

# Cabinet Paper

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**Date of Meeting:** 13 September 2016

**Report of:** Andrew Round, Interim Executive Director for Economic Growth and Prosperity

**Subject/Title:** European Structural & Investment Funds

**Portfolio Holder:** Cllr Don Stockton, Portfolio Holder for Regeneration

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## 1. Report Summary

- The Skills and Growth Company is currently progressing applications for European funding worth in excess of £12m on behalf of Cheshire East Council, to support our technology, science, energy and skills priorities. Overall this package will directly support over 700 existing and new businesses, enable over 1,500 businesses to access and/or take up broadband, facilitate over £50m of energy investment, and maximise skills opportunities for our 15-24 year olds.
- On the 12th August, the Secretary of State for Exiting the European Union provided clarity on the future of these funds. It was confirmed that projects contracted before the Autumn Statement will be assured of funding going forward. Those which are not contracted by this time are likely to be subject to a review, and may not be prioritised going forward unless they are deemed to be in the National interest.
- This paper recommends that, if any or all of the applications are successful, the authority expedites approvals to contract these projects in order to secure the benefits of this investment across Cheshire East.
- It is considered that any delay in expediting this matter would seriously prejudice the Council's or the public's interests. On this basis, the Chairman of the Corporate Overview and Scrutiny Committee has agreed that the call-in provisions may be waived.

## 2. Recommendation

That Cabinet delegate the necessary contractual and financial approvals for all of the funding applications detailed in this paper to the Section 151 Officer (Chief Operating Officer), in consultation with the Portfolio Holder for Regeneration, the Portfolio Holder for Finance and Assets, and the Director of Legal Services.

## 3. Other Options Considered

- 3.1 The following options have been considered as alternatives to that recommendation:

Option	Reason for Discounting
Do not ask Cabinet for delegated contractual and financial approvals for the European funding applications detailed in section 5.	There is a risk that this funding is not re-allocated to Cheshire East following the Treasury's review of European Funding allocation, and therefore would miss out on up to £12m of European funding

#### 4. Reasons for Recommendation

The Skills and Growth Company working on behalf of Cheshire East Council is currently progressing four applications for European funding worth in excess of £12m (covering digital connectivity, energy, and skills provision) which are key to delivering Cheshire East economic growth objectives. to support our technology, science, energy and skills priorities. These applications have been progressing through the Councils and external funding gateway approval process towards the turn of the year. Overall this package will directly support over 700 existing and new businesses, enable over 1,500 businesses to access and/or take up broadband, facilitate over £50m of energy investment, and maximise skills opportunities for our 15-24 year olds – see outputs detailed in the table below.

Given the result of the EU referendum there has been a degree of uncertainty over these applications, especially in relation to later years of delivery when our status within the EU is uncertain. On the 12th August, the Secretary of State for Exiting the European Union provided clarity.

It was confirmed that 'the Treasury will give an assurance that all multi-year projects administered by government with signed contracts or funding agreements in place, and projects to be signed in the ordinary course of business before the Autumn Statement will be fully funded, even when these projects continue beyond the UK's departure from the EU'.

Those which are not contracted by this time are likely to be subject to a review, and may not be prioritised going forward. It is critical that the authority expedites approvals to contract these projects in order to secure the benefits of this investment across the Borough. Full applications for four funding opportunities will need to be submitted by the 3rd October to meet the deadline set out by HM Treasury.

The Skills & Growth Company acting on behalf of Cheshire East Council will seek permission from Cabinet on the 13th September to delegate the necessary contractual and financial approvals for all of the funding applications detailed in this paper to the Section 151 officer in consultation with relevant Portfolio Holders and Director of Legal Services.

It is critical that the authority expedites approvals to contract these projects in order to secure the benefits of this investment across Cheshire East.

#### 5. Background

The recommendation relates to the following projects which are being progressed by the Skills and Growth Company, the table below outlines the projects, value and timescales. It also states the stages of development. Full details of all the proposals are available on request.

Project/Summary/Outputs					
Funding Source	Value to CEC	Total Project Value	Start Date	End Date	Application Status
<b>1. Low Carbon Heat Growth Programme</b>  Stimulating the market for an innovative low carbon heat source locally, through research into the applicability of deep geothermal energy in the Crewe area, alongside an open programme of business support enabling SME's across Cheshire East to receive targeted support to expand operations into low carbon heat and geothermal technology as a result of exploitation of geothermal energy. <b>Outputs</b> Feasibility of deep geothermal in Crewe 41 enterprises receiving support (CO01). 4 new enterprises supported (CO05). 4 enterprises cooperating with research institutions (CO26)					
European Structural Investment Fund	£2.6m	£5.2m	Nov 16	Dec 18	Outline application successful. Full business case due by 3 <sup>rd</sup> October.
<b>2. Digital 2020- Digitally Connecting Cheshire and Warrington's Science Parks</b>  C&W has some of the most significant science assets in the UK. This project will make these assets more readily available to businesses and researchers, enhance R&I infrastructure, and encourage business investment in collaborative research. <b>Outputs</b> 54 enterprises receiving support (CO01) 100 researchers working in improved research facilities (CO25) 54 enterprises cooperating with research entities (C026) 5 enterprises supported to introduce new to the market products (C028) 11 enterprises supported to introduce new to the firm products (C029)					
European Structural Investment Fund	£2.0m	£4.0m	Jan 17	Dec 19	Outline Application Successful. Full business case due by 3 <sup>rd</sup> October.
<b>3. Digital 2020 – Broadband Connectivity, Digital Business Support and Connection Vouchers</b>  Digital 2020 will enhance access to ICTs for SMEs in the Cheshire & Warrington LEP area. It will improve the quality (speed and reach) of digital infrastructure and boost the use of digital technology by businesses. Digital 2020 will strengthen the competitive potential of SMEs, help develop new products and services, and ensure businesses exploit e-commerce opportunities to access new markets. <b>Outputs</b> 1,632 additional businesses with broadband access of at least 30Mbps (P3) 750 additional businesses taking up broadband with speeds of at least 30Mbps (P4) 599 enterprises receiving support (CO01)					

