

DECISION-MAKER:	CABINET COUNCIL
SUBJECT:	REGIONAL GROWTH FUND BID TO SUPPORT BUSINESS START UPS AND GROWTH
DATE OF DECISION:	20 NOVEMBER 2012 16 JANUARY 2013
REPORT OF:	CABINET MEMBER FOR COMMUNITIES
STATEMENT OF CONFIDENTIALITY	
None.	

BRIEF SUMMARY

Southampton City Council, working with Solent Enterprise Partnership (LEP) and the Daily Echo, has submitted a successful £2 million Regional Growth Fund bid to award small business grants in Southampton and Isle of Wight, with the City Council to act as Lead Accountable Body. The funds were due to be released in Spring 2013. However, in recognition of the proposed redundancies at the Ford plant, the Secretary of State has authorised the early release of the agreement to provide self employment support where appropriate. This report therefore seeks approval to receive the grant from the Department for Business, Innovation and Skills, and to deliver the programme.

RECOMMENDATIONS:

Having complied with the requirements of Rule 16 (urgency) of the Access to Information procedure Rules, it is recommended that:

Cabinet

- (i) To accept, in accordance with Financial Procedure Rules, the Regional Growth Fund grant of £2 million from the Department for Business, Innovation and Skills, and act as Lead Accountable Body for the administration of the funds.
- (ii) To delegate authority to the Director of Environment and Economy, following consultation with the Leader, Head of Legal, HR, Democratic Services and Solent LEP, to undertake such actions necessary to enable the successful delivery of the project.

Council

- (i) To approve, in accordance with Financial Procedure Rules, revenue expenditure of £2 million for the project.
- (ii) To accept the risk that the Council may be liable to repay funding to the Regional Growth Fund under the claw back arrangements, and that such claw back may be a cost to the City Council, as set out in paragraph 13.

REASONS FOR REPORT RECOMMENDATIONS

1. This report is submitted for consideration as urgent under Rule 16 of the Access to Information procedure Rules in part 4 of the Council's Constitution, notice having been given to the Chair of Overview and Scrutiny Management Committee and the public. The matter requires an urgent decision and cannot be deferred for 5 clear days for the reasons set out below. In response to the announced closure of the Ford plant at Swaythling, the Secretary of State for Business, Innovation and Skills has authorised that the allocation of the funds is fast-tracked. The grant must be received urgently to progress to contract so that the scheme is available from the Spring/Summer for those facing redundancy, including Ford workers.
2. Enterprise is a key driver of productivity and economic growth. Currently, business start-up rates in the Solent fall well below regional and national benchmarks. The project aims to: support business start-ups; expand enterprise opportunities for young people; and help businesses to grow and create employment.

DETAIL (Including consultation carried out)

3. The Regional Growth Fund (RGF) is administered through the Department for Business, Innovation and Skills (BIS) with the objective of stimulating economic growth and jobs through infrastructure support. The fund is available to private sector employers, to bring forward or accelerate commercial opportunities.
4. The project is designed to raise the levels of business start-up and sustainability in the urban areas of SW Hampshire comprising primarily Southampton and the Isle of Wight. RGF support will be used to provide a competitive programme of grant assistance to business start-ups and existing small businesses that have the potential for sustained growth and employment creation. The project would be promoted by in-kind sponsorship from the Daily Echo.
5. RGF will enable support to be provided to at least 100 businesses (50 start-ups and 50 existing businesses) and create/safeguard 400 jobs. All grants will be allocated by March 2014. Those who are facing redundancy, for example from the Ford plant, will specifically be made aware of the opportunity.
6. Criteria for grants will be agreed with Southampton City Council and overseen by the Solent Enterprise Panel. Awards will be made against commercial and outcome-based criteria, further to financial, due diligence and suitability checks. The Panel will oversee expression of interest, full application, appraisal of full bid, condition of offer letter, claim for payment by the applicant, verification that terms of offer are satisfied and wider business support.
7. The competition will be launched in January 2013, with a deadline of expressions of interest in February 2013. Full applications will be required by 31 March 2013. The appraisal process will conclude in May, with the Panel making recommendations. Conditional offers will be issued and due diligence will take place. It is anticipated that new business start-ups and business growth recipients will be able to commence activities from early summer 2013, and offers will include a no obligation to pay date of 31 March 2014, after which there will be no obligation to pay claims. Payment of support will be made on a claims basis commencing September 2013.

