

# North Tyneside Council

## Report to Cabinet

### 11 August 2014

#### ITEM 6(f)

Business Factory ERDF  
Grant Acceptance

**Portfolio(s):** Economic Development

**Cabinet Member(s):** Cllr Frank Lott

**Report from Service Area:**

**Business and Economic Development**

**Responsible Officer:**

**Paul Buie, Head of Business and Economic Development**

**Tel: (0191) 643 6091**

**Wards affected:**

**All**

#### PART 1

##### **1.1 Purpose:**

The purpose of the report is to seek approval from Cabinet to accept grant funding from the European Regional Development Fund (ERDF) of £228,503 towards the extension of the business start-up service delivered by the Business Factory project.

##### **1.2 Recommendation(s):**

It is recommended that Cabinet:

1. authorise the Chief Executive as the s.151 Officer to accept the offer of the grant of £228,503 from the Department for Communities and Local Government (DCLG) on terms which are approved by the Head of law and Governance;
2. authorise the Head of Business and Economic Development in consultation with the Cabinet Member for Economic Development, the Chief Executive as the s.151 Officer, the Cabinet Member for Economic Development and the Head of Law and Governance to take all necessary steps to deliver the extended business start-up programme.

##### **1.3 Forward Plan:**

Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 7 July 2014.

##### **1.4 Council Plan and Policy Framework**

This report relates to the following themes/programmes/projects in the 2014-18 Council Plan (Our North Tyneside).

Our Economy will have the right conditions to support investment and create new jobs, especially apprenticeships.

We will do this by delivering an effective programme of business start-up support for new businesses.

## **1.5 Current Position**

North Tyneside Council's business start-up service, which is delivered under the Business Factory project name, is based in the North Tyneside Business Centre (Howard House) in North Shields and delivers the following services:

- Start-up advice and guidance
- Business planning
- Business ideas generation
- Grants and funding support
- School enterprise
- Social enterprise support
- Expert support: marketing, social media, property, ICT
- New product development
- Events and workshops

In 2013/14 the Business Factory project supported over 2,000 residents with enterprise advice and support and helped to establish 423 new businesses.

The Business Factory project has been nationally recognised by the Department for Business innovation and Skills (BIS) for its work in supporting local entrepreneurs and received a 'Highly Commended' award in the Enterprising Britain Awards 2014. The prestigious awards celebrate activity that stimulates new businesses to start-up and are part of the Government's drive to increase entrepreneurship activity in the UK.

The Business Factory project has been in receipt of ERDF funding, since April 2009. The current ERDF funding, which covers 50% of the project costs, is due to end on 31 December 2014. The Council was approached by DCLG in February 2014 to submit an expression of interest to extend the project for a further 9 months utilising unallocated ERDF resources.

### **1.5.1 Funding Application Outcome**

Following consideration of the Expression of Interest by DCLG, an offer of £228,503 ERDF funding was then received from DCLG to extend the project to 30 September 2015 with the same pro-rata budget and output commitments as the existing project.

### **1.5.2 Project Outcomes**

The Business Factory project is on target to significantly exceed all of the ERDF outcomes and the extended project will enable the continued delivery of this valuable service to North Tyneside residents. The project helps to create over 500 new jobs per annum and supports a stronger, more diverse economy in North Tyneside with the significant number of new businesses created.

The 423 business start-ups created in 2013/14 is the highest rate of enterprise support on record in North Tyneside. The data from the Office for National Statistics (ONS) in the table below shows that significant progress has made since the project commenced in 2009 but highlights that, whilst the gap between North Tyneside and the national average is closing, there is still a need for this project.

<b>PERIOD</b>	<b>NO. SELF EMPLOYED IN NT</b>	<b>% OF WORKING AGE POPULATION</b>	<b>GB %</b>
Jan 09 – Dec 09	5,700	4.3%	9%
Jan 11 – Dec 11	7,000	5.2%	9.2%
Jan 13 – Dec 13	8,800	6.2%	9.7%

Source: ONS Annual Population Survey.

