

Report to:	Cabinet	Date of Meeting:	6 September 2018
Subject:	Acceptance of Contract Variations for Extension of European Structural Investment Fund Initiatives		
Report of:	Executive Director	Wards Affected:	(All Wards);
Portfolio:	Cabinet Member - Regeneration and Skills		
Is this a Key Decision:	Yes	Included in Forward Plan:	Yes
Exempt / Confidential Report:	No		

Summary:

To advise members of arrangements to extend the current provision of support to local businesses and workless residents undertaken by the InvestSefton and Sefton@work teams through an extension of European Structural Investment Fund (ESIF) grants. The report also seeks permission for delegated authority to be given to Cabinet Member Regeneration & Skills to accept the necessary contract variations for both ERDF and ESF which will be forthcoming from the Liverpool City Region Combined Authority over the forthcoming period in consultation with Head of Corporate Resources and Head of Regulation & Compliance. The delegated authority will allow the Council to maintain these essential services for workless residents and businesses without a break in continuity of service for local businesses and workless residents.

Recommendation(s):

- 1.To note the in-principle approval received by the LCR Combined Authority for extension to the 'Ways to Work' ESF programme in Sefton under PA1.3 (for young people aged 16 – 29) and the submission of the extension request for funding under PA1.1 (Adults aged over 18)
- 2.To note the in-principle approval received by the LCR Combined Authority for extension to the PA3 ERDF Business Growth Programme t/a LCRIBS (Liverpool City Region Integrated Business Support) programme
3. To note the in-principle approval received by the LCR Combined Authority for extension to the PA3 ERDF Place Marketing for Investment programme
- 4.To delegate acceptance of the ESIF grant offers for delivery in Sefton to Cabinet Member – Regeneration & Skills in line with the advice received from the Head of Corporate Resources and Head of Regulation and Compliance prior to bid submission.

Reasons for the Recommendation(s):

The contract variations from the LCR Combined Authority will allow the Sefton@work and InvestSefton services to continue to offer high quality, value for money interventions which provide key services in our local economy. Both services, under the Investment & Employment division have been largely self-funded since 2011 and have managed, through a variety of grants and contracts, to undertake a range of important support services which have driven up employment, advocated for vulnerable people, captured social value for Sefton citizens, supported the growth of SMEs and attract new inward investment over a number of years. The Sefton delivery for both Business support and employment support each operate as constituent parts of wider economic development initiatives led by the LCR Combined Authority. This offers a degree of financial stability and shared risk. The contract variations will allow these services to be retained and developed further and the grant intervention rates on offer are extremely attractive with ESF for young people (incorporating YEI) offering a rate of 25% match funding to 75% grant and ERDF 50% match to 50% grant.

Alternative Options Considered and Rejected:

Not to apply for EU funding would be to forego the benefits (financial, social and economic) associated with external funding and would mean that Sefton would fall behind other LAs on this important agenda. EU funding has supported an essential pillar of key elements of the Council's Investment and Employment Service from 2016 onwards, and these extensions will support the delivery of key objectives for prosperity and jobs expressed in the Council's Vision for 2030. The opportunity to maximise Youth Employment Initiative funding (YEI) in addition to European Social Fund offers a particularly desirable level of grant intervention rate unavailable through other means. The current extension would allow the Sefton@work offer for workless residents to be fully optimised as the Council moves forward with its commitment to developing resilience and independence among workless residents. The extension of ERDF would allow InvestSefton to support the growth of more enterprises in Sefton, help in attracting new investment and expand their capacity to employ more residents. Given the UK's decision to exit the European Union in 2019, there are no expectations that further European Structural funds will be made available for the North West in future, however the UK government is keen to utilise all available EU monies prior to Brexit and this extension is likely to represent the last funding opportunity of its kind.

What will it cost and how will it be financed?

(A) Revenue Costs

In-principle approval has been received from the Department of Work and Pensions (DWP) to extend the Ways to Work ESF project and Sefton will receive an agreement from the LCR Combined Authority following its August meeting. The variations will amend the amount of ESF grant available to Sefton to the amount of £ 2,754,637.

In-principle approval has been received from the Ministry of Housing, Communities and Local Government for both the ERDF LCRIBS Business Growth and ERDF Place Marketing for Investment programmes. These are expected to be approved shortly. The variation to the ERDF grant to Sefton will make available the sum of £948,244 (LCRIBS T/A Business Growth Programme) and £169,063 (Place Marketing for Investment)

Both ERDF and ESF extensions require match funding from the Council, which varies according to the grant intervention rates applicable to each of the projects. Extension requests have been carefully compiled to draw down all available resources already within the scope of budgets managed through Investment & Employment. This expenditure is therefore contained partly within approved revenue budgets for 2018/2019 and 2019/20 plus an element of match funding arising from existing Council commitments deemed eligible to attract EU grant. The remainder of the match funding element (£470,000) has been sourced, after negotiation and approval from the Executive Director, from the Council's Growth budget.

