



Author/Lead Officer of Report: Carly Stratford Senior Programme Manager

Tel: 0114 223 2390

Report of: *Simon Green Executive Director of Place*

Report to: *Cllr Leigh Bramall - Cabinet Member for Business and Economy*

Date of Decision: *19th September 2016*

Subject: *Sheffield City region Enhanced Growth Hub*

| | | |
|--|---|--|
| Is this a Key Decision? If Yes, reason Key Decision:- | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| - Expenditure and/or savings over £500,000 | <input checked="" type="checkbox"/> | |
| - Affects 2 or more Wards | <input type="checkbox"/> | |
| Which Cabinet Member Portfolio does this relate to? <i>Business and Economy</i> | | |
| Which Scrutiny and Policy Development Committee does this relate to? <i>Economic and Environmental Wellbeing Committee</i> | | |
| Has an Equality Impact Assessment (EIA) been undertaken? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| If YES, what EIA reference number has it been given? <i>(Insert reference number)</i> | | |
| Does the report contain confidential or exempt information? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:- | | |
| <i>"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."</i> | | |

Purpose of Report:

Sheffield City Council has been nominated by the Sheffield City Region to receive European Structural and Investment Funds, and to act as Accountable Body for the Sheffield City Region Enhanced Growth Hub Project.

This report seeks the approval for Creative Sheffield to act as Accountable Body and to enter into the funding agreement with the Department of Communities and Local Government (DCLG) for the above project.

SCR Growth Hub is part of the business growth strand of the Strategic Economic Plan and a key delivery mechanism as part of the response to the challenge facing the City Regions businesses over the coming decade. Its main focus is to address barriers to the growth of our existing SME base by providing a uniformed approach to delivery of all publicly funded business support across the City Region.

The project will draw down European funding through the 2014 – 2020 European Structural and Investment Programme to enhance the provision already delivered by the “core” Growth Hub by providing additional resources for the following activities:

- A programme of specialist intensive support interventions delivered by private sector business consultants, operated as a grant scheme (maximum grant will be £5,000)
- A programme of Events and Master classes based on the needs and demands of SME's are engaged in the programme.
- Establishing Key Account Managers in the 4 South Yorkshire areas who will maintain links with significant local businesses referring into the Growth Hub where appropriate.

As Accountable Body, SCC will be lead partner, holding the funding contract with Department for Communities & Local Government for the ESIF grant. It will enter into Service Level Agreements with the South Yorkshire Local Authorities and with SCR Combined Authority and will work closely with each partner to deliver the project.

Recommendations:

That the Cabinet Member for Business and Economy:

- Agrees that Sheffield City Council through Creative Sheffield will act as Accountable Body for the SCR Enhanced Growth Hub Project.
- Authorises the Council to enter into a funding agreement with the DCLG for a grant of up to £2,738,946 which also requires delivery partners and the private sector to provide match funding of up to £2,233,147 giving a total project spend of up to £4,972,123 from April 2016 to March 2019.
- Authorises Sheffield City Council to pay the relevant levels of grant to Delivery Partners and SME's.
- Delegates Authority to the Director of Creative Sheffield;
 - in consultation with the Director of Finance and Resources to agree the terms and sign off any variations to the above funding agreement.
 - in consultation with the Director of Legal and Governance to sign Service Level Agreements with the Delivery Partners of the project.
 - in consultation with the Director for Legal and Governance to sign contracts with business applicants of the grant scheme.

