

Birmingham City Council

Report to Cabinet

21 April 2020



Subject: Property Investment Programme PIP (extension) - Acceptance of ERDF Grant Offer

Report of: Interim Director, Inclusive Growth

Relevant Cabinet Member(s): Councillor Ian Ward – Leader of Birmingham City Council
Councillor Tristan Chatfield - Cabinet Member Finance and Resources

Relevant O & S Chair(s): Councillor Lou Robson, Economy & Skills
Councillor Sir Albert Bore, Resources

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Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If yes, name(s) of ward(s):	All wards affected	
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 007629/2020		
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 this report is to extend the successful Property Investment Programme (PIP) to 30th June 2023 and accept European Regional Development (ERDF) funds of £3.640m from the Greater Birmingham and Solihull Local

Enterprise Partnership (GBSLEP). Birmingham City Council will continue to act as the Accountable Body for the programme.

1.2 The PIP extension will continue to provide grant assistance to 44 existing Small/Medium Enterprises (SMEs) and will continue to fund:

- Capital works: remediation, extensions and new build of industrial/office premises.
- Refurbishment of void commercial (non-retail) premises – bringing business premises back into productive economic use.
- Professional fees (Architect, Quantity Surveyor and Construction Design and Management consultants etc.) associated with the project; fees incurred post project approval will be eligible for funding. These fees will be capped at 10% of overall project costs and in-line with ERDF requirements subject to EU procurement guidelines.

1.3 Grants will continue to be provided in compliance with State Aid De-minimis rules up to €0.200m (approx. £0.182m) and General Block Exemption Regulation (GBER) for grants above €0.200m. De minimis will be capped at 50% contribution towards eligible expenditure. GBER will be 10% to 35% contribution towards eligible expenditure.

2 Recommendations

2.1 Approves acceptance of ERDF Grant of £3.640m to extend the PIP to 30th June 2023, which will continue to provide a comprehensive grant assistance package to support SMEs across the Greater Birmingham and Solihull Local Enterprise Partnership area.

2.2 Approves the City Council continuing to act as the Accountable Body for the PIP extension.

2.3 Delegates the award, approval and monitoring of specific financial assistance grants of between £0.010m and £1.000m per SME (up to the total of £3.480m) to the Interim Director Inclusive Growth (or their delegates), in line with existing procedures.

2.4 Authorises the City Solicitor to negotiate, execute and complete all necessary documents to give effect to the above recommendations.

3 Background

3.1 The current programme has been running since November 2016 and is due to end on 30th June 2020 and is expected to achieve the following results: assist 19 (target 20) businesses, award £1.916m in grants to SMEs (target £2.069m), create 175 new jobs (target 156), create/refurbish over 23,500 m² of commercial (non-retail) floor-space (target 22,736 m²) and generate over £4.690m private sector investment (target £2.069m).

3.2 As at 22th March 2020, the following outputs had been achieved:

SMEs Assisted	Grant awarded	Private Sector Investment	New Jobs Created	Commercial floor space created/refurbished m ²
18	£1.910m	£4.690m	167	23,080

Based on this success to date, the City Council responded to an open call from Ministry for Housing, Communities and Local Government (MHCLG) in September 2019. The outline bid for further funds and to extend the programme to June 2023 was approved by MHCLG and approval of the Project Change Request (PCR) is expected in April.

3.3 The PIP extension will continue to offer an integrated and comprehensive business support package, stimulating growth and investment in the private sector. We will build on the successful delivery to date and will support SMEs to respond to emerging opportunities arising from HS2 and the Commonwealth Games. The proposed extension will operate across the GBSLEP area to provide capital grants of between £0.010m and £1.000m. The programme is expected to:

- support the growth of 50 SMEs,
- create 400 new jobs
- refurbish/create over 50,000 m² of commercial (non-retail) floor space.
- generate a minimum £3.4m private sector investment and increase regional productivity and Gross Value Added.

3.4 The scope, management, governance and operation of the proposed extension will remain as per the original PIP Full Business Case (FBC) approved by Cabinet on 18th October 2016.

4 Options Considered and Recommended Proposal

4.1 **Option 1: Do Nothing** – Would lose the opportunity to secure the offered ERDF grant to extend PIP for SMEs across GBSLEP area. Moreover, to decline the offer would damage the City Council's reputation as the lead partner and Accountable Body and undermine trust and relationships with key regional partners.

