Report to:	**Lead Cabinet Member for Economy**
Date of meeting:	**7 July 2015**
By:	**Director of Communities, Economy and Transport**
Title:	**Bid to European Regional Development Fund for low carbon business support programme**
Purpose:	**To seek Lead Member approval to submit a bid with South East Local Enterprise Partnership partners for external funding from an EU fund.**

RECOMMENDATION: **The Lead Member is recommended to approve the submission of a bid to the European Regional Development Fund (ERDF) for low carbon business support programme, in support of the East Sussex Growth Strategy.**

1   Background Information

1.1   Partners across the South East Local Enterprise Partnership (SELEP) area are working together to develop a bid to the European Regional Development Fund's (ERDF) low carbon fund. There is clear evidence that nearly all businesses can improve their profitability by cutting their energy costs but that the majority of businesses in East Sussex have not accessed advice or finance on how to do so (see the East Sussex Business Survey, 2014). It is also apparent that the low carbon environmental goods and services sector (LCEGS) is a key growth sector for East Sussex (see the East Sussex Growth Strategy 2014-20).

1.2   There is a similar picture across the SELEP area. The need to address these points is reflected in the SELEP's Local Implementation Plan, and the European Regional Development Fund includes a ring-fenced low carbon allocation to help fund the LEP's low carbon plans.

2   Supporting Information

2.1   The partnership working collectively on the bid is led by Kent County Council and includes Essex County Council, Southend and Thurrock. In East Sussex, the proposal is to divide delivery between:

a) East Sussex County Council (ESCC) – to deliver support to businesses to cut their energy costs (ie. the demand side). The County Council has been delivering a similar and successful programme to local small and medium-sized enterprises (SMEs) for over a decade. This is currently funded by ESCC, via the SME Commission, but will end during 2015. ESCC will also use local suppliers to improve energy efficiency in some of its own buildings;

b) Brighton University – to deliver support to the LCEGS (ie. the supply side), because this will complement the existing five years Green Growth Platform programme that the University is delivering for this sector up to 2018.

2.2   The draft partnership budget, key outputs and outcomes are listed in Appendix A. Of the total £18.3m partnership budget, an estimated £3.2m is proposed to be spent in East Sussex,

subject to the take up from local SMEs of the services that the programme would offer. The costs to the County Council over 3 years would be:

1) Business Services Department Energy Team existing staff & Salix invest-to-save energy budget - £97,000
2) Environment Team Manager's time - £36,875
3) Contribution from ESCC's SME Commission budget - £20,000
4) Environment Team budget - £40,000

Therefore, the resources that the County Council is planning to commit to the programme would lever in significant additional spending within East Sussex. It should be noted that this budget, and the resulting outputs and outcomes, may change as further clarification is received from the Department for Communities and Local Government (DCLG) on eligible costs, funding thresholds etc.

2.3   The deadline for the submission of final bids is 27 July. If the project is successful in securing ERDF funding then it's anticipated that delivery would begin in November 2015, with practical completion in October 2018 and financial completion in January 2019.

2.4   A risk register covering the proposed programme is included as Appendix B. In summary, none of the risks are considered significant enough to prevent the submission of the bid.

3   Conclusion and Reasons for Recommendations

3.1   The proposed bid will help drive economic growth, and address specific needs and opportunities identified in the East Sussex Growth Strategy (2014-20) and the East Sussex Business Survey (2014). The County Council will make best use of resources, by enabling the County Council's Energy Team to implement energy efficiency projects that will cut the County Council's energy costs.

3.2   Therefore, the Lead Member is recommended to approve the submission of the ERDF bid for low carbon business support programme.

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LOCAL MEMBERS

All

BACKGROUND DOCUMENTS

Link to the East Sussex Growth Strategy (2014-20):
http://www.eastsussex.gov.uk/environment/planning/regeneration/growthstrategy.htm

Appendix A

Proposed key programme outputs and outcomes

Number of enterprises receiving support	1,050
Number of new jobs created	270
Estimated greenhouse gas reductions (in Tonnes of CO_2e)	6,510

Proposed total partnership activities and budget

Item	£

Work package 1 – stimulating demand:
   o Provide SMEs with energy audits to baseline their energy usage at point of intervention, evidence and promote the business case for low carbon resource efficient improvements.
   o Provide access to finance – grants to improve resource efficiency.
   o Provide training to embed resource efficiency improvements within SMEs.
   o Implement energy efficiency measures within ESCC's estate, using local suppliers.
	8,350,000

Work package 2 – supporting supply:
   o Assist SMEs to develop new low carbon products & services.
   o Bring together demand and local supply across the SELEP region.
   o Continue to develop local supplier networks, create low carbon clusters and collaboration across the SELEP region.
	8,800,000

Work package 3 – knowledge transfer:
   o Provide placements of graduates into SMEs to address an identified need.
   o Provide 121 business support (eg. on product development, export, marketing etc).
	500,000

Project management	650,000
TOTAL project cost	**18,300,000**

Appendix B - Risk Register

Probability/Impact	If the total score is:	then refer to:
High = 3	9	DMT then COMT
Medium = 2	4 or 6	DMT of Dept
Low = 1	up to 3	Project Leader

Area of Risk	Definition	Probability of occurrence Score	Degree of Impact Score	Risk Result Total Score (probability x impact)	Status/Action Required
Business case preparation	Match funding contributions are not made as projected.	1	3	3	Secure DMT & CMT confirmation that ESCC match funding contribution is acceptable.
	Time and/or project costs higher than budgeted.	1	2	2	Build in time and budget contingencies.
Compliance with all rules and regulations	Failure to comply with funder's rules.	1	2	2	Obtain written confirmation of all relevant rules from DCLG before starting delivery
	New rules during the life of the project affect delivery.	1	1	1	Maintain regular contact with DCLG & a watching brief on relevant areas of legislation (eg. Data Protection).
If ESCC is the accountable body	Partner withdraws or fails to deliver.	1	2	2	UoB, and all other LEP partners', contractual relationship will be with KCC directly, not via ESCC
	ESCC lead Officer leaves.	1	2	2	Set up robust project and financial management system at the outset (eg. commission delivery from 3rd parties).
Procurement problems	Partners fail to employ suitable staff in time.	1	2	2	This will be the responsibility of the partners, not ESCC

	Costs increase beyond the available contingency.	1	1	1	Negotiate a modification to outputs with the funder.
Failure to achieve outcomes	ESCC or contractor fail to deliver.	1	2	2	Payments only made to contractors on the successful completion & reporting of outputs
	Lack of demand from SMEs for services on offer	1	2	2	We are under committing on outputs compared with historical delivery achieved
	Funder seeks clawback.	1	3	3	Maintain close communication with the funder to obtain prior approval for any changes required to the project.
Partnership issues	Partner(s) fails to communicate.	1	2	2	Set up robust project management processes at the outset.
	Lead staff change.	1	2	2	Outputs, budget and partner responsibilities will not alter.
Control and monitoring issues	Fail to provide the documentation required by the funder & secure grant.	1	3	3	Use tried & tested ERDF monitoring & reporting processes