Background Papers:

(Insert details of any background papers used in the compilation of the report.)

| Lead Officer to complete:- | |
|---|--|
| 1 | I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required. |
| | Finance: <i>Gill Brailsford</i> |
| | Legal: <i>Nadine Sime</i> |
| | Equalities: <i>Anne-Marie Johnson</i> |
| <i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i> | |
| 2 | EMT member who approved submission: <i>Simon Green</i> |
| 3 | Cabinet Member consulted: <i>Cllr Leigh Bramall</i> |
| 4 | I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1. |
| | Lead Officer Name: <i>Carly Stratford</i> |
| | Job Title: <i>Senior Programme Manager</i> |
| Date: <i>1st September 2016</i> | |

1. PROPOSAL

(Explain the proposal, current position and need for change, including any evidence considered, and indicate whether this is something the Council is legally required to do, or whether it is something it is choosing to do)

SUMMARY

- 1.1 The report seeks the approval for Creative Sheffield to enter into a funding agreement with DCLG for the delivery of the SCR Enhanced Growth Hub project. The project will provide targeted intensive business support to SME's across the City Region to help them achieve their growth ambitions.
- 1.2 The Enhanced Growth Hub project is a £4.9M, three year, part ESIF funded project which will be delivered by 5 key delivery partners; Sheffield City Region, Sheffield City Council, Doncaster Metropolitan Borough Council, Rotherham Metropolitan Borough Council and Barnsley Metropolitan Borough Council.
- 1.3 Each delivery partner will enter into a Service Level Agreement with Sheffield City Council (as Accountable Body) to deliver their particular element of the project. Match funding will be provided by each of the delivery partners to contribute towards the European funding.
- 1.4 The Delivery partners will each contribute towards the overall outputs for the scheme which are as follows:
 - 900 Enterprises receiving support.
 - 150 new jobs create
 - £1.125M of private investment matching public support to enterprises.
- 1.5 The project includes an Intensive Business Support element, to be operated as a grant scheme, which will offer specific and tailored specialist support provided by the private sector. The client business will contribute up to 50% of the cost of this intervention therefore providing private sector matching funding to the project.

Background

- 1.6 The Council is not legally bound to deliver this project. This is a Sheffield City Region project developed in partnership with Sheffield City Council to respond to the economic issues set out in the Strategic Economic Plan.
- 1.7 The Strategic Economic Plan (SEP) and the subsequent ESIF Strategy argue that a latent demand for high quality business support and advice is a barrier to growth in many of our 44,000 SMEs and that public sector intervention is required in order to incentivise / support companies to:
 - Invest in development of the workforce and for skills offer to be more responsive to employer demand.
 - Access to finance to sustain or grow
 - Export and trade internationally
 - Invest and develop new products and services
 - Start up on a sustainable footing
- 1.8 In response to the plan set out the SCR's ambition to put into place a 'world-class' business support offer structured around the principles of a "Growth Hub"

1.9 Accordingly, a Growth Hub Task and Finish Group was asked by the Sheffield City Region Local Enterprise Partnership to turn the principles set out in the SEP into a target 'operating model' for the Hub and to develop a medium-term funding plan. The work of this group resulted in the SCR securing funding from the government as part of the Devolution Deal / Growth Deal process, some of which has been allocated to the delivery of the Growth Hub. The application for ESIF funds to enhance core Growth Hub activity was part of wider funding plan.

1.10 **SCR Enhanced Growth Hub Project**

As outlined in the summary section of this report the objectives of this project are to enhance the 'core' services of the Growth Hub.

1.11 The funding agreement will be over a three year period commencing 1st April 2016 (retrospective date agreed with DCLG) and ending on 31st March 2019.

In total the project will cost £4,972,125 funded as follows:

| | |
|----------------------|------------|
| ERDF | £2,738,978 |
| Public Sector Match | £1,108,147 |
| Private Sector Match | £1,125,000 |

1.12 The following outputs will be achieved across the lifetime of the scheme:

| | |
|---|-----------|
| Number of Enterprises receiving support | 900 |
| Number of enterprises receiving information, diagnostic and brokerage | 840 |
| Number of enterprises receiving non-financial support | 600 |
| Number of enterprises receiving financial support | 300 |
| Private Investment matching public support to enterprises | 1,125,000 |
| Employment increase in enterprises supported | 150 |

1.13 The project has four key strands of activity as follows:

Intensive Business Support - a detailed and intensive intervention over a relatively short period for time (average of 10 days) to actively drive forward a key productivity issue within a business. Topics / issues could include supply chain management, process and product development, lean manufacturing and sales and marketing. Interventions will be delivered by a consultant / specialist external to the company and the project and the client business will be expected to make a 50% contribution towards this work.

