
Leaders Key Decision

European Regional Development Fund

This document seeks approval for Nottingham City Council to enter into contracts for the delivery of projects funded through the European Regional Development Fund.

There are four projects in this request involving Nottingham City Council supporting two of its priority sectors (Life Sciences and Creative industries), its links to the D2N2 LEP through the D2N2 growth Hub, and its investment in Marketing Nottingham and Nottinghamshire.

Nottingham City Council's involvement is as below:

- D2N2 Growth Hub. Lead partner. Total costs of project £2.72 Million. Match from Nottingham City Council £0.56 Million.
- Creative and Digital Industries (working with the Creative Quarter). Lead Partner. Total project costs of £4.97 Million. Match from Nottingham City Council £0.11 Million.
- In Bound Investment (led by marketing Nottingham and Nottinghamshire. Delivery partner. Total Project costs of £1.22 Million. Match from Nottingham City Council £0.375 Million.
- Innovation in the life sciences sector (led by Medilink). Delivery partner. Total project costs of £5.10 Million. Match from Nottingham City Council £0.03 Million.

The projects are at the final stage and all hope to start in the next three months.

Further details are given below.

Chris Henning

Submission of final European Structural and Investment Funds (ESIF) bids for SME Competitiveness and Innovation programmes and approval of Nottingham City Council funding implications.

Total Value of Decision: £8,232,000

All revenue

Detailed background

1. For the **D2N2 Growth Hub programme**, authority to:
 - a. Undertake a programme worth £2,880,000, subject to DCLG approval of Nottingham City Council's bid. Of this £2,726,000 will be an ERDF funded programme and £154,000 which will be outside the ERDF programme, complementing it
 - b. Commit Council funding of £714,000 within this sum
 - c. Enter into a grant funding agreement and defined partnership should this be successful, with Nottingham City Council acting as Accountable Body within the partnership to deliver the programme
 - d. Create two new posts and regrade an existing position to manage the project
 - e. Delegate the authority for the Director of Economic Development to enter into contracts with delivery partners for the delivery of the project.

2. For the **D2N2 Creative and Digital Industries programme**, authority to:
 - a. Undertake a programme worth £4,947,000 subject to DCLG approval of Nottingham City Council's bid
 - b. Commit match funding of £110,000 within this sum
 - c. Enter into a grant funding agreement and defined partnership arrangements should this be successful with Nottingham City Council acting as Accountable Body within the partnership to deliver the programme
 - d. Create a new post to oversee the project
 - e. Delegate the authority for the Director of Economic Development to enter into contracts with delivery partners for the delivery of the project.

3. For the **In-bound investment programme**, authority to:
 - a. Support a full Application, submitted by Marketing Nottingham and Nottinghamshire, for a programme worth £1,221,000, subject to DCLG approval
 - b. Commit match funding of £375,000 within this sum
 - c. Delegate the authority for the Director of Economic Development to enter into a contract with the lead partner

4. For the **Medilink Innovation programme**, authority to:
 - a. Support a full Application, submitted by Medilink East Midlands, for a programme worth £5,102,000, subject to DCLG approval
 - b. Commit match funding of £30,000 within this sum
 - c. Delegate the authority for the Director of Economic Development to enter into a contract with the lead partner

All bids are submitted to DCLG as Managing Authority for the European Regional Development Fund (ERDF) component of ESIF, following success at the prior Expression of Interest stage. All programmes will operate for 36 months each over the period 1 April 2016 to 30 June 2019 (One starts on 1 April 2016, the others are expected to start by 1 July 2016). Match funding during this period is provided as a mix of cash and in-kind contributions.

Other options considered

1. Not providing funding for the ESIF programmes

The bids have been developed with Nottingham City Council either in the lead (Growth Hub) or playing an active supporting role (Creative and Digital, Medilink, In-bound investment). All have been developed in line with the Council Plan objective to 'deliver the business support schemes that underpin the City's Growth and City Deal'. The programmes require City Council input in terms of people, funding and know-how to deliver their objectives. If the bids were not submitted to the Managing Authority, the funding made available through the call would be allocated to alternative projects and organisations. This would result in different projects aimed at supporting SMEs being funded throughout the D2N2 LEP area – projects which the City Council would have had little or no input in designing or delivering. This would be highly likely to result in poor or patchy support for Nottingham's businesses and hinder the growth of our economy.

The current model:

- Offers a holistic, coherent and integrated model that avoids duplication of provision.
- Is based on a strong local partnership of organisations.
- Links with existing local infrastructure.

2. Alternative Delivery Models

During the development of the proposals, alternative options for delivery were considered. These included:

- Delivering the Growth Hub and sector specific programmes within the boundaries of Nottingham City only and not on a D2N2 basis. The programmes have been worked up on a partnership basis, pooling resources across D2N2 to underpin LEP-wide delivery. A Nottingham-only programme would, not meet call requirements, and reduce the economies of scale.
- Procuring delivery through sub-contractors, rather than through partnership arrangements. The procurement process required would delay delivery by some months. It is unlikely that sub-contracted deliverers would have the same level of commitment to the development of the project or outcomes achieved.