The match funding forecasts will be constantly monitored and updated, and corrective action taken to substitute any potential shortfall in order to minimise the call on Council resources wherever possible. Staff involved in this are experienced in managing projects with multiple budget lines in this way and have a successful track record of operating external monies gained over many years of successful delivery.

However, notwithstanding these risk management processes, the benefit for Sefton of operating this scheme within the LCR Combined Authority arrangement is that there is scope for much greater flexibility in terms of the security of match funding across the 6 Local Authority (and in the case of LCRIBS 3 Chambers of Commerce) partners than previous ESIF funding rounds where the Council applied for funds on standalone projects.

(B) Capital Costs

Implications of the Proposals:

<p>Resource Implications (Financial, IT, Staffing and Assets):</p> <p>The Head of Corporate Resources was consulted at the commencement of the original contract in 2016 and the following comments have been reproduced here as they are still applicable: "there will always be a risk concerning the continued availability of match funding in the future. However, this risk is likely to be mitigated by the fact that the project is being implemented across the Liverpool City Region, and not just in Sefton, which potentially means that the failure of a single partner to meet its full commitment would be compensated for by additional input from another partner. If this situation were to arise then a contributing partner would reasonably expect enhanced benefit from the project, but the benefits gained by Sefton to the point that the Council was unable to sustain its match would not be lost.</p>
<p>Legal Implications:</p> <p>There are no legal implications</p>
<p>Equality Implications:</p> <p>There are no equality implications</p>

Contribution to the Council's Core Purpose:

Protect the most vulnerable:

This decision will allow the Council to continue an essential delivery offer targeted at vulnerable people of working age who have become disconnected from the labour market either through low skills or qualifications, ill health, poor work history or a range of other indicators of disadvantage. Business support will be targeted at companies who need assistance to start or grow business and sustain employment. Place Marketing will help support Sefton's inward investment activities which help generate sustainable job opportunities

Facilitate confident and resilient communities:

The aim of this provision is to build up the confidence and esteem of individuals and their communities through the promotion of positive employability skills which has an effect on families, communities and the local labour market. Local Employment is well known to be an essential component which secures the viability of communities. InvestSefton also supports Sefton citizens seeking to start their own business.

Commission, broker and provide core services:

The impact of worklessness is evidentially linked to deprivation and lack of prosperity which can give rise to increase in demand for Council services and the Council has recognised this link through a number of key strategies and plans including the forthcoming Sefton Economic Strategy

Place – leadership and influencer:

Sefton@work delivers a range of flexible services through a variety of outreach mechanisms which are negotiated with local partners, VCF agencies and government agencies such as Jobcentreplus. By delivering the employment support offer alongside other local delivery sites, this promotes collaboration and develops the concept of employment as a key outcome for the Council and its stakeholders. InvestSefton fulfils an essential leadership role with regard to SME businesses through the Sefton Economic Forum and the LCR Business Growth Board. The Place Marketing for Investment project will help support new inward investment in Sefton and influence city region activities through the LCR Investment board.

Drivers of change and reform:

Sefton@work plays a key role in advocating for workless residents with employers and gaining real benefits from social value arising from targeting employment opportunities to local people and building trust and confidence among local employers to recruit a local workforce. InvestSefton plays a key role in advocating for local business supply chains when attracting new investment.

Facilitate sustainable economic prosperity:

Sefton@work seeks to provide sustainable employment opportunities for residents by working with employers to improve the quality of work they offer, by providing essential transitional support for people new to the labour market moving into work after protracted period of worklessness and through providing in-work personalised support for more vulnerable clients once they are in work to allow them to prosper and

thrive. InvestSefton seeks to provide sustainable business support to both new and existing businesses and inward investors in Sefton.

Greater income for social investment:

Sefton@work supports social enterprise through close collaboration with a variety of key agencies. The ILM paid employment placements offer an important assistance to social enterprise who provide quality placements for workless clients and these in turn add to the sustainability of the host organisations. InvestSefton targets support at social enterprises to assist them to grow.

Cleaner Greener

Sefton@work works alongside key agencies and employers in sectors able to make a real difference to the Borough in terms of its physical environment. These include agencies able to provide work experience placements in horticulture, outdoor sports, recycling, environmental protection and visitor economy. InvestSefton works closely with a range of LCR Low Carbon business support agencies and ERDF projects to help increase energy savings and environmental improvements for Sefton SMEs.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Head of Corporate Resources (FD5245/18) and Head of Regulation and Compliance (LD4469/18) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

Not Applicable

Implementation Date for the Decision

Following the expiry of the “call-in” period for the Minutes of the Cabinet Meeting

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Appendices:

There are no appendices.

Background Papers:

There are no background papers available for inspection.

