

# Birmingham City Council

## Report to Cabinet

26<sup>th</sup> May 2020



**Subject:** BIRMINGHAM AND SOLIHULL INDUSTRIAL SYMBIOSIS EXTENSION (BASIS) – 3 YEAR EXTENSION

**Report of:** Interim Director – Inclusive Growth

**Relevant Cabinet Member:** Councillor Waseem Zaffar – Transport and Environment  
Councillor Tristan Chatfield – Finance and Resources

**Relevant O &S Chair(s):** Councillor Liz Clements – Sustainability and Transport  
Councillor Sir Albert Bore – Resources  
Councillor Lou Robson – Economy and Skills

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Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 007537/2020		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential:		

### 1 Executive Summary

- 1.1 The purpose of the report is to accept an offer of additional European Regional Development Fund (ERDF) revenue grant of £0.888m to extend the existing Birmingham and Solihull Industrial Symbiosis (BASIS) project, at a gross value of £1.706m.

- 1.2 The BASIS extension will provide a waste reduction advice programme to 203 Small and Medium Sized Enterprises (SMEs). The company, International Synergies Ltd (ISL) will continue to assist in its delivery as a named partner in the project. The project will use industrial symbiosis methods which is an association between two or more SMEs in which the wastes or by-products of one become the raw materials for another (see appendix 2 for case studies).

## **2 Recommendations**

- 2.1 Approves the extension of the Birmingham and Solihull Industrial Symbiosis (BASIS) ERDF project at a gross value of £1.706m.
- 2.2 Delegates authority to the Interim Director, Inclusive Growth to accept the extension offer of ERDF grant funding of £0.888m from Ministry of Housing, Communities and Local Government (MHCLG), subject to receipt of an offer letter, and to enter into the associated funding agreement.
- 2.3 Delegates authority to the Interim Director Inclusive Growth to extend a partnership agreement with International Synergies Ltd (ISL) for project delivery activities up to the value of £1.178m.
- 2.4 Authorises the Council to continue to act as the Accountable Body in respect of the BASIS project extension and to hold, manage and make payments of European Union grant funding.
- 2.5 Authorises the City Solicitor (or their delegate) to execute and complete all the necessary legal documents to give effect to the above.

## **3 Background**

- 3.1 Cabinet approved the original ERDF funded BASIS project on 13<sup>th</sup> September 2017. The Council and ISL have been working in partnership for the past 3 years to deliver environmental consultancy to local SMEs part funded with ERDF Grant. The project has been very effective and has achieved its target of assisting 203 local companies with waste reduction advice at the end of March 2020. ISL is a Birmingham based, private consultancy company who advise organisations on the best way to reduce their environmental impact via waste, energy and raw material use reduction. This is recognised by UK Government, European Commission, G7, World Bank, Organisation for Economic Co-operation and Development and Global Green Growth Forum as a world leader in resource efficiency using industrial symbiosis/circular economy methodologies. ISL have input into the Government Chief Scientific Adviser's Annual Report themed around waste, sustainability and resource efficiency.
- 3.2 Following the launch of a call for ERDF bids in September 2019 on the environment and resource efficiency theme, the Council and ISL (as a named partner) jointly submitted an outline application by the call deadline to extend the existing BASIS project for a further 3 years in consultation with the then Director; Inclusive Growth. In addition to the current BASIS programme which started to deliver in April 2017,

ISL have previously delivered a number of ERDF projects in partnership with the Council and therefore have an established working relationship with the Council and are leading world experts in resource efficiency. ISL are familiar with ERDF funding and have an in-depth understanding of the various rules and regulations that are adhered to when delivering European funding. ISL are also involved in the Commonwealth Games Supply Chain meetings and are involved in delivery with HS2. The outline application for the BASIS project extension was assessed for approval by MHCLG who returned a decision in November 2019 for the Council to submit a Project Change Request for extending BASIS. A Project Change Request was submitted to MHCLG on 21<sup>st</sup> February 2020.

