



Doncaster Council

Report

Date: 11 August, 2020

To the Cabinet Member for Business, Skills and Economic Development

ERDF Productivity Grant for Small Medium Enterprises (SMEs)

Relevant Cabinet Member(s)	Wards Affected	Key Decision
Cllr Bill Mordue	All	Yes

EXECUTIVE SUMMARY

1. A grant from the Ministry of Housing, Communities and Local Government (MHCLG) has been awarded to the South Yorkshire Local Authorities led by Barnsley Metropolitan Borough Council that will enable delivery of a Productivity Support and Grant Project to our Small and Medium Enterprises (SMEs).
2. Barnsley Council, as lead body for the South Yorkshire Local Authorities (SYLA), is due to be offered a contract of up to £7,883,590 from MHCLG of which £4,730,154 will be provided from ERDF.
3. The external grant that will be awarded to Doncaster is £645,781 over 3 years from 1st April 2020 to 31st March 2023 although Barnsley Council, who will administer the grants to businesses directly will retain £540,000 of this funding. The remaining £105,781 will be paid to Doncaster to cover one existing Grade 9 post with on costs and some marketing monies to promote the grant. As Doncaster are putting less staffing into the programme the money allocated to Doncaster is less than other authorities although subsequent outputs required will be less also

The costs for Doncaster are summarised below

	20/21	21/22	22/23	Total
Salary Grade 9	47,252	48,197	49,161	144,610

Oncosts	7,088	7,230	7,374	21,692
Events & Masterclasses	3,300	3,300	3,400	10,000
Private Sector Grants	<u>274,000</u>	<u>320,000</u>	<u>306,000</u>	<u>900,000</u>
				1,076,302
Contribution to Programme Management				<u>34,572</u>
				1,110,874
ERDF grant @ 60% intervention				645,781
Private Sector Match				450,000
DMBC Match				15,093

4. Doncaster Council's match funding for the project will depend on delivery of the grants to business. If all outputs are achieved, the match funding required over the 3 years will only be £15,093, taken from Business Doncaster core funding.

For this funding Doncaster will receive £900,000 of grant money which at a 50% match fund and maximum grant per business of £25,000 would provide support for a minimum of 36 businesses

5. This report seeks approval for Doncaster Council to accept this grant and support SMEs as detailed in this report.

EXEMPT REPORT

6. The report is not exempt.

RECOMMENDATIONS

7. It is recommended that the Cabinet Member for Business, Skills and Economic Development:

- Approves the acceptance of the ERDF funds in order to provide grants to eligible businesses in line with the criteria set out below.
- To allow authority to be delegated to the Director of Economy and Environment (or the Assistant Director of Economy and Environment) in consultation with the Director of Corporate Resources (or the Assistant Director of Finance) and the Assistant Director of Legal and Democratic Services to conclude a satisfactory funding agreement with Barnsley Metropolitan Borough Council

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

8. SME businesses in Doncaster will benefit from business support and cash grants, which will help them to stabilise, recover and grow by increasing their productivity, adopting new working practices and improving their competitiveness.

9. This project will mitigate some of the effects that COVID-19 has had on the local economy which should safeguard and in some cases create new job opportunities for local residents

BACKGROUND

10. Over the last decade, the Sheffield City Region (SCR) economy has grown much faster than expected. However, SCR and specifically Doncaster still lags behind the England average for productivity and is ranked 33rd out of 38 LEP areas.

11. The benefits of productivity gains have not been felt by the majority of residents. Growth since 2015 has predominantly been in low-wage and lower productivity sectors (such as public administration, health/care, education, and logistics) and occupations (such as administration, trades and service occupations).

12. Productivity is a strong determinant of quality of life and wellbeing. The lack of progress on this indicator confirms that a stronger role for innovation and creativity in economic growth is needed. It also promotes a focus on the quality of growth to transform our economic trajectory and improve the wellbeing of our residents.

13. The unprecedented challenges that COVID-19 has presented to local SMEs means that our businesses will need to look at boosting productivity in order to survive, recover and grow. This project will have positive outcomes for our wider economy as we emerge from lockdown.