Reasons for decision

The European Regional Development Fund provides an opportunity to bring in EU funding to support the competitiveness of SMEs, but only if local match funding is in place. For a Council investment of £1.229m (in cash and in-kind contributions), some £14.150m of programme activity will be funded to benefit businesses in Nottingham and the surrounding D2N2 region, boosting economic growth and providing jobs for City residents.

Nottingham City Council has direct involvement in four of the Full Applications in the current round of SME Competitiveness bids:

- D2N2 Growth Hub (NCC is lead organisation)
- Creative and Digital Industries (NCC is lead organisation, with delivery led by the Creative Quarter Company)
- Life science sector support (NCC is supporting Medilink as lead organisation)
- Inward Investment Activity (NCC is supporting Marketing Nottingham and Nottinghamshire as lead organisation)

The objectives of each of these programmes supports our Council Plan objective to 'Deliver the business support schemes that underpin the City's Growth and City Deal'. Two of three of the City's priority growth sectors (as set out in the 2012 Growth Plan) will be supported. Future calls will enable support for the low carbon sector (the third priority growth sector) and the ICT needs of SMEs.

Details of each programme are set out in the Background to the Decision. All of these bids were supported at Expression of Interest Stage by the D2N2 ESIF Programme Board, on which Cllr Collins sits as a member.

Requirement for Leader's Key Decision

Following notification from the Department for Communities and Local Government on 24 August 2015 that the D2N2 Growth Hub and the ERDF CDI Project had been approved to proceed to Full Application, the Council was set a deadline of 5 November 2015 to prepare and submit a Full Application to the Managing Authority. Marketing Nottingham and Nottinghamshire and Medilink received similar notification for their projects with the same dates. These Full Applications have now been submitted and are currently being assessed by DCLG. Feedback to date has been generally positive. There have been further rounds of clarification questions all of which have been answered in a timely fashion. A Leader's Key Decision is required in order to gain approval for the formal commitment of the necessary match funding for the programmes. This is required as part of the Full Application process as ESIF funding cannot be confirmed by DCLG without formal confirmation that all match is in place. As a result the resources to cover the match funding (earmarked reserves) will need to be maintained and made flexible across the three year life of the ESIF projects.

Value for Money

The intervention rate for the ERDF funding is 50%. This means that for every pound of Council match funding invested in the programme, a further pound will be provided from the EU. This intervention rate represents good value for money (provided the objectives of the programme are sound) as it doubles the Council's investment. This match can be (and is) provided through both cash and in-kind funding (principally staff time).

The primary aim of the European Regional Development Fund programmes is to increase the competitiveness and innovation of SMEs, creating new products, businesses and jobs.

The programme will therefore deliver significant benefits for Nottingham businesses, growing the City priority sectors, increasing their sustainability, growing new business, boosting graduate retention and creating jobs. The details of the programmes which are to be funded are set out in the background below.

To maximise the grant drawdown, it is proposed that Nottingham City Council will create four positions as follows:

- New - Creative Digital Project Administration & Finance Manager
- New - Growth Hub Partnership Manager
- New – Growth Hub Business Finance Manager
- New - Growth Hub Project Administration & Finance Manager

Additionally the existing Growth Hub Manager post will be regraded to reflect an increase in responsibilities. These posts will put in place appropriate processes to ensure accurate, complete and timely grant claims, ensure compliance to the conditions and build the competence and status of the Growth Hub. As the grant funding is temporary until 2019, the employment contracts will be fixed term and roles configured to deliver best value for money.

Affordability

The table below sets out the NCC match funding for each of the programmes. This is comprised of both cash and in-kind contributions. In-kind contributions include staff time. This funding is currently available within budgets for which the Economic Development Department is responsible, as set out in detail in the financial advice. All programmes are affordable, even after taking into account potential reductions to budgets which may need to be found to meet the Council’s future budget pressures.

| Programme | Total value (£) | NCC match (£) |
|--|------------------------|----------------------|
| Growth Hub – ERDF funded | 2,726,000 | 560,000 |
| Growth Hub – non ERDF funded | 154,000 | 154,000 |
| Creative and Digital | 4,947,000 | 110,000 |
| Life Sciences (Medilink) | 5,102,000 | 30,000 |
| In-bound Investment (Marketing Nottingham and Nottinghamshire) | 1,221,000 | 375,000 |

Background to the decision

The 2014-2020 European Social and Investment Funds programme brings together the European Regional Development Fund and European Social Fund into a single growth programme for England. The programme supports the key priorities of innovation, research and development, support for small and medium-sized enterprises (SMEs), low carbon, skills, employment and social inclusion through the provision of grant funding.