### **1.5.3 Financial Breakdown**

A breakdown of the financing of the revenue project for the 9 months from January 2015 to September 2015 can be summarised as follows:-

ERDF grant	£228,503
North Tyneside Council	£228,504
<b>Total</b>	<b>£457,007</b>

### **1.5.4 Timescales**

Should Cabinet give approval to accept this grant there will be no break in service delivery and the extended project will commence on 1 January 2015 and end on 31 September 2015. This will give sufficient time to consider the future delivery of the project in line with the Creating a Brighter Future Programme.

### **1.6 Decision options:**

The following decision options are available for consideration by Cabinet:

#### Option 1

Cabinet may approve the recommendations set out in paragraph 1.2 of this report to accept the offer of ERDF funding and delegate authority to deliver the project.

#### Option 2

Cabinet may reject the grant offer and North Tyneside Council may continue to invest in a reduced business start-up service.

#### Option 3

Cabinet may reject the grant offer and North Tyneside Council may cease delivery of the business start-up service.

### **1.7 Reasons for recommended option:**

Option 1 is recommended for the following reasons:

Accepting the ERDF grant offer will provide the resources needed to deliver a comprehensive business start-up programme. Significant progress has been made since the commencement of the project in 2009 to close the gap between North Tyneside and the national average but there is still some way to go.

The North East traditionally falls behind the rest of the UK in business creation rates and the project has already proven its value in closing the gap and creating record breaking numbers of new businesses and job opportunities, achieving national recognition from the Department of Business, Innovation and Skills (BIS) Enterprising Britain competition.

### **1.8 Appendices:**

Appendix 1: ERDF grant offer letter including grant conditions dated 25 June 2014.

## **1.9 Contact officers:**

Sean Collier, Senior Manager – Business and Enterprise,  
Business and Economic Development, (0191) 643 6409  
Karen Westgate, Assistant Strategic Funding and Policy Advisor,  
Business and Economic Development, (0191) 643 6922  
Alison Campbell, Finance Business Manager, (0191) 643 7038  
Sarah Heslop, Manager Legal Services, (0191) 643 5456

## **1.10 Background information:**

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

(1) European Regional Development Fund Expression of Interest, 4 March 2014.

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

The £228,504 match funding from the Authority will be met from within existing revenue budgets.

### **2.2 Legal**

The grant offer from EDRF is subject to their standard conditions, requirement for match funding and the continued achievement of a range of outputs.

The grant conditions require that the delivery of the project be appropriately managed and monitored, and it will be necessary for suitable arrangements to be maintained and reviewed to ensure that the delivery phase of the project, including the arrangements for procurement, and the retention of documentation, are conducted in a manner that does not expose the Authority to any risk of clawback or other liability as the body accountable for the grant receipts.

### **2.3 Consultation/community engagement**

#### **2.3.1 Internal Consultation**

Consultations have been undertaken with the Elected Mayor and Cabinet Member for Economic Development. The project has been considered at regular internal officer meetings and joint officer and member group briefings.

#### **2.3.2 External Consultation/Engagement**

The project has been subject to an annual external evaluation since 2009 in which a comprehensive user and stakeholder consultation is undertaken.

### **2.4 Human rights**

There are no Human rights implications arising from this report.

### **2.5 Equalities and diversity**

There are no direct equality and diversity implications arising from this report.

### **2.6 Risk management**

Any proposals agreed would be appropriately risk managed to ensure the Authority and any partners are not exposed to unmanageable operational risks.

### **2.7 Crime and disorder**

There are no crime and disorder implications arising from this report.

### **2.8 Environment and sustainability**

There are no environment and sustainability implications arising from this report.

### **PART 3 - SIGN OFF**

- Deputy Chief Executive  X
- Head of Service  X
- Mayor/Cabinet Member(s)  X
- Chief Finance Officer  X
- Monitoring Officer  X
- Strategic Manager–  
Strategic Services  X

## **Appendix 1: ERDF grant offer letter**



Department for  
Communities and  
Local Government

2 June 2014

Sean Collier  
Business & Enterprise  
North Tyneside Council  
North Tyneside Business Centre  
Saville Street  
North Shields  
NE30 1NT

Our Ref: NE005036A

Dear Sean

**NE005036A – Raising Enterprise North Tyneside (Extension)**

**VARIATION TO CONTRACT APPROVAL**

Further to your change request submission dated 11 March 2014 please accept this letter as confirmation that the following changes have now been approved.

