital technology.
- 3.2 The programme for the Leeds City Region forms part of an England-wide ERDF programme; delivery of which is being managed by the Department for Communities and Local Government (DCLG). The role of DCLG as managing authority includes responsibility for:
  - Inviting applications for ERDF support, by competitive bidding or otherwise;
  - Determining whether project applications meet core selection criteria;
  - Making the final decision on which projects will receive funding.

- 3.3 At the end of March 2015, DCLG issued a call for proposals under the title 'Enhancing the Competitiveness of Small and Medium Enterprises' for a project covering the nine local authority areas of the Leeds City Region – this excludes Barnsley, which for the purposes of ESIF is within the Sheffield City Region. The call was for a single bid delivering across the whole Leeds City Region, covering a three-year delivery period, likely to commence on or before January 2016, with a total value of £13.76million - £6.88million of ERDF funding.
- 3.4 A bidding consortium was formed, comprising the nine local councils, two Chambers of Commerce and the City Region's Universities, with support from FE colleges. The consortium has significant experience and understanding of previous business start-up programmes. Beyond the immediate bidding consortium, the proposal has support from a range of private sector institutions including NatWest and Lloyds Bank, Microsoft, PERA Consulting and contractors of the national business Growth Service.
- 3.5 An outline application was submitted to the DCLG on 29<sup>th</sup> May 2015. Feedback is expected in August. If the outline application is successful, the consortium will be invited to prepare a full business plan which, subject to approval, would result in a contract being awarded by February 2016. The initial timetable issued with the call for proposals required full business plans to be submitted by 2<sup>nd</sup> September 2015.
4. **ESIF Programme Funding Requirements and Local Authority Involvement -**
- 4.1 An indicative budget of £6.88m has been allocated to this area of the ESIF Programme, which requires £6.88m of match funding to create a £13.76m programme overall. The consortium already has provisional financial commitments from a number of organisations, outside Local Authorities that are willing to contribute to the project's match funding. These include six Yorkshire Universities, the two Leeds City Region based Chambers and the Business Enterprise Fund (an alternative finance institution for the Region) – the value of these commitments is £2,767,837.
- 4.2 Most local authorities have already indicated a willingness to be involved and to assist: however, the consortium is at a point in the application process where it is necessary to clarify how this will translate into match funding.
- 4.3 The proposal is that each local authority area contributes a core match amount in proportion to its size as measured by their current SME business stock – a breakdown by local authority area is provided in paragraph 7.1. The purpose is to ensure that project delivery can take place locally in all areas within the Leeds City Region, which is desirable and is a requirement of the call for proposals. If the consortium cannot offer delivery across all nine core local authority areas, then the application is at risk.
- 4.4 The proposed minimum core offer for each area would be:
- A substantial business start-up support programme with enterprise awareness events across multiple local venues.

- A comprehensive programme of business planning workshops covering the key business disciplines including selling, marketing, product development, cash flow forecasting and bookkeeping.
- Client access to sources of finance.
- Client incentives including grants for marketing research and business resilience.
- University-led business support programmes based on action learning and peer-to-peer support networks.
- Structured leadership and management development as companies begin to grow their employee numbers.
- Experienced business mentors across a range of commercial and industrial sectors.

None of the types of support listed above is currently available via the national Growth Service provision, nor, with the exception of the last bullet point, via any current localised business support programme.

4.5 The projected cost of each strand of the programme is showed in the table below:

Activity	Total Estimated Cost
Pre-start Support (Advisers/Business Coaches)	£2,010,100
Business Incubation Centres	£1,627,500
Business Loans/Grants	£5,535,303
Existing Business Advisers	£1,296,500
Post Start Action Learning	£590,400
Local Authority/Chamber Delivery (specific sector or thematic activity)	£1,486,489
Marketing (the programme)	£311,875
Contract Management	£901,833
<b>Total</b>	<b>£13,760,000</b>

Please note that the above figures are indicative and may change as the full ERDF application and business plan is developed.

4.6 Research shows that businesses that take advice or participate in structured development programmes can increase capability and confidence and grow the business more rapidly than those that simply learn by trial and error. The project will:

- Promote entrepreneurship to residents of Craven District, directly addressing the lower business birth rate. During the first five-months of this year there were 21.6% fewer business start-ups compared to the corresponding period in 2014. This growth rate ranks Craven at 315 out of the 326 English districts;

- Foster the creation of new firms with a vision to grow and contribute to the economic prosperity of the District;
- Help SMEs to become more competitive, developing innovation and export capability to bring new ideas, products and services to market;
- Create more formal employers occupying business premises and paying business rates.

## 5. **Delivery Outputs** -

5.1 The programme will be required to deliver the following outputs:

Indicator	Target
Enterprises receiving support	1,700
New enterprises supported	900
Private investment matching public support to enterprises (non-grants)	£500,000
Employment increase in supported enterprises	3,000
Enterprises supported to introduce new to the market products	60
Enterprises supported to introduce new to the firm products	285

The above targets are for the whole of the Leeds City Region. The methodology for allocating delivery outputs by area (or by delivery organisation) has still to be established.