14. The project will comprise of 2 elements:

Business Support and signposting from a Key Account Manager and /or;

A grant of up to £12,500 for projects between £10,000 and £25,000 (a 50% intervention rate will be given).

15. Grants will cover a range of interventions including:

- Productive investment advice to develop new business models or higher quality products, processes or services;
- Advice and support for businesses to implement productivity improvements including through the provision of resource efficiency advice;
- Specialist / niche support for businesses to implement their productivity plans;
- Advice to improve business processes and workforce development;

- Advice and support for supply chain interventions to strengthen and grow the local supplier base. There will be close alignment with the Community Wealth Builders project to ensure local businesses can maximise the complimentary support which will be delivered through both projects;
 - Support to attract new foreign direct investment into England through, for example, promotion of business collaborations (small and medium sized enterprises to prime / original equipment manufacturers, small and medium sized enterprise to small and medium sized enterprise), and aftercare support.
 - To ensure SME's have access to sufficient levels of finance to implement their growth plans, including appropriate capital investment for premises and equipment to help build capacity
 - Social Enterprises will also be eligible for support but where appropriate this will be undertaken in conjunction with the Social Enterprise Exchange to ensure there is no duplication of support and that the businesses receives a comprehensive 'wrap around' service.
16. Barnsley Council, as lead body for the South Yorkshire Local Authorities (SYLA), is due to be offered a contract of up to £7,883,590 from MHCLG of which £4,730,154 will be provided from ERDF.

Doncaster Council's match funding for the project will depend on delivery of the grants to business. If all outputs are achieved, the match funding required over the 3 years will be £15,093. However as an example, if only 80% of outputs are achieved, the match required would increase to £33,093.

To mitigate the risk of budget overspend, Business Doncaster will retain the current core funding for the existing post within the service area budget.

The table below highlights the ERDF outputs the project will endeavour to deliver.

Outputs	Doncaster
(C1) - Number of enterprises receiving support.	36
(C2) - Number of enterprises receiving grants.	36
(C4) - Number of enterprises receiving non-financial support	0
(C6) - Private investment matching public support to enterprises (grants).	450000
(C8) - Employment increase in supported enterprises.	34

(C29) - Number of enterprises supported to introduce new to the firm products.

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OPTIONS CONSIDERED

17. **Option 1-** 'Do Nothing' which would mean local businesses would have to apply for support via national schemes such as Innovate UK and Digital Catapult programmes, for example the Industrial Strategy Challenge Fund and Knowledge Transfer Partnership. These programmes are notoriously difficult to acquire funding from and are aimed at the more digitally enabled businesses.

18. **Option 2-** It should also be noted that this project is one element of support and it is hoped that as a result of COVID -19, further funding opportunities will become available which will allow us the opportunity to consider increasing staff resource for business support. We could wait to see what these funding streams might look like and disregard this opportunity but there could be delays from MHCLG, who will have many challenges and our businesses will need the support coming out of this pandemic.

19. **Option 3-** Accept the funding available from MHCLG and get funding grants out to SMEs so they can start to rebuild and enhance their business model

REASONS FOR RECOMMENDED OPTION

20. **Option 3-** is the recommended option as this recognises the challenges faced by local SMEs and ensures that the Council is accessing ERDF funds along with other Combined Authority partners to enhance the support provided and encourage businesses to make the changes that they will need to adopt post COVID-19.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

21

	Outcomes	Implications
	<p>Doncaster Working: Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none"> • Better access to good fulfilling work • Doncaster businesses are supported to flourish • Inward Investment 	<ul style="list-style-type: none"> • Providing support and awarding grants to eligible businesses will support them during this difficult period following the coronavirus outbreak and support the local Doncaster economy. • Safeguard and create new job opportunities for local residents to