<b>88 new enterprises receiving support (CO05)</b> <b>13 Enterprises supported to introduce new to the firm products (CO29)</b>					
European Structural Investment Fund	£5.3m	£11.6m	Sept 16	Sept 19	Full Application submitted
<b>4. European Social Fund – Information, Advice and Guidance</b>  To co-ordinate Information, Advice and Guidance (IAG) provision for 15 -24 year old participants on European Social Funded (ESF) projects where required.  The programme output will be to increase: <ul style="list-style-type: none"> <li>- The level of direct engagement with young people aged 15-24 years old.</li> <li>- The development of materials/resources or IT solutions which demonstrate a clear link to career opportunities and Local Enterprise Partnership (LEP) priority sectors.</li> <li>- The level of employer links to schools for Science, Technology, Engineering and Maths (STEM) subjects and career opportunities.</li> <li>- The volumes of Apprenticeship opportunities and progression on to higher level qualifications.</li> </ul>					
Skills Funding Agency	£900K	NA	Sept 16	TBC	Full Application Submitted
<b>5. ELENA Technical Assistance</b>  Package of technical support for a portfolio of energy priorities – district heating, dry anaerobic digestion, an Energy Services Company, and street lighting. The programme output will be to facilitate e66.92m of energy efficiency and renewable energy investment, delivering 9,896 tonnes of CO2 reduction per annum.					
European Investment Bank	£1.4m (Euro 1.7m)	£1.6m (Euro 1.9m)	Sept 16	Sept 19	Full application submitted. Council approval granted already.
<b>Total</b>	£12.2m	£22.4m			

Projects 1 and 2 are significantly at risk, with accelerated timelines imposed by DCLG for submission of full business cases on the 3rd October. These are likely to proceed to contract before the Autumn Statement however this is not certain. To minimise likelihood we are working with DCLG and the Local Enterprise Partnership to ensure applications are robust.

Full business case for Projects 3 is already in the DCLG system, and so is less at risk but is still subject to technical appraisal.

Project 4 is being progressed by the Skills Funding Agency, with us in a commissioned or contractual role. It is at an advanced stage of development, and so unlikely to be at risk as a project, but the activity may be impacted by a reduction in overall ESF activity.

Project 5, ELENA, has full council, approval to proceed and is the least likely to be impacted, and it is included in this report only as a precaution against any changes to permissions required.

We are not aware of any other projects impacted by this issue being progressed by Cheshire East Council.

## **6.0 Wards Affected and Local Ward Members**

6.1 The projects related to this recommendation cover all wards In Cheshire East.

## **7.0 Implications of Recommendation**

### **7.1 Policy Implications**

7.1.1 All projects are consistent with the Councils policy objectives, and are being progressed on that basis. The business case for all projects demonstrates the Strategic Case locally, in Cheshire & Warrington, and nationally.

### **7.2 Legal Implications**

7.2.1 There are no immediate legal implications arising from Cabinet approving the recommendations as set out in paragraph 2 of this report. However, overall the legal implications of the projects are well understood, due to the authority previously entering into ERDF and ESF agreements. Legal advice will be taken prior to contracting on individual projects on a case by case basis to ensure that no further legal implications arise.

### **7.3 Financial Implications**

7.3.1 There will be financial implications for all the projects detailed, including the confirmation of match funding for each project. The Authority has experience of these implications and has successfully applied and discharged the financial requirements of European Structural and Investment Funds, ancillary to this a finance officer from the authority will form core elements of project teams responsible for the delivery of each application. The Chief Operating Officer will be consulted further as required.

### **7.4 Equality Implications**

7.4.1 All projects are assessed against the cross cutting themes of the European Structural and Investment Funds to ensure that equalities issues are fully assessed taken into account in project delivery.

### **7.5 Rural Community Implications**

7.5.1 The projects will seek to maximise the benefit to rural communities, especially in relation to digital connectivity.

## **7.6 Human Resources Implications**

7.6.1 The recommendations do not have any direct human resources implications.

## **7.7 Public Health Implications**

7.7.1 The furthering of our energy and digital infrastructure objectives will have a direct positive benefit on public health across the authority through better air quality, tackling climate impacts, and improving access to online services.

## **8.0 Risk Management**

8.1 The risks attached to each project are contained within the applications, and are assessed as part of the approval process. In addition to these the following risks have been identified in relation to this recommendation:

<b>Risk</b>	<b>Mitigation</b>
Significant additional requirements are placed upon the authority above those in previously contracted projects.	The likelihood is low given the static nature of the ESIF process, and that all projects have passed initial approval phases where any significant issues were likely to be raised. Insurmountable risks would result in non-contracting.
Insufficient time is available for clarifications and/or final contractual issues.	This is a significant issue which could delay contractual completion. Project leads are in detailed discussion with the Department for Communities and Local Government to ensure that all submissions meet the requirements, and that any contractual issues are raised early.
Insufficient time to engage project partners.	Project managers are actively engaging project partners to ensure they are aware of the accelerated timescale and requirements of them.

## **9. Access to Information/Bibliography**

9.1 Full project details, including concept and full business case submissions, are available from the Skills and Growth Company.

## **10. Contact Information**

Contact details for this report are as follows:

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