5.2 A Steering Group, comprising of senior officers from each of the partner organisations has been meeting on a regular basis to oversee the design and delivery of the Ad:Venture programme. It is anticipated that when the programme starts to be delivered from April 2016, the role of the Steering Group will be to receive project performance reports – outlining progress with regard to expenditure, outputs and outcomes. Performance to the programme with regard to delivery in Craven District will be reported as part of the Council's Performance Monitoring Updates which are presented to Policy Committee on a quarterly basis.

## 6. **The Council's Contribution** –

6.1 It is proposed that the funding requested at recommendation 2.2 is allocated from the Council's New Homes Bonus Localism Reserve. As at Minute POL.384/11-12, it was agreed that the Council's New Homes Bonus receipts should be used for the provision of agreed infrastructure to support the communities and economy of Craven. The proposal was for the monies to be split between three priority actions – the Localism Reserve, the Infrastructure Reserve and the Empty Homes Reserve.

6.2 The purpose of the Localism Reserve is to support the development of community and business groups and third sector organisations to enable them to increase their

ability to provide activities and services to the communities of Craven. It was agreed at Minute POL.409/11-12, to use the funding to support the delivery of activities and services that supported the growth of local businesses and enterprise. As the project matches the purpose of the Localism Reserve, particularly with regard to the target beneficiaries, it is proposed that the Council's contribution is funded from this funding pot.

## 7. Implications

### 7.1 **Financial and Value for Money (vfm) Implications –**

7.1.1 To ensure that the core offer of support as outlined in paragraph 4.4 above is available in each district, a total cash match of £1,246,576million from local authorities is required – this is less than 10% of the project's total value. Using the latest SME business stock figures, this amount breaks down as follows:

Local Authority Area	No. of SMEs	% of total SME Stock	Match required for Core Offer
Bradford	15,050	15.2	£189,480
Calderdale	7,980	8.0	£99,726
Craven	3,665	3.7	£46,123
Harrogate	9,325	9.4	£117,178
Kirklees	14,140	14.2	£177,014
Leeds	27,500	27.7	£345,302
Selby	3,695	3.7	£46,123
Wakefield	9,865	9.9	£123,411
York	8,105	8.2	£102,219
	<b>99,325</b>	<b>100.0</b>	<b>£1,246,576</b>

In return for the above cash contribution, it is expected that the local area will receive almost seven times the value in terms of support provided to entrepreneurs and new firms in their local area. Therefore, it is expected that the Council's contribution of £46,123, will provide support to the value of £332,861 for the District's pre-start and new start businesses.

7.1.2 Subject to Committee's approval, the funding would be allocated from the Council's New Homes Bonus Localism Reserve. As at Minute POL.384/11-12, it was resolved that 15% of the Council's New Homes Bonus receipts will be allocated to the Localism Reserve.

As the level of investment available to commit through the Localism Reserve is directly related to income received from Government, it was agreed that decisions will only be presented to Members once sufficient funding has been confirmed. The current uncommitted balance in respect of the Localism Reserve is £137,294. The table below shows the income allocated to the Localism Reserve and potential commitments presented for consideration by this Committee.

	Current uncommitted balance	Potential commitments at the Committee	Balance after potential commitments
Localism Reserve	£137,294		
Skipton Town Hall: Feasibility Study for the Concert Hall		£20,000	£117,294
ESIF Enterprise Growth Project – Ad:Venture		£46,123	£71,171
Threshfield Quarry Public Art		£22,000	£49,171

## 7.2 Legal Implications –

There are no legal implications as a result of approving the recommendations in this report. Leeds City Council will be the accountable body for the project, and will hold overall responsibility for the ERDF contract with DCLG; entering into agreements with the project delivery partners and ensuring compliance with State Aid Laws.

## 7.3 Contribution to Corporate Priorities –

The proposal in this report contributes to the delivery of the Council Plan (2015 – 2018) through the Enterprising Craven priority to support business growth across Craven. It also supports the delivery of the Economic Development Strategy for Craven District (2010 – 2016) by enabling business growth in addressing business performance through encouraging business start-ups, expansion and reinvestments.

## 7.4 Risk Management –

There are no significant risks to the Council as a result of approving the recommendations in this report. The financial management and control systems for the project will follow Leeds City Council's Financial Procedure Rules; who as accountable body will be responsible for the overall monitoring, administration and payment of ERDF funds.

If the recommendation is not approved, the Council is at risk of missing out on the opportunity to enable pre-start and new start businesses in Craven District to benefit from a £13.76million package of support. If the total value of the cash match funding required from the local authorities is not available, it may not be possible to guarantee full coverage across the Leeds City Region area, which could place the application at risk.

## 8. Consultations with Others –

Legal Service  
Financial Service

9. **Access to Information : Background Documents** –

ESIF Outline Application Form – Ad:Venture Enterprise Growth Proposal

10. **Author of the Report** –

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Note : Members are invited to contact the author in advance of the meeting with any detailed queries or questions.

11. **Appendices** –

None