		access.
	<p>Doncaster Living: Our vision is for Doncaster's people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none"> • The town centres are the beating heart of Doncaster • More people can live in a good quality, affordable home • Healthy and Vibrant Communities through Physical Activity and Sport • Everyone takes responsibility for keeping Doncaster Clean • Building on our cultural, artistic and sporting heritage 	
	<p>Doncaster Learning: Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p> <ul style="list-style-type: none"> • Every child has life-changing learning experiences within and beyond school • Many more great teachers work in Doncaster Schools that are good or better • Learning in Doncaster prepares young people for the world of work 	
	<p>Doncaster Caring: Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> • Children have the best start in life • Vulnerable families and individuals have support from someone they trust • Older people can live well and independently in their own homes 	
	<p>Connected Council:</p> <ul style="list-style-type: none"> • A modern, efficient and flexible workforce • Modern, accessible customer interactions • Operating within our resources and delivering value for money • A co-ordinated, whole person, whole life focus on the needs and aspirations of residents • Building community resilience and 	<ul style="list-style-type: none"> • The proposals will maximise use of the government funding for business support and grants at minimum cost to the Council.

	<p>self-reliance by connecting community assets and strengths</p> <ul style="list-style-type: none"> • Working with our partners and residents to provide effective leadership and governance 	
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RISKS AND ASSUMPTIONS

22. As mentioned in the executive summary, Doncaster Council's match funding for the project will depend on delivery of the grants to business. If all outputs are achieved, the match funding required over the 3 years will be £15,093 however as an example, if only 80% of outputs are achieved, the match required would increase to £33,093. To mitigate the risk of budget overspend, Business Doncaster is already developing a potential pipeline of SMEs who will benefit from the project.

23. There is a risk that the grant applications could be oversubscribed however the Accountable Body has suggested that MHCLG are open to a contract variation to access further funding and widen the scope once this contract is initiated.

LEGAL IMPLICATIONS [Officer Initials NJD Date...10th July 2020]

24. Section 1 of the Localism Act 2011 gives the Council a general power of competence to do anything that individuals may generally do.

The Council will be required to enter into legally binding funding agreement which will set out how the monies can be used. Although the terms of that agreement have not yet been finalised, it is likely that they will include certain provisions to deal with match funding, deadlines for delivery and State Aid. Failure to comply with such terms may lead to claw back of funding.

Part of the funding will be allocated to SME business based on the criteria set out in the body of the report. The Council will enter into funding agreements with approved SME businesses where the Council will pass along some of the obligations it has relating to the funding to the SME businesses.

S112 of the Local Government Act 1972 allows a local authority to appoint such officers as are necessary for the proper discharge of its functions, on such reasonable terms and conditions as it thinks fit.

Further legal advice will be required as the project progresses.

FINANCIAL IMPLICATIONS[BC 02/07/20]

25. A grant from the Ministry of Housing, Communities and Local Government (MHCLG) has been awarded to the South Yorkshire Local Authorities led by Barnsley Metropolitan Borough Council for the delivery of a Productivity Support and Grant Project to our Small and Medium Enterprises (SMEs).

The total value of the contract is £7,884k for the period 1st April 2020 to 31st March 2023, of which £4,730k will be provided from ERDF.

Over the 3 year period, the external grant that will be awarded to Doncaster, at an intervention rate of 60%, is £646k, although £540k of this will be retained by Barnsley Council to administer payment of grants to Doncaster businesses that have been identified and approved for the scheme by the Council's Key Account Manager.

The remaining £106k grant will contribute to the cost of one existing Grade 9 post with on costs £166k, and a £10k budget for marketing, events and masterclasses.

Doncaster's match funding element has been calculated at £465k in total. This includes a £35k contribution to the overall programme management of the project.

Up to £450k of the match could be met from the private sector from a 50% contribution to the value of grants paid to businesses, with the £15k balance being met from the Council by utilising existing core budget for the grade 9 post.

It should be noted that the value of Doncaster Council's match funding will depend on delivery of the grants to businesses. If all outputs are achieved, the match funding required from the Council will be £15k, however as an example, if only 80% of outputs are achieved, the match required from the Council would increase to £33k, a 75% achievement would be £38k. This is demonstrated in the table below.

To mitigate the risk of budget overspend, and to allow for future variation of the project, Business Doncaster request that all of the current core funding for the existing post is retained within the Business Doncaster area for the duration of the project, and any underspend against this will be reported as part of the revenue monitoring process.

