

**Decision proposed to be taken by the
Portfolio Holder for Finance, Improvement and IT and the
Portfolio Holder for Sustainable Communities
on or after 24th August 2012**

Warwickshire Rural Growth Network

Recommendations

- 1) That – subject to an offer of funding from the Department for Environment, Food and Rural Affairs – the Portfolio Holder for Finance, Governance and IT:
 - a) Approves proceeding with the procurement of services and calls for applications for grants for the provision of the Warwickshire Rural Growth Network (RGN) activities; and
 - b) Authorises the Strategic Director for Communities to enter into all relevant contracts for provision of the Warwickshire RGN activities on terms and conditions acceptable to the Strategic Director for Resources.

- 2) That the Portfolio Holder for Sustainable Communities:
 - a) Approves the submission of an application to the Department for Environment, Food and Rural Affairs for funding from the Rural Economy Grant to establish a grant scheme for micro-enterprises.

1.0 Background

- 1.1 The Rural Growth Network (RGN) initiative is part of a package of new measures announced in the Government's Rural Economy Growth Review. It was launched in December 2011 with a competition for Local Enterprise Partnerships (LEPs) or local authority areas to apply to become one of up to six pilot areas. These pilots, which will be supported by up to £15 million of Government funding, are designed to test different mechanisms by which LEPs and local authorities can support sustainable economic growth in rural areas.

- 1.2 The Council, at the request of the CWLEP Farming and Rural Business Focus Group, worked with Coventry and Warwickshire Chamber of Commerce to co-ordinate the submission of an application from Coventry and Warwickshire Local Enterprise Partnership (CWLEP). The application was endorsed in January 2012 by both the CWLEP Board and the Council's own CWLEP Advisory Group. The CWLEP also gave its approval, if the application was successful and subject to a Portfolio Holder Decision, for the Council to act as accountable body.

- 1.3 In March 2012, the Government announced that the CWLEP was one of five areas to qualify to receive grant funding to establish a pilot RGN. The others are in Cumbria, Devon & Somerset, Durham & Northumberland, and Swindon & Wiltshire. The final grant funding offer is subject to agreement of a delivery plan and DEFRA's terms and conditions. The Council submitted the delivery plan (full application) on 22 June 2012, following approval from the Portfolio Holder for Sustainable Communities.
- 1.4 The Council, subject to ongoing discussions with DEFRA on a small number of outstanding technical issues, is now expecting a formal offer of funding. Approval from the Portfolio Holder for Finance, Governance and IT is required for the Council to proceed with tenders for the provision of the Warwickshire RGN activities and for the Strategic Director Communities to enter into all relevant contracts on terms and conditions acceptable to the Strategic Director for Resources.
- 1.5 In addition to the RGN funding, pilot RGN areas also have preferential access to the micro-enterprise strand of the Rural Economy Grant (REG). The REG – which is funded jointly by the European Union Rural Development Programme for England (RDPE) and DEFRA – provides grants to enable a significant 'game-changing', transformational performance in farm, forestry, tourism, agri-food and micro-enterprise in the rural areas of England.
- 1.6 DEFRA has ring-fenced up to £5m of funding from the REG (£1m per area) for pilot RGN areas to support high growth, high value micro-enterprises. The Council has been working with DEFRA and other local partners to identify what level of support should be available and the best way for local micro-enterprises to apply. It is recommended that there is the demand to justify a Warwickshire scheme and that it should be delivered locally by RGN partners with the Council as an accountable body. Approval from the Portfolio Holder for Sustainable Communities is required to submit an application to DEFRA for funding to establish the scheme.

2.0 Warwickshire Rural Growth Network

- 2.1 DEFRA envisaged that each RGN pilot, whilst different, would involve the creation of a network of enterprise hubs across a defined rural area. These hubs would provide the accommodation and infrastructure needed by rural businesses to start up and grow; act as a focal point for a range of support in the area; have a strong focus on supporting women-led rural enterprises; and facilitate knowledge transfer, mentoring, training and skills development.
- 2.2 Warwickshire's rural areas have good business start up rates. Indeed, they have some of the highest rates in the country. However, these businesses tend to remain small and fail to experience growth, therefore not creating the employment opportunities nor generating the growth and prosperity the local economy needs. Warwickshire partners, therefore, decided to focus the CWLEP's submission on helping rural businesses grow whilst at the same time providing support for new start ups (with a particular focus on helping women).

