

# Birmingham City Council

## Report to Cabinet

16 April 2019



**Subject:** National Manufacturing Competitive Levels (NMCL) Grant Funding Offer £26m and AMSCI Funds Update

**Report of:** Chief Finance Officer

**Relevant Cabinet Member:** Councillor Tristan Chatfield – Finance and Resources

**Relevant O &S Chair(s):** Councillor Sir Albert Bore - Resources

**Report author:** Assistant Director Development and Commercial Finance

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: 006335/2019		
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, provide exempt information paragraph number or reason if confidential :		

### 1 Executive Summary

- 1.1 Birmingham City Council has been asked by the Department of Business, Energy and Industrial Strategy (BEIS) to act as Accountable Body for the new National Manufacturing Competitive Levels (NMCL) Grant of £26m to be administered and delivered by Finance Birmingham Ltd (FB), the Council's wholly owned Fund Management company. The award of the fund comes after the successful management by FB of over £300m Advanced Manufacturing Supply Chain Initiative funds over the past 7 years and as these funds now close is the next national award to be made by BEIS (Department for Business, Energy and Industrial Strategy). These funds attracted £360m private sector funding to date and created or safeguarded over 14,000 jobs across the region and England.

- 1.2 Potential future AMSCI type programmes are currently under consideration by BEIS. In order to ensure that, if acceptable to BEIS and the Council, the schemes can be immediately implemented, a delegation of fund acceptance and a fulfilment of the accountable body role to the Cabinet Member for Finance and Resources jointly with the Chief Finance Officer is sought. Any awards will be subsequently noted in the council's financial monitoring report.

## **2 Recommendations**

### **2.1 That Cabinet**

- Accept the grant of £26m from the Department for Business, Energy and Industrial Strategy (BEIS) for the delivery of the National Manufacturing Competitive Levels (NMCL) programme.
- Authorises the Council to undertake the duties of accountable body in relation to this fund for the duration of the award, including the monitoring and management of the programme, any BEIS approved fund extension and until the programme is officially closed and all monies accounted for.
- Approve the award of a service level agreement for the delivery of this programme to Finance Birmingham Ltd (FB), the council's wholly owned subsidiary.
- Note the progress and achievements of the Advanced Manufacturing Supply Chain Initiative (AMSCI) managed by FB and the pre-cursor to this NMCL programme.
- Delegates approval of any further national or regional grant funding awards from BEIS for management and delivery by FB Ltd to the Cabinet Member for Finance and Resources jointly with the Chief Finance Officer.
- Authorises the City Solicitor to negotiate, execute and complete all relevant documentation to give effect to the above recommendations.

## **3 Background**

- 3.1 A grant fund of £26m is being provided by BEIS for a new industry led programme aimed at improving the competitiveness and productivity of around 194 strategically important suppliers in the aerospace and automotive sectors. The programme will provide bespoke training to strengthen leadership and management skills, enhance workforce capability, and implement streamlined business processes. The key output success measures are:

- Increased firm-level labour productivity
- Increased firm-level GVA and profitability
- Increased firm level competitiveness
- Business retained due to implementation of the improvement plan
- Business generated due to implementation of the implementation plan
- Jobs safeguarded and created

- 3.2 The programme will be split between the Automotive (£16m) and Aerospace (£10m) sectors and FB Ltd have been asked to act as programme manager with the two trade bodies, Society of Motor Manufacturers and Traders (SMMT) for auto and ADS (Aerospace, Defence, Security and Space sectors) for aero. In total around 200 companies will benefit from in depth training needs assessment and up to £0.1m in training grant for matched expenditure.
- 3.3 Administration of the programme is proposed to be awarded to FB because of their track record in delivering AMSCI and also at the request of the 2 trade bodies who each ran subsidiary programmes under the oversight and management of FB within the different rounds of AMSCI.
- 3.4 FB will oversee the due diligence, state aid assessments and anti-money laundering requirements as well as paying the beneficiary companies via BCC acting as accountable body and reporting to BEIS. These requirements are covered in a Memorandum Of Understanding (MoU) between BEIS, BCC and FB.
- 3.5 The accountable body (AB) duties of the council are contained within the MoU and include:
- To ensure that the Grant will be used for the sole purpose of the activities set out in the MoU
  - To ensure that only eligible costs are deducted from the grant – these are defined in the MoU and include approved costs of fund management incurred by FB, SMMT, ADS and BCC and annual fund audit costs.
  - To hold funds drawn down in advance from BEIS for onward payment to grant recipients in line with the prevailing BCC Treasury Management policy.
  - To ensure that funds are managed by FB in accordance with the MoU
  - To ensure that payments made as part of the programme, including fund management costs are state aid procurement regulation compliant.
  - To take action to recover payments from beneficiaries under circumstances including non-compliance with state aid regulation and remit all recovered sums to BEIS.
  - To act reasonably to recover and repay any funds that are used for purposes other than those set out in the MoU.
- 3.6 The draft MoU is attached at appendix 1
- 3.7 The council has been the accountable body of the AMSCI programme, managed by FB since 2012. The first award of AMSCI (£25m) was as a result of a joint LEP bid to the Regional Growth Fund in 2011, all subsequent awards have been a result of continuing high fund management performance by FB. The overall programme results are shown below:

