

BIRMINGHAM CITY COUNCIL**PUBLIC REPORT**

Report to:	CABINET
Report of:	Strategic Director of Economy
Date of Decision:	18th October 2016
SUBJECT:	ERDF – PROPERTY INVESTMENT PROGRAMME (PIP) FULL BUSINESS CASE
Key Decision: Yes	Relevant Forward Plan Ref: 001097/2016
If not in the Forward Plan: (please "X" box)	Chief Executive approved <input type="checkbox"/> O&S Chairman approved <input type="checkbox"/>
Relevant Cabinet Members:	Cllr John Clancy – Leader of the City Council Cllr Majid Mahmood – Value for Money and Efficiency Cllr Brett O'Reilly – Jobs and Skills
Relevant O&S Chairman:	Cllr Zafar Iqbal – Economy, Skills and Transport
Wards affected:	All Birmingham Wards

1. Purpose of report:
<p>1.1 To accept an offer of European Regional Development Fund (ERDF) grant of £2.280m (£2m Capital and £0.280m Revenue) from the Department for Communities and Local Government (DCLG), attached at Appendix 2, to deliver the Property Investment Programme (PIP) and for Birmingham City Council to act as the 'Accountable Body' for the programme.</p> <p>1.2 The PIP is a discretionary grant scheme available to Small and Medium-sized Enterprises (SMEs) located in the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) area to part-fund capital works to industrial and business premises; the programme will be offered on a permanent open call basis until all capital grant is committed. Total eligible grant offer will be subject to the EU De Minimis State Aid limit of €200,000 (Euros) and capped at 40% of eligible costs.</p> <p>1.3 To note that the PIP will aim to: provide grant assistance for up to 40 Small/Medium Enterprises (SME's), create up to 120 new jobs, create/refurbish 20,000 sq.m of commercial floor space and lead to £3m private sector investment. The programme will be available for 3-years from 1st November 2016 to 30th September 2019.</p>

2. Decision(s) recommended:	
That Cabinet :-	
2.1	Approves the Full Business Case (FBC) (attached as Appendix 1) for the ERDF Property Investment Programme (PIP), which will provide a comprehensive grant assistance package to support Small and Medium Enterprises (SME's) across the Greater Birmingham and Solihull Local Enterprise Partnership area from November 2016 to the end of September 2019.
2.2	Approves the City Council acting as the Accountable Body for the PIP and accepts the 'Offer Letter' for ERDF grant of £2.280m (attached as Appendix 2), which is being matched against an equivalent amount of public (revenue) and private sector (capital) expenditure.
2.3	Subject to the finalisation of the ERDF funding agreement, delegates the award of specific financial assistance grants between £10,000 up to £172,432 (at current exchange rate) per SME up to the total of £2m to the Strategic Director of Economy as per the approval process set out in Appendix 1.
2.4	Authorises the City Council Solicitor to negotiate, execute, seal and complete all necessary documents, including legal charges to give effect to the above recommendations.
Lead Contact Officer(s):	Ashfaq Mohammed Ashraf Principal Regeneration Officer, Planning and Regeneration East
Telephone No: E-mail address:	0121 464 9861 ashfaq.ashraf@birmingham.gov.uk

3. Consultation
<p>3.1 <u>Internal</u> Regular briefings have been provided to the Leader and Deputy Leader who are both supportive of this report proceeding to an executive decision. City Finance and Legal and Democratic Services have been involved in advising on the development and management of the PIP. Briefings have been given to GBSLEP Partnership and Planning and Regeneration to develop the proposed programme structure and the role of Accountable Body.</p> <p>3.2 <u>External</u> The PIP research, design and development of the grant application was carried out in consultation with the DCLG, the GBSLEP, the Birmingham Chamber of Commerce group; HS2 Ltd; Birmingham City University and the Midland Environmental Business Council.</p>
4. Compliance Issues:
<p>4.1 <u>Are the recommended decisions consistent with the Council's policies, plans and strategies?</u></p> <p>4.1.1 The objectives of the programme are consistent with the long term outcomes of the Council Business Plan and Budget 2016+, which confirms the City Council's support for GBSLEP structure. This programme has emerged from research evidence and intelligence from earlier programmes supported by ERDF funding and reflects the Department of Communities and Local Government's priorities of supporting Councils across the UK. The PIP will contribute towards the City Council's priority outcome one: A Strong Economy by helping SME's within the eligible area to grow and create new job opportunities. The proposal will also support strategic initiatives such as the Enterprise Zone and Economic Zones by attracting investment and supporting the development and growth of businesses in Birmingham.</p> <p>4.1.2 The programme is aligned to the European Structural and Investment Fund (ESIF) Growth Strategies of GBSLEP; by stimulating business growth and enterprise activity through investment in evidence-based business support programmes.</p> <p>4.1.3 PIP is also fully aligned to the GBSLEP "The Midlands HS2 Growth Strategy", which seeks to maximise the benefits of the largest infrastructure project in Europe and accelerate the UK's engine of growth.</p>
<p>4.2 <u>Financial Implications</u> <u>(Will decisions be carried out within existing finance and Resources?)</u></p> <p>4.2.1 Total PIP project expenditure is anticipated to be £5.628m, comprising £2.280m ERDF grant, £3m private and £0.348m public sector match funding. The ERDF grant will support grant payments to SMEs of £2m and programme delivery costs (City Council and Acivico staffing, marketing and evaluation) of £0.280m. The City Council's match funding is being provided by £0.238m of existing staffing in the Planning and Regeneration service and Acivico costs for appraising and monitoring the individual grant applications, marketing and end of programme evaluation. In addition, £0.110m of revenue funding from existing Planning and Regeneration budgets is required to fund ineligible ERDF costs such as increased superannuation costs, legal services and Acivico on-costs which are not recoverable on staffing costs. The budget profile is set out in the FBC attached at Appendix 1.</p> <p>4.2.2 The City Council will be the Accountable Body for the ERDF grant, which needs to be</p>