- 3.3 This proposal will generate economic, environmental and social improvements by cutting costs/increasing profits, reducing carbon and waste and creating jobs, some examples of which are shown in Appendix 2. The project has a specific ERDF output of assisting 203 companies with 12 hours or more of consultancy support. In addition, there are sub-measures which are the number of SMEs supported to introduce new products or processes based upon this support. The additional benefits to the SMEs and the environment are likely to include landfill diversion, CO2 reduction, jobs and Gross Value Added.
- 3.4 Led by the Council's European and International Affairs (E&IA) team with input from Waste Management, BASIS will be delivered with project partner, ISL.
- 3.5 The Council and ISL worked in partnership to produce the initial project bid for BASIS and agreed their respective roles and resources to be applied. The Council will continue to act as the Accountable Body for the ERDF revenue grant and will manage and oversee the project including the requirement to submit regular progress reports and grant claims to MHCLG. ISL will provide project staff who will deliver the advice and guidance on resource efficiency to the SMEs supported by the project. ISL will claim ERDF grant via the Council to support this activity. The extension of the activity into a second phase is again by mutual agreement with both parties contributing their own staff match-funding budget and resources to achieve joint aims. The funding for such a partnership arrangement is limited to the actual costs incurred in running the project and the grant is only reimbursed against these actual costs.
- 3.6 The extended BASIS project will continue to create a unique cross-sector network across the LEP area comprising as a minimum, the 12 priority sectors identified in "Delivering Growth – Strategic Framework" for GBSLEP. BASIS will identify business opportunities between the sectors based on the uptake of resource efficiency measures and technologies using the proven methodology of industrial symbiosis/circular economy. ISL have carried out similar projects such as the Burnt Mills eco project in Basildon which achieved reductions in both CO2 and landfill.
- 3.7 The BASIS project extension will support a further 203 Small and Medium Sized Enterprises (SMEs) and achieve high levels of Micro, Small and Medium Enterprise (MSME) engagement and reduce waste by keeping resources in productive use for longer. The project currently has identified a strong pipeline of SME's it can assist.

The BASIS model relies on a facilitated programme which has proven time and time again to be a better option for resource efficiency than beginning with technical studies and data collection, such as through waste audits, or relying on passive participation such as through waste exchange databases. A detailed report can be found in an EU publication co-authored by ISL "[Cooperation fostering industrial symbiosis](#)". The extended project will run until June 2023. Currently, the BASIS project has successfully met its target of supporting 203 local SME's at the end of March 2020 as outlined in the original Grant Funding Agreement.

- 3.8 Through extension of the project, new SMEs will be able to record (without additional effort or cost) via \*Synergie® those additional desirable outcomes such as CO2 reduction (helping meet ambitious CO2 reduction targets within the GBSLEP area) and reduce the amount of waste that ends up in landfill. BASIS will use ISL proven world-leading resource efficiency software Synergie® to manage data collection and progress the business opportunities and to measure and report outputs. See Appendix 4 for a summary of Synergie®.
- 3.9 The project will contribute to the Council's emerging Route to Zero (R20) work. The project will assist SMEs to reduce their use of raw materials, reduce waste from their processes and reduce energy costs. This all helps to reduce the carbon impact of companies on the city.

#### **4 Options considered and Recommended Proposal**

- 4.1 Do Nothing. The project will cease and local SMEs (including a pipeline of potential applicants already in place) will not be able to access specialist recycling advice, waste/resources will not be recycled, and the associated benefits outlined in this report will be lost. In addition, the opportunity to secure ERDF grant funding will be lost and there is limited time remaining in the ERDF programme to submit bids.
- 4.2 Let ISL manage the project. ISL is not eligible to be the Accountable Body for this ERDF project.
- 4.3 Extend the Project and Accept Grant Funding. The project will continue and local SMEs (including a pipeline of potential applicants already in place) will be able to access specialist recycling advice, waste/resources will be recycled, and the associated benefits outlined in this report will be delivered. The opportunity to secure ERDF grant funding will be taken. This is the recommended proposal.

#### **5 Consultation**

- 5.1 The three-year project extension for BASIS has been reviewed and fully endorsed by the European Structural Investments Funds (ESIF) Committee. The ESIF committee comprises of representatives including central government, GBSLEP, higher education/further education sector, private sector and local government.

## **6 Risk Management**

- 6.1 The main risk is around audit and potential clawback on the basis of eligibility or poor document/data retention. This risk will be mitigated as tried and tested policies and templates are in place which are already in use on EU projects, particularly in the current BASIS project. See Appendix 1 for further details.
- 6.2 The UK is facing unprecedented times with the Covid-19 outbreak and this will no doubt have an impact across the economy. Despite this, the current BASIS project continues to successfully deliver assistance to SME's, this has been adapted to mainly online/remote support. The project continues to deliver to the required targets and standards. The project has taken on board the revised rules from MHCLG (use of digital declarations etc) and will continue to implement these adaptations into the project extension.