	Award	No. of Projects	Grants committed	Loan committed	Total amount committed	Private sector leverage to date
<b>Rounds 1 &amp; 2</b>	£80m	12	£66,424,242	£10,155,375	£76,579,617	£74,850,229
<b>Rail Supply Growth Fund</b>	£20m	16	£583,500	£16,310,000	£16,893,500	£9,068,312
<b>Round 1 West Midlands Liverpool Coventry Region</b>	£25m	37	£12,440,882	£17,539,554	£29,980,436	£62,345,937
<b>Rounds 3 &amp; 4</b>	£79m	12	£69,471,106	£7,379,758	£76,850,864	£104,696,430
<b>2014</b>	£100m	22	£87,902,395	£8,361,691	£96,264,086	£111,144,923
<b>TOTALS</b>		<b>99</b>	<b>£236,822,125</b>	<b>£59,746,378</b>	<b>£296,568,503</b>	<b>£362,105,831</b>

	Actual Jobs created and safeguarded	Target jobs	% Achieved to date
<b>R1 S1 &amp; 2</b>	3,272	2,911	112%
<b>R1 &amp; WMLCR</b>	1,560	1,000	156%
<b>R3 &amp; R4</b>	4,641	3,828	121%
<b>2014</b>	4,779	4,165	115%
<b>TOTALS</b>	<b>14,251</b>	<b>11,904</b>	<b>120%</b>

3.8 Three examples of awards within Birmingham and the surrounding region are attached at appendix 2. These give a flavour of the type of activity enabled by these funds and the local benefit from the national initiative.

#### 4 Options considered and Recommended Proposal

4.1 The council may refuse to accept the funding, in this instance the fund would require an alternative accountable body (AB). Such an AB may still chose to place the management and delivery through FB but this would need to be compliant with their procurement regime. It is likely that if BCC were not the AB then the funding to industry would be delayed whilst a similar and controlled delivery mechanism was sought by BEIS. This would impact on the number of positions and the turnover of FB, a wholly owned company.

- 4.2 The council could accept the funding and not use FB as fund managers. In this scenario BCC would need to put in place the same management and administration function and processes that it currently has direct access to within FB but given the timing delay that this would cause it is more likely that BEIS would seek an alternative AB.
- 4.3 It is recommended that the council accept the NMCL Grant fund, act as accountable body and award the SLA for the management and delivery of the fund to FB Ltd.

## **5 Consultation**

- 5.1 The Cabinet Member for Education, Skills and Culture, has been consulted and supports the progress of the report. BEIS and Finance Birmingham have been consulted and both organisations support the decision.
- 5.2 Officers from Finance, Legal and Procurement have been involved in the preparation of this report.

## **6 Risk Management**

- 6.1 The NMCL Fund will have a full risk register, reviewed as part of the programme governance and approved procedures to be agreed with BEIS. Acting as accountable body, the council has a duty to ensure that the fund is managed and administered in line with the approved procedures. The AMSCI Programme has been subject to annual audit by Grant Thornton, no material issues identified within any of the funds, and this requirement will continue with the NMCLG Fund. The Fund Memorandum of Understanding (MoU), yet to be received in final format, will outline the obligations of the council acting as accountable body. These will be confirmed once acceptable to the council with the intention that the obligations do not place a disproportionate level of risk onto the council. The final MoU will be approved by the Chief Finance Officer.

## **7 Compliance Issues:**

- 7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?
- 7.1.1 Providing and managing the National Manufacturing Competitive Levels Grant funding contributes to the priority of Birmingham being an entrepreneurial city to learn, work and invest in. The reputation of the city and its wholly owned company, Finance Birmingham Ltd, is enhanced across industry sectors.
- 7.2 Legal Implications
- 7.2.1 Under the general power of competence per Section 1 of the 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 Section 2 and 4 of the Localism Act 2011.

- 7.2.2 Section 111 Local Government Act 1972 allows the Council to do anything which is calculated to facilitate or is conducive or incidental to the discharge of its functions.

### 7.3 Financial Implications

- 7.3.1 There are no direct financial implications for the council. The funding is held by the Council as accountable body and the Council will recharge its transactional and management costs into the fund as it has with AMSCI funds (subject to BEIS approval of any management fee ceiling). FB will charge an approved management fee to the fund. BEIS have been requested to provide clarity and confirmation that BCC's charges will be separate to those of FB in the final MoU.

- 7.3.2 The council will hold the funds for each quarter's disbursements in advance and in accordance with the council's prevailing treasury management policy. Provided that the council acts reasonably and within this policy, it will not incur any liability towards the fund. Should any grant recipient not use the funds in accordance with their unconditional grant terms and conditions, then FB may in the first instance recover such funds and take such action as is within the terms of the unconditional grant and is reasonable. The council will return any unused funds and interest accrued to BEIS or as directed by BEIS.

### 7.4 Procurement Implications (if required)

- 7.4.1 The provision of grant administration and management is provided by Finance Birmingham Ltd under teckal arrangements.

### 7.5 Human Resources Implications (if required)

- 7.5.1 . N/A

### 7.6 Public Sector Equality Duty

- 7.6.1 This is an acceptance of a national grant for the manufacturing sector, and this decision has no implications for any particular group under the public sector equality duty. Once under management, the public sector equality duty will be considered within each application.

## **8 Appendices**

- 8.1 Appendix 1: National manufacturing competitiveness levels (nmCL) and supply chain 21 + competitiveness and growth programme, Memorandum Of Understanding
- 8.2 Appendix 2: NMCLG Funding

## **9 Background Documents**

- 9.1 None