

Support Portfolio Holder (Economy and Housing) Decision Making Session

Agenda

Friday 22 October 2010

A Support Portfolio Holder (Economy and Housing) Decision Making Session will be held in Committee Room 1 at **SHIRE HALL, WARWICK** on **Friday 22 October 2010 at 12.04 p.m. or on the rising of the Portfolio Holder (Environment) Decision Making Session if that is later.**

The agenda will be:

1. General

(1) Members' Disclosures of Personal and Prejudicial Interests.

Members are reminded that they should declare the existence and nature of their personal interests at the commencement of the item (or as soon as the interest becomes apparent). If that interest is a prejudicial interest the Member must withdraw from the room unless one of the exceptions applies.

Membership of a district or borough council is classed as a personal interest under the Code of Conduct. A Member does not need to declare this interest unless the Member chooses to speak on a matter relating to their membership. If the Member does not wish to speak on the matter, the Member may still vote on the matter without making a declaration.

2. Improving Your Resource Efficiency – Low Carbon Grants Coventry and Nuneaton

Report of the Strategic Director of Environment and Economy enclosed.

3. Any Other Urgent Business

JIM GRAHAM
Chief Executive
Warwickshire County Council
October 2010

Cabinet Support Portfolio Holder for Economy and Housing: Councillor John Appleton
Cllrappleton@warwickshire.gov.uk

General Enquiries: Please contact Janet Purcell, Executive & Member Support Manager
Tel 01926 413716 or email: janetpurcell@warwickshire.gov.uk

AGENDA MANAGEMENT SHEET

Name of Committee	Support Portfolio Holder (Economy and Housing) Decision Making Session
Date of Committee	22 October 2010
Report Title	Improving Your Resource Efficiency - Low Carbon Grants Coventry and Nuneaton
Summary	The report provides an update on the development of the Improving Your Resource Efficiency – Low Carbon Grants Coventry and Nuneaton project and seeks support for the submission of the full application to Advantage West Midlands.
For further information please contact	Matthew Epps Tel. 01926 412566 matthewepps@warwickshire.gov.uk
Would the recommended decision be contrary to the Budget and Policy Framework?	No
Background Papers	Coventry and Nuneaton SUD Package Plan ERDF Outline Proposal ERDF Full Application

CONSULTATION ALREADY UNDERTAKEN:-

Details to be specified

Other Committees	<input type="checkbox"/>
Local Member(s) (With brief comments, if appropriate)	<input type="checkbox"/>
Other Elected Members	<input checked="" type="checkbox"/> Councillor M Doody <input checked="" type="checkbox"/> Councillor R Sweet <input checked="" type="checkbox"/> Councillor J Whitehouse } for information
Cabinet Member (Reports to The Cabinet, to be cleared with appropriate Cabinet Member)	<input checked="" type="checkbox"/> Councillor J Appleton <input checked="" type="checkbox"/> Councillor A Cockburn
Chief Executive	<input type="checkbox"/>
Legal	<input checked="" type="checkbox"/> I Marriott – comments incorporated.

Finance	<input type="checkbox"/>
Other Chief Officers	<input type="checkbox"/>
District Councils	<input type="checkbox"/>
Health Authority	<input type="checkbox"/>
Police	<input type="checkbox"/>
Other Bodies/Individuals	<input type="checkbox"/>

FINAL DECISION **YES** *(If 'No' complete Suggested Next Steps)*

SUGGESTED NEXT STEPS :

Details to be specified

Further consideration by this Committee	<input type="checkbox"/>
To Council	<input type="checkbox"/>
To Cabinet	<input type="checkbox"/>
To an O & S Committee	<input type="checkbox"/>
To an Area Committee	<input type="checkbox"/>
Further Consultation	<input type="checkbox"/>

Support Portfolio Holder (Economy and Housing) Decision Making Session - 22 October 2010

Improving Your Resource Efficiency - Low Carbon Grants Coventry and Nuneaton

Report of the Strategic Director for Environment and Economy

Recommendation

That the Support Portfolio Holder supports the submission of the full application to Advantage West Midlands.