1. Introduction/Background

- 1.1 The LCR Combined Authority acts as the Accountable Body through MerseyTravel for the projects LCRIBS (Liverpool City Region Integrated Business Support) t/a Business Growth Programme, Place Marketing for Investment and Ways to Work funded by ERDF and ESF respectively.
- 1.2 The Combined Authority has submitted extension applications to the relevant Managing Authorities and these have been agreed with the LCR ESIF committee. The original timescale for ERDF projects was for LCRIBS and Place Marketing to complete in December 2018 and for Ways to Work to complete in July 2018 (for the young people element) and December 2018 for adults.
- 1.3 InvestSefton delivers LCRIBS and Place Marketing for Investment in Sefton and Sefton@work delivers Ways to Work.
- 1.4 For ERDF, the Managing Authority is the Ministry of Housing Communities and Local Government (MHLCG). Up to £13.4m ERDF remains unallocated and has been earmarked for project extensions and new projects coming forward.
- 1.5 For ESF, the Managing Authority is Department of Work and Pensions. More than £20M unallocated ESF funding remains and this will be utilised for project extensions and new funding rounds.
- 1.6 The chosen method to deploy the contract variation rather than the construction of entirely new bids is highly advantageous as it avoids hiatus in service delivery, retains clients and SMEs who are continuing to receive service, maintains ILM agreements across phases and allows for trained and qualified business advisory and employer liaison staff to be retained in position. Moreover, it allows for the optimisation of funding into successful projects without further undue delay.

2. Impact of European Structural Funding for Sefton

- 2.1 The ERDF and ESF projects have made significant and measurable impacts in Sefton since their inception.

Sefton@work has delivered:

- 817 Participants aged over 18 receiving help with employability
- 286 participants supported with disabilities or work limiting ill-health
- 499 participants supported who are unemployed and claiming benefits
- 298 participants supported who are Economically Inactive
- 914 Participants aged 16-29 receiving help with employability
- 275 young participants supported with work limiting health conditions

- More than 120 Paid supported employment placements (ILMs) with local employers

InvestSefton has delivered;

- 1,000+ businesses engaged and receiving advice on growth.
- 15 business focused events with over 700 businesses attending.
- Intensive 1:1 business support to 116+ businesses
- Assistance to create 69 full time jobs (marketed to local residents via Sefton@work)
- Significant Inward Investment support to projects in to Sefton, including Domino UK Ltd and Kura which have created over 220 jobs and safeguarded 60 more with over £30m invested in these two projects alone.

3. Extending the Projects

European Regional Development Funds

3.1 MHCLG in its call for projects has indicated its preference for four existing successful projects to be extended including LCRIBS and Place Marketing for Investment. MHCLG has indicated the programmes can be rolled forward under a Change Control Notice to help expedite the formal approval process. Updated priorities within the City Region for the period of the extension will focus ERDF investment on the following:

- Continuation and enhancement of enterprise readiness and start ups
- Targeted programme of support for newly started businesses (1st 3 years)
- Continuation and enhancement of the core LCR business support offer
- A selective, high intensity and longer- term programme for high growth SMEs
- Continuation and enhancement of single inward investment offer
- A programme of innovation and/or accelerator support for SMEs
- Support to attract new inward investment

European Social Funding

3.2 Department for Work and Pensions have accepted that key projects such as Ways to Work (which have delivered in line with forecasts) can be rolled forward under a Change Control Notice process. This circumvents the need to assemble a fresh new application and have this formally approved and should enable a swifter decision-making process than a full application.

3.3 The project extension for ESF will focus on the continuation of existing local priorities, with greater focus on the targeting of key groups such as single adult households, inactive people, BME groups and people with disabilities with a view to greater numbers from these cohorts moving into sustainable employment.

4. Financial Support for Project Extensions

- 4.1 Members will be aware that ESIF funded projects allow the Council to draw down European funding to deliver essential services for business and employment which requires input of match funding. The return on ESIF investment is very positive, ranging from 50% across some activities up to 75% grant intervention rate applicable to the Ways to Work project younger persons element (known as Youth Employment Initiative). To date, the match finance into the ERDF and ESF projects has come from the resources contained within Investment and Employment financial ring-fence which has been in operation since 2011.
- 4.2 Recent discussions have taken place with the Executive Director to scope the opportunity for extending investment into European funding to support continuity of the InvestSefton and Sefton@work services. As a result, it has been identified that match finance could be made available to support these extension requests through the Growth budget. Provision has therefore been made for securing the necessary additional match funding into the employment and business support programmes for the present financial year. As the Growth budget is managed on an annual basis under the current mid-term financial plan, there may need to be further budget planning activity for 2019/20 and 2020/21
- 4.3 If the unallocated ERDF and ESF funding is not drawn down and expended in to projects this funding would need to be returned to the EU. UK government departments dealing with structural funding have indicated this would not be a preferred outcome and have agreed with regional and devolved authorities such as the LCR Combined Authority that this should be avoided. However, the time taken to process the extension requests using Change Control Notices could raise some concern if further delays are experienced. Clearly, the opportunity to receive ESIF funds in future years is not a realistic prospect after Brexit arrangements are completed so this opportunity for extension may be the last of its kind to draw in significant external resource to support the economic aims of the Council under Vision 2030.