## **7 Compliance Issues**

- 7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?
  - 7.1.1 The acceptance of the ERDF grant supports the updated Birmingham City Council Plan 2018 – 2022. This project aligns with two of the six key priorities set out in this document. They are; Birmingham being a great, clean and green city to live in and also a city that takes a leading role in tackling climate change. This project is looking to work with enterprises that are aiming to become innovative with regard to their waste and contribute to the green economy. The project will continue to contribute to landfill diversion and CO2 reduction. The project is in line with and helps to deliver the Council's emerging Future Waste Strategy 2017 - 2040 and will assist with its published principles of reduce, reuse and recycle. It will also contribute strongly to the aim of having a 'circular economy' where resources are kept within the economy and used again and again to create further value. Furthermore, jobs will also be created or retained in companies assisted to minimise their waste and to bring new waste stream products forward.
  - 7.1.2 The Council will agree the Social Value outcomes against which commitments are being sought, and it will be a condition precedent that ISL's Social Value action plan (that will be completed using the Council's approved [template](#)) is agreed prior to the release of any grant funding to them.
- 7.2 Legal Implications
  - 7.2.1 Under the general power of competence in Section 1 Localism Act 2011, the Council has the power to enter into the arrangements set out in this report and they are within the boundaries and limits of the general power of competence in Sections 2 and 4 of the Localism Act 2011.
  - 7.2.2 Legal and compliance issues associated with the EU grant and project will be delivered within the partnership agreement.

### 7.3 Financial Implications

7.3.1 The total value of the BASIS project extension proposal is £1.706m of which ERDF revenue grant of £0.888m (52%) will be claimed up to the project end date of 30<sup>th</sup> June 2023. The revenue match funding is being provided from ISL (£0.554m), the EI&A team and Waste Management service (£0.264m). The profile of the expenditure is set out below.

	Financial Year				
	20/21	21/22	22/23	23/24	Total
	£m	£m	£m	£m	£m
<b>REVENUE CONSEQUENCES</b>					
Revenue cost during project delivery					
BCC	0.172	0.171	0.171	0.014	0.528
ISL	0.386	0.386	0.386	0.020	1.178
Total operating period expenditure	0.558	0.557	0.557	0.034	1.706
<b>FUNDING SOURCES</b>					
ERDF to BCC	0.086	0.085	0.086	0.007	0.264
BCC Revenue Funding	0.086	0.085	0.086	0.007	0.264
ERDF to ISL	0.204	0.206	0.204	0.010	0.624
ISL Revenue Funding	0.182	0.181	0.181	0.010	0.554
Total of Funding Sources	0.558	0.557	0.557	0.034	1.706

7.3.2 As the Accountable Body for this project, the Council will be required to ensure compliance with MHCLG grant conditions and will seek to mitigate the risk of non-compliance through a partnership agreement with ISL, which will transfer the appropriate liability for ERDF eligibility to them.

### 7.4 Procurement Implications (if required)

7.4.1 The Council will not undertake any procurement during the course of BASIS extension. ISL will procure £0.015m of marketing for the project and a further £0.02m in consultancy for an evaluation at the end of the project in accordance with the guidance set out in the ERDF grant conditions.

### 7.5 Human Resources Implications (if required)

7.5.1 The Council will provide 1 x Grade 5 (Contracts Manager in Fleet and Waste), 1 x Grade 6 (Operational Manager in Fleet and Waste) and 1 x Grade 7 post (Head of Department in E&IA) (10% FTE) to project manage the project with duties to

be carried out by existing members of staff. The Council will continue to administer the BASIS project extension and with two waste management staff included in the project, they are well placed to administer the required role of effectively directing the project and Birmingham's waste management policies. They are well equipped and possess the knowledge to direct project resources efficiently and effectively. ISL will continue to deliver the outcomes based on this guidance.

## **7.6 Public Sector Equality Duty**

7.6.1 Initial Equality Analysis (EQUA487) has been carried out in March 2020 (see Appendix 3) which takes into account equality measures in the day to day activities in assisting companies. No equality issues have been identified in the first 3 years of running the project.

## **8 Appendices**

### **8.1**

- Appendix 1 Risk Assessment
- Appendix 2 Case Studies
- Appendix 3 Equality Assessment
- Appendix 4 A snapshot of the Synergie® system

## **9 Background Documents**

- 9.1 Cabinet report – Birmingham & Solihull Industrial Symbiosis (BASIS) – Approval to Accept Grant Funding and Full Business Case dated 13<sup>th</sup> September 2017
- 9.2 'Cooperation fostering industrial symbiosis' - <https://op.europa.eu/en/publication-detail/-/publication/174996c9-3947-11e8-b5fe-01aa75ed71a1/language-en>