**Finances**

**Funding Profile**

Revenue Funding	Original £	Revised £	Variance £	Variance %
ERDF	895,640	1,124,143	228,503	25.5%
Public Match (ERDF Eligible)	895,640	1,124,144	228,504	25.5%
Private (ERDF Eligible)	0	0	0	-
<b>Total Revenue</b>	<b>1,791,280</b>	<b>2,248,287</b>	<b>457,007</b>	<b>25.5%</b>

	Original	Revised	Variance
<b>Revenue Intervention Rate</b>	<b>50.00%</b>	<b>50.00%</b>	<b>0.00%</b>

**Budget: Eligible Expenditure**

Revenue Expenditure	Original £	Revised £	Variance £	Variance %
Salaries	100,316	135,892	35,576	35.5
Premises	4,693	5,923	1,230	26.2
Fees	1,565,960	1,956,076	390,116	24.9
Other Revenue	120,312	150,396	30,084	25.0
<b>Total Revenue</b>	<b>1,791,280</b>	<b>2,248,287</b>	<b>457,007</b>	<b>25.5%</b>

Further detail can be seen in the Quarterly Funding Profile section of the MCIS system.

### Deliverables

Outputs	Original	Revised	Variance	Variance %
040/P2/O08 - No of new SMEs assisted, including integrated development of workforce skills where appropriate	100	130	30	30%
040/P2/O11 - No of SMEs assisted which are social enterprises	6	9	3	50%
040/P2/O13 - Potential Entrepreneurs assisted to be Enterprise Ready, of which:	1400	1800	400	28.57%
040/P2/O14 - Potential Entrepreneurs assisted to be Enterprise Ready - Men	840	1080	240	28.57%
040/P2/O15 - Potential Entrepreneurs assisted to be Enterprise Ready - Women	560	720	260	28.57%
040/P2/O13 - Potential Entrepreneurs assisted to be Enterprise Ready in disadvantaged areas	700	900	200	28.57%
<b>Results</b>				
040/P2/R14 - No of gross jobs created, of which	350	440	90	25.71%
040/P2/R15 - No of gross jobs created - Men	210	264	54	25.71%
040/P1/R16 - No of gross jobs created - Women	140	166	26	25.71%
040/P1/R17 - No of gross jobs created in disadvantaged areas	60	75	15	25.71%
040/P2/R22 - No of businesses assisted with improved performance, of which at least 10% to implement advanced ICT applications	90	120	30	33.33%
040/P2/R23 - No. of businesses created or attracted to the region	350	450	100	28.57%
040/P2/R24 - No. of businesses created or attracted to the region in disadvantaged areas	101	161	60	59.41%
040/P2/R25 - No. of businesses created or attracted to the region surviving 12 months	315	346	31	9.84%

Further detail, including an annual breakdown can be seen in the Targets section of the MCIS system.

### Timetable

Milestone	Original	Revised
b) The last date that expenditure may be incurred being the Agreed Financial Completion Date	31 December 2014	30 September 2015
c) The Agreed Project Completion Date being the date by which you anticipate that you will have achieved Completion of the project activities	31 March 2015	31 December 2015
e) The date of submission of the final Grant Claim	31 January 2015	30 October 2015



All other terms and conditions contained in the Funding Agreement dated 19 December 2011 and as amended by the variation dated 10 September 2012 remain unchanged.

Please sign and date your acceptance of the above changes, returning one copy of this letter to me at the address below, and retaining the other for your own records.

Yours sincerely



**Chris Taylor**  
**Senior Partnership and Appraisal Specialist**

**ACCEPTANCE**

On behalf of, and as authorised by North Tyneside Council hereby agree to the project changes detailed above. I understand that all other terms and conditions contained within the original Funding Agreement remain the same.

Signed .....  
Name .....  
Position .....  
Organisation .....  
Address .....  
Date .....

**Growth Delivery Team: Newcastle**  
Department for Communities and Local Government  
Citygate  
Gallowgate  
Newcastle upon Tyne  
NE1 4WH



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