8. Within the business start-up strand of the programme there is a commitment to create 10 business start-up opportunities for young entrepreneurs aged up to 25 years who have been unemployed for more than 6 months. The fund will be aligned with the New Enterprise Allowance Mentoring Scheme. There will also be an expectation that beneficiaries would undertake a vocationally relevant NVQ qualification to support them through the Business Start Up phase.
9. It is anticipated that £1m RGF funding would be allocated to business start ups and £1m to business improvement.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

10. (i) Not to accept the funds: Southampton has a lower business start up rate than regional and national averages (Business start up rates for the SE are 387.6 per 10,000 resident population. This is considerably in excess of that found in Southampton (214), and the Isle of Wight (305.7). In the SE, 46.8% of businesses are still trading 5 years after start up. The comparable figure for Southampton is 39% and Isle of Wight 45.6%. If the bid is not submitted, the RGF funding would be lost to local businesses and therefore impact on employment rates.

(ii) Not to act as Lead Accountable Body: Solent LEP does not have a track record of administering funds: this role has been undertaken by local authorities (Portsmouth City Council has recently been Lead Accountable Body for a similar LEP RGF project in Portsmouth). Furthermore, leading the funding and delivery would enhance Southampton governance and control of the programme.

RESOURCE IMPLICATIONS

Capital/Revenue

11. The total value of the RGF funding is £2 million paid over two years. In addition, there is £350,000 in-kind contribution from Solent LEP and the Daily Echo. Southampton City Council is not required to match fund any of the grant.
12. The grant will be claimed by the Authority quarterly in advance. There is a risk that grant will be clawed back by the Department for Business, Innovation and Skills in two scenarios:
 - If the grant is not fully allocated, unspent grant will be clawed back plus an amount of interest agreed with the Department for Business, Innovation and Skills;
 - Grant is allocated to businesses on the basis of an overall increase in employee headcount. If the increase in headcount is not maintained at the end of the two years, the grant will be clawed back from the City Council proportionate to the reduced headcount, and may not be retrievable from the business concerned. This risk will be mitigated by undertaking a process of due diligence to ensure that businesses are suitably robust before any award is made. Allocations will also be capped at a maximum of £50,000 per organisation.
13. Funding will be available via Solent LEP for City Council staff resource to undertake the Lead Accountable Body role. In addition, £100,000 of the grant can be used to carry out an assessment of the eligibility of the businesses.

Property/Other

14. None.

LEGAL IMPLICATIONS

Statutory Power to undertake the proposals in the report:

15. Section 1 of the Localism Act 2011 permits a Council to do anything that and individual may do whether or not normally undertaken by a local authority (the General Power of Competence). The power is subject to any pre or post commencement restrictions on the use of power (none of which apply in this case).

Other Legal Implications:

16. Agreements will be drafted between Solent LEP and Southampton City Council. The terms and conditions in the contract with the Department for Business, Innovation and Skills will be included in contracts with grant recipients.

17. State Aid implications will be mitigated through the threshold of Grants awarded and contractual arrangements with grant recipients.

POLICY FRAMEWORK IMPLICATIONS

18. The proposals contained in the report are in accordance with the appropriate Policy Framework Plans of the City Council.

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SUPPORTING DOCUMENTATION

Appendices

1.	None.
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Documents In Members' Rooms

1.	None.
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Integrated Impact Assessment

Do the implications/subject/recommendations in the report require an Integrated Impact Assessment to be carried out.	No
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Other Background Documents

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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1.	None
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Integrated Impact Assessment and Other Background documents available for inspection at:

WARDS/COMMUNITIES AFFECTED:	ALL
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