2.3 The Council and Chamber of Commerce worked with a range of partners including the District and Borough Councils, the Royal Agricultural Society for England (RASE), Stoneleigh Park and Coventry University to develop the CWLEP's application. The pilot is focused around Stoneleigh Park – as this is considered to be both a key asset for the sub-region and also a natural home for such a network – and includes the following activities:

- Enterprise and Business Growth – Rural business advisors to provide help, signposting, specialist advice, and support;
- Women-led Enterprise – Dedicated support to help boost female entrepreneurship and specialist support for women in business;
- Enterprise Space – A new private sector funded Rural Technology and Innovation Centre at Stoneleigh Park as the “central hub” for the network; two enterprise “spokes” which will provide enterprise space and hot desk facilities; and further support for smaller enterprises and home-based businesses through community-based facilities including the community hubs currently being established by North Warwickshire Borough Council;
- Access to Finance – Dedicated advice and support to help rural businesses access external funding or other finance and additional grant or loan finance that will fill identified gaps in provision or increase the “rural capacity” of current programmes;
- Innovation and Technology – Work to increase innovation among rural businesses and to demonstrate the use of new technology with a particular focus on low carbon and environmental technologies; and
- Networking and Communications – A ‘physical’ and ‘virtual’ network to encourage business-to-business networking; to better understand the needs and issues of rural businesses; and to ensure links between the range of RGN activities.

2.4 The delivery plan submitted to DEFRA in June 2012 includes the following sections:

- Contribution to the Government's RGN pilot initiative;
- Fit with local plans for economic growth (i.e. the CWLEP Strategy and the “Going for Growth” agenda);
- Longer-term plans and sustainability;
- Planning and other consents;
- Total funding;
- Project milestones;
- Project activities;
- Project expenditure;
- Risk management;
- Collaboration and partnership;
- Project management and governance;
- Reporting and review; and
- Monitoring and evaluation.

- 2.6 The Council is applying for £2.075 million from the main RGN fund and a further £327,726 from the separate (Home Office) fund to support women-led enterprise. Approval is sought for total contract values of up to £3m in order to allow for any additional funding or extensions.
- 2.7 At this stage, it is estimated that the pilot will generate 120 new business start ups (including 60 led by women); support 400 business to develop and grow; provide 5,000 square feet of new enterprise space; create or safeguard 500 jobs (of which 400 will be direct jobs); and deliver a £50 million increase in regional Gross Value Added (GVA). The RGN pilot will run until March 2015.

3.0 Issues and Risks for WCC

- 3.1 RGN grant terms and conditions – DEFRA’s standard grant terms and conditions have been reviewed by Legal Services. They include the usual provisions expected within any grant agreement: DEFRA has the right to recover grant monies if the Council performs inadequately or uses funding inappropriately. The Council, as the accountable body, will be liable both for its own acts and omissions and those of its sub-contractors/ partners. However, these risks can be managed by strong project management and by ensuring the terms and conditions are passed down to sub-contractors and grant recipients via contracts or funding agreements. The grant terms and conditions also place an obligation on the Council to ensure compliance with public procurement and European state aid rules. This is not expected to be problematic.
- 3.2 Management and administration – The delivery plan includes provision for the Council’s additional costs including development and set-up, programme management, legal and state aid advice, due diligence, contracting, contract and project management, Finance, and evaluation.
- 3.3 Delivery – The RGN activities will be delivered by sub-contractors and grant recipients following an EU level procurement exercise and a small number of competitive application processes. The majority of activities are service contracts and will be procured by a single tender with a number of lots. This is to ensure compliance with European procurement rules and also to reduce the burden on organisations or consortia tendering for more than one area of work whilst still allowing smaller or perhaps specialist organisations to tender for as little as just one area of work. The remaining activities relate to the funding of Innovation & Technology and the provision of enterprise space and will be concluded as grant agreements. A call for applications approach has been adopted partly in order to make the funding more accessible to smaller organisations.
- 3.4 Procurement/ Call for applications – The Council, subject to ongoing discussions with DEFRA on a small number of outstanding technical issues, is now expecting a formal offer of funding. The Council will not have received this offer by the ‘guillotine’ for this report, but officers – based on discussions with DEFRA at the time of writing – are expecting that one will be received on or around the decision date. The Council will only proceed with tenders/ the call for applications once it has received a formal offer of funding at the

