

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Executive Member for Economy, Transport and Environment
<b>Date:</b>	15 September 2015
<b>Title:</b>	Solent Business Support Hub – ERDF Project
<b>Reference:</b>	6881
<b>Report From:</b>	Director of Economy, Transport and Environment

**Contact name:** David Fletcher

**Tel:** 01962 846125

**Email:** david.fletcher@hants.gov.uk

### 1. Executive Summary

1.1. The purpose of this paper is to seek approval for Hampshire County Council to agree to act as one of the formally named Delivery Partners for the Solent Business Support Hub project, which is to be funded through the European Regional Development Fund (ERDF) programme, subject to the Full Application for these proposals being approved by the Department for Communities and Local Government (DCLG).

1.2. This paper seeks to:

- set out the background to and scope of the proposals;
- explain the proposed delivery and funding model;
- explain the proposed role and obligations of Hampshire County Council in this project, specifically in relation to the inward investment element of the proposals.

### 2. Background and Scope of Proposals

2.1. Earlier this year, through the Solent Local Enterprise Partnership, a call for proposals was promoted for a Solent Business Support Hub project, to be part-funded through the European Regional Development Fund (ERDF), under the “Priority Axis 3” (SME Competitiveness), “Investment Priority 3c” (Growth capacity).

2.2. Up to £1.8million of ERDF funding is to be made available over a 3 year period, which has to be matched on a 50:50 basis, creating a total project budget of £3.6million. The Managing Authority for ERDF funding is the

Department for Communities and Local Government (DCLG), with whom any contractual arrangements for the funding will need to be finalised.

- 2.3. The scope of business support to be delivered through the project includes the following:
- ‘One stop shop’ service to direct/signpost businesses to appropriate support (linked to the national business helpline);
  - Inward Investment service – to support SME inward investors to locate and invest in the Solent LEP area;
  - Other specialist support – encompassing start up support, investment readiness, e-commerce and business process support, marine sector SME support, innovation / Research & Development support and leadership development.
- 2.4 Given its previous role as Accountable Body for the Solent Growth Hub (funded through the Regional Growth Fund), the University of Portsmouth agreed to lead a consortium of partners to develop and submit an outline application in response to the ERDF call for proposals (which was submitted on 29 May 2015).
- 2.5 At the time of writing, confirmation has been received that the University of Portsmouth and its partners is being invited to submit a Full Application by September/October 2015.

### **3. Proposed Delivery and Funding Model**

- 3.1. The proposed Delivery Partners and their respective roles are as follows:
- University of Portsmouth – lead partner and overall programme management. To lead on the innovation / Research & Development / leadership development elements of the service (in conjunction with the other universities);
  - BE Group – to operate the ‘one stop shop’ element of the model and link to the national business helpline and Customer Relationship Management system (which are operated by BE Group);
  - Hampshire County Council – leading the inward investment element of the model;
  - Portsmouth City Council – supporting the County Council in the delivery of the inward investment element and providing other resources to enhance the business support offer;
  - Southampton City Council – supporting the County Council in the delivery of the inward investment element and providing other resources to enhance the business support offer;

- Southampton Solent University – leading the start up support element;
- University of Southampton – supporting the innovation/R&D element with the University of Portsmouth;
- WSX Enterprise – leading investment readiness, resource efficiency and digital strands.

3.2. Headline outputs proposed by the partners include the following:

- Number of businesses supported = 1,400
- Number of jobs created = 400
- Private sector investment leveraged = £9million

#### **4. Proposed Role and Obligations of Hampshire County Council**

4.1. It has been proposed that Hampshire County Council acts as the lead Delivery Partner for the inward investment element of the Solent Business Support Hub model, particularly given the sector growth manager posts within the Economic Development function of the County Council.

4.2. The proposed scope of the inward investment activity is as follows:

- Effective promotion of the Solent region as an investment location;
- Support for the growth of SMEs in our key sectors (and specifically the marine sector);
- Embedding existing foreign (non EU) owned SMEs in the region;
- Maximising the economic value of our key assets such as Research and Development facilities and the Solent Enterprise Zone, Southampton Marine & Maritime Institute and National Oceanography Centre;
- Integrating where possible the wider Solent Business Support Hub 'offer' within the inward investment 'offer', to clearly position the Solent region as a 'pro-growth location'.

4.3 The proposed contractual outputs associated with the inward investment activity are as follows over the 3 year period of the funding:

- Number of businesses supported = 80
- New jobs created = 250
- Private sector investment leveraged = £9million

- 4.4 It is worth noting that guidance has been received from UK Trade & Investment (UKTI) in relation to the use of ERDF funding for the purposes of supporting inward investment activity, and it has been confirmed that the ERDF operational programme supports the promotion of foreign direct investment (FDI), particularly under the “Priority Axis 3” (SME Competitiveness), “Investment Priority 3c” (Growth capacity). Expenditure must be SME focused, and support funded in this way must be for businesses based within the programme area, but could involve support provided to a foreign investor once located here. Place marketing is allowable as long as it is targeted at inward investor SMEs from outside the EU.
- 4.5 In terms of the County Council’s contractual obligations in relation to the ERDF funding, the Authority will be assuming responsibility for:
- any potential overspend within the inward investment element of the project (this risk will be mitigated through careful management of the budget which should be relatively straightforward in that the majority of the costs are salary related);
  - any costs associated with redundancy for the new posts when the 3 year contract period for the funding ceases (any such costs need to be incorporated within the project costs and the County Council’s obligations limited through the contractual arrangements);
  - any risks associated with underperformance in relation to the contracted outputs (although it is assumed that the arrangements across the partners for the whole ERDF project will allow for ‘pooling’ of outputs across the various activities to mitigate this risk).