1. Background

- 1.1 The European Structural Funds aim to reduce economic and social disparities between regions of the European Union. The European Regional Development Fund (ERDF) provides investment to create jobs and assist small and medium sized enterprises (SMEs).
- 1.2 The West Midlands was awarded €400 million ERDF for the period 2007-2013. The Operational Programme – which sets out the strategy and priorities for the investment of ERDF in the region – was adopted by the European Commission in December 2007. It has the following objectives:-
 - (i) To achieve a significant increase in the productivity of the business base in the West Midlands;
 - (ii) To reduce unemployment and inequalities; and
 - (iii) To ensure that the Region's economic growth is achieved in a sustainable manner.
- 1.3 Specifically the Programme aims to assist 22,441 businesses to improve their performance (including 3,288 collaborations with the knowledge base), to create 10,519 jobs and 2,495 new businesses, and to support the reduction of regional carbon emissions. Activity is focused on three main priorities:
 - (i) Promoting Innovation and Research and Development;
 - (ii) Stimulating Enterprise Development; and
 - (iii) Achieving Sustainable Urban Development.
- 1.4 The Achieving Sustainable Urban Development (SUD) Priority aims to stimulate renaissance within some of the Region's most deprived urban areas through the

creation of new employment opportunities, increased take-up of these and other opportunities, and improved resource efficiency. The priority is delivered via an area-based 'package' approach; i.e. a group of related projects in support of an agreed package plan rather than on an individual project basis.

- 1.5 The Coventry and Nuneaton Regeneration Zone (CNRZ) is one of just six areas in the West Midlands able to access this funding. This supports key Council strategies and priorities including economic growth.
- 1.6 Cabinet, at its meeting on 31 July 2008, approved the strategy and priorities for the Coventry and Nuneaton SUD Package and the submission of the Package Plan to Advantage West Midlands (AWM). The Plan was approved in August 2008. Cabinet also gave delegated authority to the Strategic Directors for Resources and Environment and Economy, in liaison with the [then] Portfolio Holder for Economic Development, to proceed with the SUD Programme and for WCC to act as accountable body for individual projects.
- 1.7 The Improving Your Resource Efficiency – Low Carbon Grants Coventry and Nuneaton project is the second project in the Plan to be brought forward. The first [Warwickshire Connections] had to be cancelled after AWM reduced their contribution to the project in 2010/ 2011 by 25% and in 2011/ 2012 and 2012/2013 by 100%.
- 1.8 Regional Development Agencies will cease to exist beyond March 2012 along with other associated bodies such as Business Link. In their place, it is anticipated that economic development and related functions will be led by Local Enterprise Partnerships (LEPs). More details including on the future administration of ERDF are expected with the publication of a White Paper later in the year. AWM is continuing to administer the ERDF Programme on behalf of the Secretary of State for Communities and Local Government until the new arrangements are in place and – most importantly for the Council – ERDF remains available to support new projects.

2. The Project

- 2.1 Up to 45% of carbon emissions are generated by business, yet many SMEs are wasting as much as 30% of their energy through inefficiencies (Carbon Trust). The rising cost of energy is also having a major impact on all businesses as is the escalating cost of waste. In turn, landfill is a major source of methane emissions.
- 2.2 In response, a range of advice and finance is now available to businesses in Warwickshire including the Carbon Trust, Business Link West Midlands' Improving Your Resource Efficiency (IYRE) Service, Re:think Energy, and the Council's own Business & Investment Service.
- 2.3 There are, however, still gaps in provision: In-depth support from the Carbon Trust is targeted at larger companies with annual energy bills of over £50,000 whilst its interest free loans are available to companies, but applicants receive little in the way of advice and support. Re:think Energy – a separate AWM sponsored project – focuses on renewable energy in rural areas and will, if it

proceeds, exclude the main urban areas in the West Midlands including the CNRZ/C&N SUD Package Area.

- 2.4 The IYRE Service is the primary access point for all businesses in the West Midlands seeking resource efficiency advice and it provides initial resource use diagnostic. However, more needs to be done to support and maximise its impact with hard-to-reach SMEs in areas like the CNRZ/ C&N SUD Package Area. The targeting of specialist support at businesses with the greatest potential to reduce their environmental impact has also led to less focus on those SMEs whose potential for improvements may be smaller but where the cost savings possible will have a major impact on their viability. In addition, IYRE does not offer the capital support many SMEs need in order for investment in resource efficiency to be an attractive and financially viable option.
- 2.5 Furthermore, Business Link recently announced that it will have to close IYRE at the end of 2010/2011 following cuts in its funding by AWM.
- 2.6 The Council has worked with AWM, Business Link and CCC over the last two years to develop the solution to the above problems. Whilst the project was designed to fill gaps in provision before the changes announced by the Coalition Government and, in particular, before the decision to close IYRE, the Council has been able to adapt it to the new external environment. The Council along with AWM, Business Link and CCC are confident that the project remains fit for purpose and this will be tested as part of the ERDF appraisal.
- 2.7 The Improving Your Resource Efficiency – Low Carbon Grants Coventry and Nuneaton project will expand existing provision to all SMEs in the CNRZ/C&N SUD Package Area, bringing together all activity under one brand with a single contact point via Business Link (and its successor). In particular it will provide additional outreach activity, advice, energy and/ or waste audits, and the added incentive of capital grants.
- 2.8 The Council will act as accountable body for the project. It will be delivered by the Council (Business and Investment and Building Sustainable Neighbourhoods), CCC, Business Link (and its successor), and delivery partners with specialist expertise (to be commissioned).