Events and Master classes - a series of events workshops covering similar subject matter as the intensive business support interventions. The events programme will be flexible and responsive to client need, delivered in a group setting by private sector business specialists.

Key Account Management (KAM) – based in each of the four South Yorkshire Authorities the KAM's will play a key role in linking businesses within their districts to services offered by this project and the wider Growth Hub. This will include companies in key growth sectors as well as businesses locating here from outside the Region. Whilst they are not specialist business advisors the KAM's will play an important role locally, building up contacts, dealing with any local issues and deferring to the Hub for all forms of specific and specialist

advice.

Marketing and Publicity – promotion of the project activities across the City Region will be undertaken by the SCR Growth Hub Team. Activities will include PR, case studies, campaign work, marketing collateral, and press and publicity materials.

- 1.14 The Accountable Body function will be undertaken by a small Programme Management Team based in Creative Sheffield. The team will be responsible for overseeing project delivery, contract management and compliance. The team is built on Creative Sheffield's direct experience of running previous European funded programmes.
- 1.15 Sheffield City Council will enter into service level agreements with each of the delivery partners, these agreements will outline the activity that each partner will be required to deliver as well as the budget and outputs allocated to each.
- 1.16 Each partner will make a project claim to Programme Management Team on a monthly basis which will include costs incurred, outputs achieved and an update on project progress.

2. HOW DOES THIS DECISION CONTRIBUTE ?

(Explain how this proposal will contribute to the ambitions within the Corporate Plan and what it will mean for people who live, work, learn in or visit the City. For example, does it increase or reduce inequalities and is the decision inclusive?; does it have an impact on climate change?; does it improve the customer experience?; is there an economic impact?)

- 2.1 The Enhanced Growth Hub project will directly contribute to the Strong Economy priority of the Corporate Plan. By providing the resources to deliver additional specialist business support to Sheffield SME's who have an ambition to growth the project will have a direct impact on the following long terms ambitions for Sheffield.
 - Attract Investment across the city and support businesses to start and grow; creating 28,000 jobs across the city region.
 - Work with businesses to boost exports.
- 2.2 The project will enhance provision already being delivered to Sheffield businesses through the Growth Hub as part of its core offer.
- 2.3 SME's that are looking to develop their growth plans will not only be able to access the core services of a Growth Hub Business Advisor; they will have access to intensive support through a business specialist or consultant and a programme of events and master classes in specific and related subject areas.
- 2.4 Sheffield City Council is one of the 4 South Yorkshire Authorities to act as a key delivery partner in this scheme. So in addition to the above Sheffield SME's will have access to two locally based Key Account Managers who will work with businesses to coordinate and support delivery of the whole package of growth advice and offered through the 'core' growth hub and this project.
- 2.5 SCR Growth Hub is part of the business growth strand of the Strategic Economic Plan and a key delivery mechanism as part of the response to the

challenge facing the City Regions businesses over the coming decade.

- 2.6 The primary objective of this project is to support the growth of businesses and enable them to contribute towards the target set out in the Sheffield City Region Growth Plan. Specifically, it enables the Growth Hub to develop a broad range of quality services with strong local connections far quicker than it would otherwise be able to do.
- 2.7 Fundamental to the delivery of the Growth Hub and the activities funded by ESIF is the principle of delivering sustainable business support. This is largely due to 2 things: first, the constraint on public finance in this area of policy requires us to consider contributory (by the business) models as a necessity; and second, there is evidence from national programmes that business value services such as this more highly when they have a clear stake in the delivery and outcome. The proposed model for this project underpins this approach throughout.