## **5. Finance**

### *For the Whole Project*

- 5.1 In full, the project will entail expenditure of £3.6million, £1.8million from ERDF and £1.8million worth of match funding. This £3.6million will be spent roughly as follows:
- £1.2million on inward investment – largely staff costs, including £379,000 of Hampshire County Council staff time, and the employment of three new posts dedicated to this project;
  - £1.0million on investment readiness, finance, e-commerce and efficiency related support;
  - £0.6million on innovation/research & development related support;

- £0.8million on other support encompassing start ups, skills, marine sector SMEs and the gateway for enquiries via the national business support helpline.
- 5.2 The match funding of £1.8million is proposed to be made up of £1.3million in cash and in-kind contributions from the Delivery Partners, and £0.5million from the businesses benefiting from the Solent Business Support Hub services.

*For the Inward Investment Element Led by Hampshire County Council*

- 5.3 The total match funding for the inward investment element is £650,000 over 3 years, made up of:
- £180,000 cash (£100,000 PUSH, £50,000 Portsmouth City Council, £30,000 Southampton City Council)
  - £379,000 of staff time from Hampshire County Council;
  - £91,000 of staff time from Southampton City Council.

This will leverage £528,000 of ERDF funding over 3 years (£650,000 match + £528,000 ERDF = £1,178,000 total costs for the inward investment element).

- 5.4 In order to deliver the Inward Investment element of the project, it may be necessary to appoint to three new fixed term posts including a Head of Service, an Enquiry Co-ordinator and a Marketing Co-ordinator each for a period of three years at a total estimated cost of £498,000. While this will not be a cost to the County Council, it is possible that the Authority will need to recruit and employ individuals in these posts, reflecting the fact that it will lead on this element of the project. Authority is therefore sought to make these arrangements should this be deemed necessary.

## **6. Anticipated Next Steps**

- 6.1. The Full Application to DCLG will be submitted in September 2015.
- 6.2. Assuming that the Full Application is approved, the County Council will then have to move to the contracting stage, with the University of Portsmouth having the main contract for the funding with DCLG, and Hampshire County Council having a contract with the University of Portsmouth as a formal Delivery Partner.
- 6.3. The County Council's contractual obligations will include provision of the match funding and the contractual outputs associated with the inward investment element of the proposals.
- 6.4. The County Council will need to ensure that the other partners offering match funding for the inward investment activity (PUSH, Southampton City

Council and Portsmouth City Council) are contractually obliged to provide this match, whether in staff time and/or cash.

- 6.5. Within the current proposal, it is anticipated that the ERDF funded activity would go live in Spring 2016.

## **7. Recommendations**

- 7.1. That the Executive Member for Economy, Transport & Environment gives approval for Hampshire County Council to act as one of the formally named Delivery Partners for the Solent Business Support Hub project, which is to be part-funded through the European Regional Development Fund (ERDF) programme, subject to the Full Application for these proposals being approved by the Department for Communities and Local Government (DCLG);
- 7.2. That approval is given to the commitment of match funding as a contribution to the project, in the form of staff time to the estimated value of £379,000 over a 3 year period;
- 7.3. That approval is given for Hampshire County Council to enter into a formal agreement with the Applicant/Lead Partner, the University of Portsmouth, in relation to its role as a Delivery Partner, with specific lead responsibility for the inward investment element of the proposals;
- 7.4. That the Executive Member for Economy, Transport and Environment delegates authority to the Director of Economy, Transport and Environment to finalise the contractual arrangements, in consultation with the Head of Legal Services, in relation to the County Council's role as lead partner for the inward investment element of this project;
- 7.5. That authority be given to recruit and employ any new posts funded through the ERDF funding for the period of this project, in relation to the inward investment element, should this be required.

**CORPORATE OR LEGAL INFORMATION:****Links to the Corporate Strategy**

<b>Hampshire safer and more secure for all:</b>	no
Corporate Improvement plan link number (if appropriate):	
<b>Maximising well-being:</b>	yes
Corporate Improvement plan link number (if appropriate):	
<b>Enhancing our quality of place:</b>	yes
Corporate Improvement plan link number (if appropriate):	

**Other Significant Links**

<b>Links to previous Member decisions:</b>		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
EU Programme – Project Opportunities <a href="http://www3.hants.gov.uk/councilmeetings/advsearhmeetings/meetingsitemdocuments.htm?sta=0&amp;pref=Y&amp;item_ID=6615&amp;tab=2&amp;co=&amp;confidential=">http://www3.hants.gov.uk/councilmeetings/advsearhmeetings/meetingsitemdocuments.htm?sta=0&amp;pref=Y&amp;item_ID=6615&amp;tab=2&amp;co=&amp;confidential=</a>	6615	21 April 2015

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

## **IMPACT ASSESSMENTS:**

### **1. Equality Duty**

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

**Due regard in this context involves having due regard in particular to:**

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

### **1.2. Equalities Impact Assessment:**

It is considered that the project will have low impact on groups with protected characteristics.

The opportunities to access business support through this programme will be available for everyone that meets the criteria. One of the key elements of the proposed programme is to help develop social enterprises which is acknowledged as a good entry point into business for people from different equality categories.

### **2. Impact on Crime and Disorder:**

2.1. Not applicable.

### **3. Climate Change:**

3.1. How does what is being proposed impact on our carbon footprint / energy consumption?

It is anticipated that the creation of more jobs within the Solent LEP area should reduce average journey to work distances.

In addition, one of the specific intensive support services to be delivered by the Solent Business Support Hub is to help businesses to improve their energy usage and efficiency.

- 3.2. How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

A number of the SMEs likely to be supported through this programme are active in the sustainable energy sector.