expected funding levels. In the interests of an early establishment of the RGN, it may be necessary to proceed with the procurement/ call for applications prior to the signature of the grant agreement between DEFRA and WCC. Under this scenario, the tender documentation would make clear that finalisation of contracts is subject to the establishment of the grant agreement between DEFRA and WCC. Clearly, there are some risks inherent in this approach. However, these risks are not expected to be significant.

4.0 Rural Economy Grant – Micro-Enterprise Support

- 4.1 The scope and actions for micro-enterprise support are defined in the relevant EU Regulations and at national level. High growth, high value micro-enterprises can apply for grants of between £25,000 and £1m towards the costs of capital investment; start-up revenue costs; market research and feasibility studies; and marketing support. The REG will provide support up to a maximum of 40% of the total project costs. All grants must be contracted by December 2013 at the latest. Spend and the delivery of outputs is possible until 2015.
- 4.2 There are 22,600 micro-enterprises in Warwickshire. Of these, 8,500 are in rural areas and approximately 2,100 are in the key sectors for the RGN. This suggests a significant “pool” of potential applicants. However, a number of issues suggest the need for a more measured approach: (1) The size of the Warwickshire RGN area compared to the other pilots; (2) The relatively low demand in rural Warwickshire for previous grant schemes; and (3) Evidence to suggest a lack awareness about the REG and other funding programmes as well as a lack of support to help small businesses “navigate the funding maze” and to develop quality applications. Activities to address these issues are part of the Warwickshire RGN. However, it can take time for new grant schemes to generate interest.
- 4.3 On the basis of the evidence in 4.2, it is recommended that there is the demand for a Warwickshire scheme. However – given the restrictions on the use of the grant, local circumstances and, in particular, the timescales for delivery – it is also recommended that the Council only applies for an initial £500,000 (rather than the £1m available) but with a possible extension in mid 2013 subject to performance and funding.
- 4.4 DEFRA has also asked RGN partners to consider how micro-enterprise support should be delivered in their area. There are two options: (1) A national scheme managed by DEFRA on behalf of one or more RGN areas and (2) The establishment of a local intermediary scheme to be delivered locally by RGN partners.
- 4.5 A national scheme led by DEFRA would be the easiest and less bureaucratic option. However, this would give RGN partners less influence over issues such as priorities, timescales, decision-making, and alignment with other activities. A national scheme could also be less attractive to local applicants. A local intermediary scheme, on the other hand, would give local partners more influence. However, it should be recognised that it would involve

significant administration and regular monitoring and reporting as well as increased risk for the accountable body.

- 4.6 Officers understand that three of the four RGN areas are intending to apply to DEFRA to establish a local scheme and it is recommended that Warwickshire RGN should do the same. The Council would act as the accountable body with delivery via the contractors appointed via the procurement exercise and local RGN partners.
- 4.7 The grant terms and conditions will involve the usual responsibilities and liabilities for the Council including a stated requirement to comply with EU rules in respect of state aid and procurement and a right by DEFRA to suspend, vary or recover funds if the Council fails to comply with any of the conditions. However, these risks can be managed by ensuring compliance with EU regulations and strong project management. The additional costs involved (set-up, project management, legal and state aid advice, due diligence, contract management, Finance, and monitoring) would be met by the RGN budget.

Background Papers

1. Rural Growth Network Pilot – CWLEP Application (31 January 2012)
2. Draft Warwickshire Rural Growth Network Delivery Plan (22 June 2012)

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