

BRECKLAND DISTRICT COUNCIL

Report of Executive Member for Assets and Strategic Development

To: Cabinet 3rd December 2013
Council 19th December 2013

(Author: Simon Best – Low Carbon Growth Programme Manager)

Subject: Extension of existing ERDF-funded LEGE/Grants4Growth Programme

Purpose: To obtain clear guidance on an opportunity to seek an increase in ERDF funding for the existing LEGE/Grants4Growth Programme to deliver additional outputs.

Recommendation(s):

Accept the offer of additional funding of £2 million from the East of England European Regional Development Fund (ERDF) Programme for the Council's current Local Enterprise Growth and Efficiency project (LEGE) branded as *Grants4Growth*.

1. BACKGROUND

The Local Enterprise Growth and Efficiency (LEGE) Programme – delivered under the *Grants4Growth* brand – is an innovative £8.5 million ERDF-funded programme delivered by Breckland Council in partnership with the four out of the five Local Enterprise Partnerships (LEPs) based in the East of England. The Project's function is to act as a catalyst for growth and investment. It addresses well-documented market failure around SMEs' access to finance and enables SMEs to 'invest to grow'. Delivery is focused on the administration and distribution of:

- a) capital grants as a catalyst for investment by SMEs to purchase/install efficient new processes, production facilities and clean tech/efficiency equipment with the objective of realising growth, improving resilience and/or creating/safeguarding jobs, increasing operational efficiency and reducing the environmental impact of business operations;
- b) revenue grants and other direct assistance to support the strategic *Low Carbon and Environmental Goods and Services* (LCEGS) products/services sector, such as clean technology and renewable energy.

Demand for the support from the Project is significantly greater than anticipated. The delivery pipeline (i.e. committed private sector match funding) is already £5.8 million after 6 months, against a 2-year target of just £5 million.

Project management has been informally approached by the ERDF programme about extending the Project's value. A model for this extension has been derived whereby additional ERDF funding would be used to provide a *supergrant* facility, administering 20 additional grants of an average value of £100K and an intervention rate of 28%. There is proven business need and demand for such a service and interventions on this scale are typically far more likely to realise robust and attributable growth outcomes in terms of quantifiables like numbers of jobs created/safeguarded.

This proposition would require no recruitment, no funding from Breckland Council and has no particular resource implications for the Project.

2. OPTIONS

- **Option A:** the *do-nothing* option. The Project's management does not apply for £2 million+ of additional funding. The existing ERDF-funded grant pot of £2.54 million will be matched with £5 million+ of private sector investment in growth. A number of significant opportunities to catalyse transformative growth in SMEs will be unrealised.
- **Option B:** Grants4Growth is re-profiled and additional ERDF funding sought. This would increase the size of the grants pot to £4.54 million and leverage £9 million+ of private sector investment. Total ERDF funding would increase from £3,361,423 to £5,396,561, reflecting the £2 million increase in the size of the grants pot and £35,138 to cover additional administrative costs incurred in managing the new *supergrant* facility (such as salaries/subcontracts to cover the extra responsibilities around investment due diligence, marketing of the facility, travel associated with the grant applications process and technical consultancy to assist with feasibility work around the specific initiatives being presented for appraisal by the Grants Panel).

3. REASONS FOR RECOMMENDATION

Option B is recommended. The Economic Development service's track record of delivery and performance under scrutiny/audit mean that DCLG considers the Project and its management/governance/oversight structures to be '*lower than low risk*'. If DCLG is unable to allocate funding before the end of 2013, the funding allocation would be returned to central government and then to the EU Commission.

There are likely to be no further opportunities to access additional ERDF funding during the current programme. The LEP-administered operational programmes for the 2014-2020 EU structural funds are unlikely to be in any position to begin allocating funds until late 2014. This proposal represents, therefore, the only real opportunity for capacity building during the immediate future and is clearly aligned to established business demand/need.

4. EXPECTED BENEFITS

The expected benefits will be aligned to the contracted outputs attached to any increase in ERDF funding. The specific outputs have not been quantified and would be subject to negotiation with the ERDF programme. Quantitative outputs over the Project as a whole would be around £4 million of additional private sector investment leveraged in growth/efficiency initiatives and jobs created/safeguarded and SMEs integrating new products, services or processes.

5. IMPLICATIONS

5.1 Legal

No implications.

5.2 Risks

The increase in funding will confer additional contracted outputs on the Project. A clear case for business demand and need has been made and will, in any case, need to be articulated in some detail if a formal ERDF application is made. The project delivery team is very confident of successful delivery and would not consider injecting additional 'risk' into a highly successful project unless there were clearly defined and achievable benefits.

5.3 Financial

No additional costs would be incurred by Breckland. All direct costs are eligible ERDF expenses and would be reclaimed through the Project. There is no Breckland match-funding associated with this proposition. It is recommended that the proposal be subjected

to financial review (Proforma B) for reports to Breckland Cabinet/Council.

5.4 Timescales

It is understood that EU Commission has currently placed a moratorium on new ERDF commitments by arrangement with DCLG. Given DCLG's responsibility to allocate unallocated and clawed-back funds before the end of 2013, it's likely that the project team would be in a position to formally apply for the additional funding from the end of October onwards, if instructed to do so. This would be administered by the Project until the programmed project completion in December 2015.

5.5 Equality and Diversity

No implications; the Project already incorporates equality considerations. All grant beneficiaries must either provide a copy of their current equality policy or sign up to equality principles outlined in grant offer letters as a formal condition of grant funding.

5.6 Stakeholders / Consultation

Breckland is the applicant and 'owner' of the project and there are no financial stakeholders except the ERDF programme. Individual LEP partners have already informally been consulted via the Project's embedded business brokers and at the most recent Operational Team meeting.

5.7 Contracts

In the result of the additional ERDF funding being awarded, a variation to the existing Funding Agreement would be issued by DCLG.

5.8 Section 17, Crime & Disorder Act 1998

No implications.

5.9 Other

No implications.

6. WARDS/COMMUNITIES AFFECTED

Any eligible SMEs in every Breckland ward may be a beneficiary of the grant funding. The Project administers discretionary delegated grants on a best-value and merit basis. Geographical location within Breckland is not a factor.

Background papers: none.

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Director/Officer who will be attending the Meeting

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Key Decision – No

Appendices attached to this report: none