defrayed by 30th September, 2019. The City Council will claim ERDF grant from DCLG quarterly in arrears based upon actual grant payments to SME's. Given the time limit of the ERDF grant, the conditions of grant will specify that applicant projects need to be completed by 30th September, 2019 or no grant will be paid. There will be no ongoing revenue implications for the City Council as a consequence of this project.

4.3 Legal Implications

4.3.1 The PIP is being delivered under the Council's general power of competence under section 1 Localism Act 2011, to help businesses develop and grow by improving their competitiveness and also create conditions for SMEs to create new job opportunities. Grants will be provided in compliance with State Aid De-minimis rules; maximum award to available is of €200,000 (approximately £172,423 at current exchange rate).

4.3.2 In order to minimise the risk of grant claw back, all grant conditions will be enforced through Conditions of Grant Aid (COGA) agreements where financial support to SME's is provided enabling the City Council to recover funds in the event of a breach of these terms. As a requirement of the City Council's Financial Regulations (Standing Orders Volume B Part 2), grant expenditure of £25,000 or more requires a legal charge to be placed on the property being grant aided and this will be for a period of 5 years, this is consistent with the previous City Council ERDF land and property programme. Applications will be closely scrutinised and projects will be closely managed as part of risk management which is addressed in the FBC attached at Appendix 1.

4.3.3 The value of grants issued will fall below the threshold for Birmingham Business Charter for Social Responsibility, however grant recipients will be encouraged to sign up to the Charter on a voluntary basis.

4.4 Public Sector Equality Duty (see separate guidance note)

The programme is open to all SMEs within the GBSLEP area, subject to eligibility criteria which is outlined on page 3 of the attached FBC. An initial Equalities Analysis has been carried out in line with statutory protocol which is attached at Appendix 3 (Reference EA001049). This has not identified any issues of concern in relation to the Equality Act 2010. The proposed activity will not have any adverse impact upon the Council's protected categories.

5. Relevant background/chronology of key events:

- 5.1 Cabinet approved the report “European Regional Development Fund, European Social Fund and Youth Employment Initiative Grant Bid Submissions” on 18th May 2015. This included the PIP outline which was submitted on 28th May 2015 and subsequently approved by Department of Communities and Local Government (DCLG) in August 2015; following which the City Council was invited to submit a full application seeking ERDF funding on 5th November 2015. The offer letter from DCLG is attached at Appendix 2. Any expenditure or activity undertaken before the acceptance of the offer letter is at the Council’s risk. However, it is not envisaged that there will be any expenditure incurred in advance of the acceptance of a formal offer letter.
- 5.2. The PIP will build on the success of the previous three ERDF grant funded Land and Property Programmes managed by Planning and Regeneration, which ended in December 2015 – the three programmes were targeted specifically at Acocks Green, Aston, Bordesley Green, Ladywood, Nechells, South Yardley, Sparkbrook, Springfield, Tyseley and Washwood Heath wards. The three programmes assisted 52 SMEs to access £4.9m of ERDF grant generating £11.2m of private sector investment, 278 jobs were created as direct result of the intervention, 523 jobs safeguarded, over 34,000 Sq.m of commercial floor space created/refurbished.
- 5.3 PIP will fund capital works to stimulating investment in existing SMEs, however rather than being targeted at specific wards, this programme is available to the wider GBSLEP. GBSLEP partners include: Birmingham, Solihull, Bromsgrove, Redditch, Wyre Forest, Cannock Chase, Lichfield, Tamworth, and East Staffordshire. The programme will be promoted through the existing ‘LEP Growth Hub’ structure and all GBSLEP partners will promote the programme within their respective areas. GBSLEP partners are not contributing any financial match towards this programme. It builds on successful delivery of the previous business programmes and responds to new opportunities, for example the HS2 investment. It will stimulate investment by offering grants subject to match-funding and the creation of jobs; in turn this will improve business confidence and accelerate economic growth. The programme is anticipated to support growth of 40 SMEs, create up to 120 new jobs, create/refurbish 20,000 sq.m of commercial floor-space and generate £3m private sector investment and increase regional productivity/Gross Value Added.
- 5.4 The PIP will be managed by existing officers from the Planning and Regeneration service in the Economy Directorate; who will monitor outputs created as a result, to ensure businesses deliver upon expansion plans. Assistance will only be provided to those that meet the PIP programme criteria set out in the FBC at Appendix 1.
- 5.5 Availability of grants under the PIP programme will be marketed immediately after acceptance of the ERDF grant funding and availability will be on an open call basis. Each application will be subject to an internal detailed financial, project and state aid assessment. A PIP Project Board, comprising of Officers from Planning and Regeneration and appropriate technical, financial (City Finance) and legal advice (Legal Services), will recommend grant awards, which will be subject to approval by the Strategic Director of Economy. In the event of a shortage of grant funding projects will be ranked on the amount of investment and jobs created.