In March 2015, the Department for Communities and Local Government issued a call for the submission of project proposals that would support the delivery of Priority

Axis 1 (Strengthening and Promoting Research, Technological Development and Innovation) and Priority Axis 3 (Enhancing the Competitiveness of Small and Medium sized Enterprises).

In response to the calls, Nottingham City Council worked with partners to submit the bids detailed below. Medilink bid under Priority Axis 1 and the others under Priority Axis 3.

Bids were submitted in late May 2015 and were reviewed by the D2N2 LEP in late July. On 24 August lead organisations were asked to develop a second stage bid. This second stage was submitted on 5 November and is currently being assessed by DCLG. Since then there have been further rounds of clarification questions all of which have been answered in full in a timely fashion.

As part of the Full Application process, the Council is required to confirm that it has committed the necessary match funding required delivering the programme as planned. The commitment to match funding will not prevent Economic Development from making its required contribution to the budget reductions across the council over the next three years.

The four programmes are described below.

Growth Hub programme

The total value of the D2N2 Growth Hub programme is £2,726,000. To meet these costs, £1,363,000 of funding is being sought from the European Regional Development Fund and the Council will be required to commit £560,000 funding to the programme.

Acting as Accountable Body for this bid and employing the key staff involved in its delivery is entirely consistent with our ambitions.

The D2N2 Growth Hub will:

- Provide an ongoing well advertised first point of contact for over 4000 SMEs seeking business support.
- Identify employer needs and then provide SMEs with the best possible solution to meet them either directly through this project (658) or through other ERDF projects.
- From this project directly create 240 jobs and indirectly many hundred more across all ERDF programmes
- Ensure alignment and integration of programmes across the region increasing the efficiency of the business support provider environment.
- Engage with under represented groups of people in business ownership boosting their numbers through start up activities
- Save the Council money in attracting companies to take advantage of the Council business intervention activities.

Creative and Digital Industries (CDI) Programme

The total value of the ERDF CDI Project is £4,947,000. To meet these costs, £2,474,000 (50%) of funding is being sought from the European Regional Development Fund and the Council will be required to commit £110,000 of match funding to the programme.

The ERDF CDI Project will:

- Build a cooperative network of business support providers working towards the common aim of improving the size and impact of creative and digital employers from start up to high growth Support just under a thousand Creative SMEs to be more competitive through either business support (advice/mentoring/workshops) or a grant.
- Create 200 new local jobs through the above support and guide 400 people through the process of creating their own businesses (many from groups underrepresented in the businesses ownership community).
- Strengthen the Creative and Digital Industries as one of the key sectors in the D2N2 LEP area bringing over 400 new services/products to market
- Contribute to the sustainability of the Creative Quarter Company increasing the profile of Nottingham as the place for creative and digital companies.
- Increase the number of graduates working and remaining in Nottingham

In-bound investment from SMEs into Nottinghamshire (IBIS-N)

The total value of the IBIS-N Project is £1,221,448. To meet these costs, £610,724 (50%) of funding is being sought from the European Regional Development Fund and the Council will be required to commit £375,000 of match funding to the programme.

The IBIS-N project will:

- Target SMEs in China, India and USA looking to invest in the UK and sell the benefits of England and the area by reacting to enquiries and pro-actively developing a pipeline of potential investors
- Secure investment from high growth, foreign owned SMEs in some of D2N2 and local key sectors
- Secure additional business events/conferences. Business visitors represent 15% of visits, yet 19% of expenditure. Average spend of a business visitor is £104 per night, so this activity contributes significantly to local GVA
- Support 60 employers new to Nottingham to improve their competitiveness and create 110 jobs.

Medilink (Life Sciences)

The total value of the Medilink Project is £5,102,000 across the East Midlands. To meet these costs, £2,551,000 (50%) of funding is being sought from the European Regional Development Fund and the Council will be required to commit £30,000 of match funding to the programme.

The Medilink programme will:

- Support 135 life sciences companies to invest in innovation; 115 through a grant (to buy equipment or business support) and 20 through an Accelerator programme. All bringing a new product to market as a result
- Bring 30 companies and universities together to create new business knowledge collaborations
- Increase the number and reach of medical and bioscience companies in Nottingham with at least 35 new organisations (start up/new to Nottingham).
- Increase the profile of Nottingham as the place for medical and bioscience companies and to the sustainability of the sector
- Increase the number of job opportunities for local people in the sector.
- Increase the number of graduates working and remaining in Nottingham

Relevant Published Documents

European Structural and Investment Funds Guidance

All published guidance documents relating to the ESIF programme on selection criteria, eligibility rules, publicity requirements, funding agreements and State Aid law can be accessed electronically at the following link:

www.gov.uk/government/publications/european-structural-and-investment-funds-programme-guidance

The calls can be found at

<http://www.d2n2lep.org/EUFunding/Calls-Guidance-and-Application-Forms>
<https://www.gov.uk/european-structural-investment-funds>

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