3. Project Objectives

- 3.1 The project will improve the resource efficiency and viability of 200 SMEs in the CNRZ/C&N SUD Package Area by increasing take-up of the IYRE Service [and any successor] and offering capital grants to encourage investment in energy efficiency and processes with reduced environmental impact. In particular, it will:-
 - (i) Assist 200 SMEs in the CNRZ/ C&N SUD Package Area to save a total of £400,000 per annum on their energy bills and increase turnover by 3-5% per annum;
 - (ii) Deliver £1.5m of investment by SMEs in resource efficiency measures and process improvements by 2015;

- (iii) Assist up to 200 SMEs in the CNRZ/ C&N SUD Package Area to reduce their waste sent to landfill by an average of 18 tonnes each by 2015;
- (iv) Contribute a £1.5 million per annum increase in Gross Valued Added (GVA) in the sub-region through increased resource efficiency in 200 SMEs by 2015.

4. Project Benefits

- 4.1 The project will expand existing provision to all SMEs in the CNRZ/C&N SUD Package Area. In addition to the benefits set out in the objectives above, it will deliver the specific outputs below:

Outputs	
Jobs safeguarded	6
Businesses assisted to improve their performance	200
Private sector investment levered	£1,500,000
Tonnes of CO2 equivalent saved	3,600

- 4.2 All applications to AWM include a detailed value for money assessment and options analysis. This considers a project's economy [unit cost per output], efficiency [the GVA impact returned for every £1 invested] and effectiveness [a qualitative judgement regarding the extent to which it addresses the identified market failure]. The return on the Council's investment is estimated to be at least £48 for every £1 invested – a very high return.

5. Financial Implications

- 5.1 ERDF will provide up to 50% of the total project costs. The remainder has to come from the private sector, the Council and CCC.
- 5.2 The Council will make a contribution of approximately £183,892 from November 2010 until March 2015. This is made up of existing revenue funding (primarily staffing) from the Economic Development and Business Support Group and the Regeneration Projects and Funding Group.
- 5.3 The indicative budget is below. The funding offer will confirm the maximum ERDF funding available and, therefore, the Council's expected contribution.

Capital						
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
ERDF	£0	£250,000	£250,000	£250,000	£250,000	£1,000,000
Private	£0	£375,000	£375,000	£375,000	£375,000	£1,500,000
Total	£0	£625,000	£625,000	£625,000	£625,000	£2,500,000

Revenue						
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
ERDF	£56,406	£166,484	£184,188	£178,905	£205,576	£791,559
WCC	£35,850	£35,649	£34,205	£35,145	£43,043	£183,892
CCC	£22,366	£33,595	£33,742	£34,665	£40,843	£165,211
Total	£114,622	£235,728	£252,135	£248,715	£289,462	£1,140,662

6. Timescales and Next Steps

- 6.1 AWM operates a two-stage application process. The outline proposal was endorsed on 4 March 2010. The full application was submitted for appraisal on 15 September 2010, subject to support of the submission by the Support Portfolio Holder Economy and Housing.
- 6.2 The Council, subject to the decision of the Support Portfolio Holder, should expect a grant offer during November. The project has been considered by the Directorate's Project Co-ordination Group (PCG) on a number of occasions and has undergone rigorous assessment. The Project Initiation Document (Full Business Case) will be considered on approval. A further Committee report will be brought forward at this stage – subject to PCG sign-off – including to add the ERDF capital element of the project to the Council's Capital Programme.
- 6.3 A report on the project is also being taken to the Shadow Board for the Coventry and Warwickshire LEP.

PAUL GALLAND
Strategic Director for Environment and Economy
Shire Hall
Warwick

12 October 2010