3. HAS THERE BEEN ANY CONSULTATION?

(Refer to the Consultation Principles and Involvement Guide. Indicate whether the Council is required to consult on the proposal, and provide details of any consultation activities undertaken and their outcomes.)

- 3.1 Not applicable.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

- 4.1.1 Neither the type of decision required, nor the recommendations in this Report require an Equality Impact Assessment to be carried out. There are no direct equality of opportunity implications arising.
- 4.1.2 The proposal contained within this Report should have a positive benefit for people and communities across Sheffield and the Sheffield City Region. For example on SME's who will receive additional and more intensive resources to address specific barriers to growth, and also positive implications for job creation.
- 4.1.3 The Equality Act 2010 provides a legal framework to protect the rights of individuals and advance equality of opportunity for all. The legal duties within the Act are fundamental to the management of all Local Authorities.
- 4.1.4 Each partner Service Level Agreement will include responsibilities to equality and diversity, with reference to the Equality Act 2010. This will recognise that whilst each partner will have their own organisational statements, they must comply with statutory obligations under the Act.
- 4.1.5 These duties will be communicated and promoted by the project across all of its activities and Equality Impact Assessments will be carried out in respect of individually funded projects as appropriate.'

4.2 Financial and Commercial Implications

4.2.1 Sheffield City Council (SCC) will enter into a Funding Agreement with the Department for Communities and Local Government (DCLG) for the delivery of the Sheffield City Region (SCR) Enhanced Growth Hub project. The Funding Agreement requires SCC to be the Accountable Body for the funding and for the following delivery partners (SCC being liable for the acts of the delivery partners): Rotherham MBC, Barnsley MBC, Doncaster MBC and Sheffield City Region.

4.2.2 The Funding Agreement is for the period 1st April 2016 to 28th July 2019 with total funding for the project being up to £4,972,123 details of which are summarised as follows:

European Grant Funding.

The DCLG's European grant funding allocation of up to £2,738,976 is profiled as follows:

| Year | Transitional £ | More Developed £ | Total £ |
|--------------|---------------------------|-----------------------------|--------------------|
| 2016 | 441,354 | 47,094 | 488,448 |
| 2017 | 826,570 | 139,075 | 965,645 |
| 2018 | 887,324 | 157,727 | 1,045,051 |
| 2019 | 205,992 | 33,840 | 239,832 |
| Total | 2,361,240 | 377,736 | 2,738,976 |

Match Funding.

Delivery partners match funding of up to £2,233,147 is estimated as follows:

| Organisation | Transitional £ | More Developed £ | Total £ |
|---------------------|---------------------------|---------------------------------|--------------------|
| SCC | 163,396 | 0.00 | 163,396 |
| SCR | 231,568 | 96,486 | 328,054 |
| Doncaster MBC | 197,403 | 0.00 | 197,403 |
| Barnsley MBC | 205,770 | 0.00 | 205,770 |
| Rotherham MBC | 213,524 | 0.00 | 213,524 |
| SME's | 843,750 | 281,250 | 1,125,000 |
| Total | 1,855,411 | 377,736 | 2,233,147 |

4.2.3 Payment of the grant is conditional upon SCC receiving the appropriate evidence of Match Funding being committed by all parties to the agreement.

4.2.4 Grant Terms and Conditions

Some of the key requirements of the grant agreement (not exclusive) are summarised as follows:

- SCC is required to enter into a legally binding Agreement (materially similar terms to DCLG's Agreement) with each delivery partner within

30 days of the date of executing this Funding Agreement. SCC will be liable for the acts of the Delivery Partners.

- Grant claims must include, amongst other requirements, defrayed expenditure and be submitted within the required timelines as per the grant agreement.
- The project must achieve the required targets and outputs within the time limits set out in the Funding Agreement.
- The project is subject to Audit.
- The Funder will retain 10% of the grant until completion of the project activities, receipt of final monitoring reports and the resolution of any audit issues.
- If the project overspends or there is a shortfall in eligible expenditure, the Funder will be under no obligation to pay any additional grant.
- If during any financial year of the Operational Programme the Funder is satisfied that there will be a shortfall in eligible expenditure and that SCC are unable to make up that shortfall then, the Funder may reduce the grant allocated for the project and use the amount for any other purpose of the Operational Programme.
- The project must be State Aid compliant.
- If the funder determines that SCC has made a material breach in the grant's terms and conditions then they can suspend or claw back the grant and terminate the Funding Agreement.