5.6 The timetable for the delivery of the PIP is set out below:

Milestone	Start Date	Completion Date
Start date		November 2016
Launch of marketing	November 2016	On-going
First call for projects	November 2016	On-going
First capital payments	Q1 2017	-
Quarterly monitoring begins	Q1 2017	-
First businesses assisted	Q1 2017	-
Achieve all outputs	-	September 2019
Project mid-term evaluation	1 st November 2017	December 2017
Project Evaluation	1 st August 2019	September 2019
Financial completion	-	30 th September, 2019
Programme evaluation report	October 2019	October 2019
Financial closedown/all expenditure approvals complete	September 2019	September 2019
Practical completion	-	September 2019

6. Evaluation of alternative option(s):

6.1 To do nothing – Would lose the opportunity to secure ERDF grant to support a property investment programme for SME's across GBSLEP area and lose all outputs associated with the programme. Moreover, to decline the offer would damage the City Council's reputation as a lead partner and Accountable Body for ERDF grant funding and undermine trust and relationships with key regional partners.

7. Reasons for Decision(s):

7.1 To accept the ERDF funding and approve the FBC which will enable the City Council to start the programme as quickly as possible supporting the growth of existing businesses across the GBSLEP area.

Signatures

Date

Leader of the City Council Cllr John Clancy Cabinet Member for Value for Money and Efficiency Cllr Majid Mahmood
Strategic Director of Economy Waheed Nazir
Cabinet Member for Jobs and Skills Cllr Brett O'Reilly		

List of Background Documents used to compile this Report:

Birmingham European Regional Development Fund – Tyseley Property Assistance Programme – Full Business Case: Cabinet Committee (Procurement) dated 30th March 2011.

European Regional Development Fund: Land and Property Programmes: Full Business Case: Cabinet Committee (Procurement) dated 9th February 2012.

European Regional Development Fund (ERDF), European social Fund (ESF) And Youth Employment Initiative (YEI) Grant Bid Submissions: Cabinet report dated 18th May 2015

List of Appendices accompanying this Report (if any):
<ol style="list-style-type: none">1. Full Business Case2. DCLG letter of offer of grant funding3. Equality analysis initial assessment

PUBLIC SECTOR EQUALITY DUTY

- 1 The public sector equality duty drives the need for equality assessments (Initial and Full). An initial assessment should, be prepared from the outset based upon available knowledge and information.
- 2 If there is no adverse impact then that fact should be stated within the Report at section 4.4 and the initial assessment document appended to the Report duly signed and dated. A summary of the statutory duty is annexed to this Protocol and should be referred to in the standard section (4.4) of executive reports for decision and then attached in an appendix; the term 'adverse impact' refers to any decision-making by the Council which can be judged as likely to be contrary in whole or in part to the equality duty.
- 3 A full assessment should be prepared where necessary and consultation should then take place.
- 4 Consultation should address any possible adverse impact upon service users, providers and those within the scope of the report; questions need to assist to identify adverse impact which might be contrary to the equality duty and engage all such persons in a dialogue which might identify ways in which any adverse impact might be avoided or, if avoidance is not possible, reduced.
- 5 Responses to the consultation should be analysed in order to identify:
 - (a) whether there is adverse impact upon persons within the protected categories
 - (b) what is the nature of this adverse impact
 - (c) whether the adverse impact can be avoided and at what cost – and if not –
 - (d) what mitigating actions can be taken and at what cost
- 6 The impact assessment carried out at the outset will need to be amended to have due regard to the matters in (4) above.
- 7 Where there is adverse impact the final Report should contain:
 - a summary of the adverse impact and any possible mitigating actions (in section 4.4 or an appendix if necessary)
 - the full equality impact assessment (as an appendix)
 - the equality duty – see page 9 (as an appendix).

Equality Act 2010

The Executive must have due regard to the public sector equality duty when considering Council reports for decision.

The public sector equality duty is as follows:

1	<p>The Council must, in the exercise of its functions, have due regard to the need to:</p> <ul style="list-style-type: none">(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by the Equality Act;(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
2	<p>Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:</p> <ul style="list-style-type: none">(a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;(b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;(c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
3	<p>The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.</p>
4	<p>Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:</p> <ul style="list-style-type: none">(a) tackle prejudice, and(b) promote understanding.
5	<p>The relevant protected characteristics are:</p> <ul style="list-style-type: none">(a) age(b) disability(c) gender reassignment(d) pregnancy and maternity(e) race(f) religion or belief(g) sex(h) sexual orientation