DMBC Costs	20/21	21/22	22/23	Total	80% Outputs	75% Outputs
Grade 9 including oncosts	54,340	55,427	56,535	166,302	166,302	166,302
Events/Marketing	3,300	3,300	3,400	10,000	10,000	10,000
Private Sector Grants	274,000	320,000	306,000	900,000	720,000	675,000
Contribution to Prog Management				34,572	34,572	34,572
Total Costs				1,110,874	930,874	885,874
Funded by:						
ERDF Grant @ 60% Intervention				645,781	537,781	510,781
Private Sector				450,000	360,000	337,500

Match						
DMBC Match				15,093	33,093	37,593

All of the above is subject to approval of the application by MHCLG and the Council signing a Partnership/Funding Agreement between Barnsley Council, in their capacity as Lead Body, and the other partners delivering the project. This will set out the terms and conditions of the grant and cover issues such as eligibility, risks, claw back, administering grants to businesses, exit strategies etc. No expenditure should be incurred until all of these requirements are in place. The approval of this decision at Cabinet will allow the signing of the agreement.

In order to claim grant, all of the expenditure incurred in relation to the project must be eligible and comply with the terms and conditions of the grant funder, including the match funding element. Failure to do so could lead to claw back up to the value of the grant. The project officer must also administer the grant in line with the Council's Contract and Financial Procedure Rules (particularly rule E for External Arrangements). However, as an EU grant the funder's terms and conditions are one of the most stringent and in certain cases exceed the provisions of the Council's minimum requirements. In the past, the Council has suffered claw back in relation to EU projects, particularly in respect of procurement and where interpretation of the terms and conditions differ from that of the auditor. The project officer should be aware of the issues surrounding compliance with both the internal and external requirements to reduce the risk of claw back happening.

FPR's also require that Directors are responsible for ensuring that action plans are in place (including exit strategies) for all external funding within the Directorate. This is particularly important where staff are concerned as those appointed will accrue employment rights and will be subject to the Council's redundancy and redeployment procedures. This also includes any associated cost which cannot be recovered from the project funding.

**HUMAN RESOURCES IMPLICATIONS [Officer Initials K Jackson
Date 02/07/2020]**

26. There are no direct HR Imps in relation to this ODR, but if in future staff are affected or additional specialist resources are required then further consultation will need to take place with HR.

TECHNOLOGY IMPLICATIONS [Officer Initials...PW Date...30/06/20]

27. There are no technology implications in relation to this report.

HEALTH IMPLICATIONS [Officer Initials CEH. Date 01/07.2020]

28.

The recommendation in this report has the potential to positively affect the health and wellbeing of Doncaster residents if the grants provide local businesses with

funding that can help them adopt new working practices that not only improve productivity but the working environment for Doncaster residents.

There is clear evidence that good work improves health and wellbeing across people's lives, not only from an economic standpoint but also in terms of quality of life. 'Good work' means having not only a work environment that is safe, but also having a sense of security, autonomy, good line management and communication within an organisation. There is also evidence that shows that good quality work protects against social exclusion through the provision of: • income • social interaction • a core role • identity and purpose.

Therefore, it is recommended that these grants enable conversations with SMEs in how they can contribute to Doncaster's Inclusive Growth ambitions and how Doncaster Council can support them to further their ability to provide social value for the Borough.

EQUALITY IMPLICATIONS Officer Initials: SH. Date: 22/6/2020

29. There are no equality implications associated with this report.

CONSULTATION

30. Consultation has taken places with other Councils across South Yorkshire and the SCR Growth Hub Manager.

31. Business Doncaster discussed this project with Cllr Bill Mordue, Portfolio Holder for Business, Skills and Economic Development and Scott Cardwell, Assistant Director, Economy and Environment.

BACKGROUND PAPERS

32. Full application to MHCLG

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

ERDF = European Regional Development Fund

SME's = Small Medium Enterprises

MHCLG = Ministry of Housing, Communities and Local Government

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