4.3 Legal Implications

The Local Authority may accept the grant under s.1 of the Localism Act 2011, the general power of competence. It also has the power to deliver the project, to which the grant applies, under s.111 of the Local Government Act 1972.

Sheffield City Council (SCC) will be the Accountable body and Grant recipient for the SCR Enhanced Growth Hub project. As the Grant Recipient it shall be liable for the acts of its delivery partners. SCC must enter into a legally binding agreement with the delivery partners within 30 days of executing the funding agreement. SCC as the Grant Recipient shall be solely responsible for ensuring the successful implementation of the Project and the achieving the targets set.

SCC will be tied into the obligations of the Funding Agreement and the decision maker needs to be happy that the Council can comply with these obligations. SCC and the other delivery partners will provide match funding up to the sum of £2,233,147.

SCC must ensure that it and its delivery partners comply with the Funding Agreement and the milestone dates, targets/ procedures set within this. If an event of default occurs, such as failing to comply with the conditions in the funding agreement, not claiming expenditure in line with the approved profile, not meeting agreed deadlines. Or a material breach, which is not a trivial

breach, such as; misrepresentation, breach of warranties, failure to comply with material obligations or carrying out activities as agreed. The Secretary of State may take such actions to reduce, suspend, cease to pay, require refunds of the grants or terminate the agreement.

SCC as the Grant recipient must have procedures in place to deal with a conflict of interest or financial irregularity, in respect of the delivery partners and all others involved on the Project. It must also comply with Data protection responsibilities in accordance with the agreement and Comply with Structural and Investment Funds Regulations. SCC must maintain insurance to cover any claims under the Funding Agreement or from any third party.

Procurements under this Agreement will be subject to European Procurement Rules and the Grant Recipient along with the Delivery Partners will need to comply with these. SCC will also have to ensure it is State Aid law compliant throughout the project. The European grant funding also brings with it a longer monitoring period, beyond the contract end date and the retention of documents for a longer period.

5. ALTERNATIVE OPTIONS CONSIDERED

5.1 Do Nothing

- Business within the SCR would not have access to the suite of business support projects necessary to progress.
- If business productivity and employment levels were to fall there would be no locally targeted suite of resources to encourage growth across the SCR.
- The latent demand for external advice and support which is deemed a barrier to growth for SME's would remain unaddressed.

5.2 Reduced Funding from ESIF

- Smaller scale project would mean less businesses supported, meaning fewer jobs created and less business growth.
- The lack of available support would negatively impact on the reputation of the Growth Hub and the SCR as a whole.
- Business Support could start to 'grow back' at a local level resulting in a confused, and inconsistent business support offer across the Region.

6. REASONS FOR RECOMMENDATIONS

6.1 Approval of the recommendations will allow:

Entering into the Funding Agreement

- The SCR to build upon the service already offered to SME's across region by providing additional and more intensive resources to address

specific barriers to growth.

- Project delivery to commence immediately meaning that businesses are able to access support from this programme from as early as 1st October 2016.
- Assist 900 businesses across the City Region to deliver their growth plans between now and the end of March 2019.
- Deliver 150 new jobs and secure over a million pounds of Private Sector Match funding.

SCC acting as Accountable Body

- Contribute towards a greater degree of financial stability for Creative Sheffield (the project will fully fund 1.4fte's within the programme management team)
- Efficiencies to be gained from utilisation of the existing Programme Management Team. Existing systems, processes and people are already in place.
- The potential for SCC to act as Accountable Body / Managing Agent for other SCR-wide schemes.