4.2 **Option 2: Extend the PIP** – would enable the City Council to extend the successful PIP programme and continue to support SMEs to respond to emerging opportunities arising from HS2 and the Commonwealth Games. This is the preferred option.

5 Consultation

- 5.1 Briefings have been given to all partners in the GBSLEP area. All stakeholders have been consulted in the development of the proposed extension and the role of the City Council and are in favour.

6 Risk Management

- 6.1 A risk identification, mitigation and management process will continue to be employed as per the current programme and regularly reviewed. The biggest risk to this extension is the growing economic uncertainty and lack of 'take-up'; and delays in receiving approval from MCLG. To mitigate this risk the Council will work closely with MHCLG and partners across the GBSLEP area to ensure maximum exposure for the PIP extension.
- 6.2 We will work closely with MHCLG and all partners to tailor the programme to meet the needs of businesses affected by Covid-19; this will include measures safeguarding both businesses and employees.

7 Compliance Issues:

7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

- 7.1.1 The PIP extension will contribute towards the City Council's Plan 2018-2022 – Outcome 1: Priority 1, the proposed project will create 400 new jobs. Priority 2, support 50 SMEs to invest and grow.
- 7.1.2 The project is aligned to the European Structural and Investment Fund (ESIF) and Strategic Economic Plan (SEP) of GBSLEP and the Marches LEP. It will deliver the objectives of Priority Axis 3 by providing a pragmatic solution and tangible benefits to entrepreneurs and SMEs at different stages in their business cycle. This will improve economic prosperity within the GBSLEP area by stimulating business growth, increased investment, improved productivity and the creation of new jobs.

7.2 Legal Implications

- 7.2.1 The PIP extension will be delivered under the Council's general power of competence under section 1 Localism Act 2011, to help businesses to develop and grow by improving their competitiveness and create conditions for them to create new job opportunities.
- 7.2.2 Grants will be provided in compliance with State Aid De-minimis rules up to €0.200m (approx.£0.182m) and General Block Exemption Regulation (GBER) for grants above €0.200m. De minimis will be capped at 50% contribution towards eligible expenditure. GBER will be 10% to 35% contribution towards eligible expenditure

7.3 Financial Implications

7.3.1 The total estimated value of the PIP extension programme is £7.282 m, funded from £3.640m ERDF grant and an equivalent amount of public and private sector match funding. The ERDF grant will support estimated grant payments to SMEs of £3.480 million and contribution towards programme delivery costs (City Council and partner staffing, marketing and evaluation), which are estimated at £0.160m.

7.3.2 The City Council match funding of £0.160m is from existing approved revenue budgets within the Inclusive Growth Directorate.

7.3.3 The table below shows profiled programme budget with funding contributions and confirmed public match-funding:

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 – Q2 £m	Total £m
SMEs Capital Expenditure	1.100	1.900	3.400	0.560	6.960
Funding Source:					
ERDF	0.550	0.950	1.700	0.280	3.480
SME Match	0.550	0.950	1.700	0.280	3.480
Total Capital	1.100	1.900	3.400	0.560	6.960
Revenue Expenditure (City Council, partner delivery costs/salary match, Marketing and evaluation)	0.098	0.098	0.098	0.026	0.320
Funding Source:					
ERDF	0.049	0.049	0.049	0.013	0.160
BCC Match	0.049	0.049	0.049	0.013	0.160
Total Revenue	0.100	0.098	0.098	0.024	0.320
Total PIP Budget	1.200	1.998	3.498	0.584	7.280

7.4 Procurement Implications (if required)

7.4.1 PIP extension involves the procurement of end of programme evaluation at a cost of £0.010m. This procurement will be subject to the City Council's

and EU procurement guidelines and will be advertised on www.finditinbirmingham.com.

7.5 Human Resources Implications (if required)

7.5.1 PIP extension will be managed and delivered through existing resources contained within the Business Development and Innovation Team.

7.6 Public Sector Equality Duty

7.6.1 The programme will be open to all eligible SMEs within the GBSLEP area. A comprehensive Equalities Analysis (reference EA 001049) was undertaken as part of the Full Business Case and Cabinet report accepting original ERDF Grant on 18th October 2016. The proposed extension to activity will not affect the conclusions of the initial EA undertaken in 2016, therefore a further EA is not required.

8 Attachments

8.1 Appendix 1 Equality Analysis EA001049

9 Background Documents

- Property Investment Programme – Full Business Case and acceptance of ERDF Grant, Cabinet report 18th October 2016.