

# CABINET

## Support for Business Start Up 20<sup>th</sup> January 2009

### Report of Head of Economic Development & Tourism

PURPOSE OF REPORT			
To seek approval for proposals for the delivery of the NWDA Business Start Up Service in Lancaster District from April 2009.			
Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision	Referral from Cabinet Member
Date Included in Forward Plan	24th November 2008		
This report is public			

#### RECOMMENDATIONS OF COUNCILLORS ABBOTT BRYNING AND EVELYN ARCHER

- (1) That the proposed arrangements for delivery of the NWDA Business Start Up Service in Lancaster District from April 2009 be approved with specific reference to the proposed partnership arrangement with Lancashire County Council, under which the County Council will act as Accountable Body in respect of a co-funding/co-procurement agreement with the Northwest Development Agency
- (2) That the Corporate Director (Regeneration), in consultation with the Cabinet Members with joint economic/regeneration responsibilities, be authorised to finalise agreements with Lancashire County Council and the Northwest Development Agency as required for delivery of the Business Start Up Service, including the allocation of funding to priority groups and areas.

#### 1.0 Introduction

- 1.1 Business start up advice and counselling is currently delivered throughout the North West by a private sector organisation, A4e (Action for Employment), under a two-year contract with the Northwest Regional Development Agency (NWDA). Locally, the service has been provided by two sub-contracted organisations, Enterprise4All and North Lancs Enterprise. This contract ends in March 2009. NWDA are now looking to introduce a new start up service under a 5-year project starting in April 2009 to be funded by NWDA and the European Regional Development Fund. Prior to proceeding with the new service NWDA have conducted extensive consultation and

have introduced a process which provides local authorities with the opportunity to co-fund the service and to be more involved in determining who delivers the service. They have also introduced a degree of flexibility on the targeting of the service to enable local business start up priorities to be taken into account.

- 1.2 Under the co-funding arrangements NWDA will enter into an agreement with a local authority, or group of local authorities, to implement the Business Start Up service within their areas provided a proportionate level of local authority co-funding is committed and a suitable Accountable Body is identified. Where co-funding arrangements have been agreed, the partners will jointly procure the delivery organisation(s) which will provide the service from April 2009.
- 1.3 The NWDA is undertaking a staged procurement process and is in the process of establishing a panel of delivery organisations capable of delivering the start up service which comprises: intensive and specialist services and support for people from target groups/areas considering setting up in business; improving survival rates of businesses through targeted support for up to 36 months. Once the co-funding arrangements outlined above have been agreed, the partners will undertake a 'mini-tender' exercise, selecting a delivery organisation from the panel.

## **2.0 Proposal Details**

- 2.1 Consideration has been given to alternative approaches and these are summarised in the options table. The proposal set out below has been developed taking into account the following:
  - the preference for local delivery to be based on the District boundary as a meaningful economic footprint
  - the very limited availability of City Council resources to provide cash co-funding
  - the wish to ensure local business start up priorities can be addressed by the project
  - the integration of local delivery of the service with the wider local business support network and complementary start up support
- 2.2 Following discussions regarding a potential joint approach for delivery of the service, Lancashire County Council has confirmed, subject to formal agreement, that it will commit £50,000 of cash co-funding towards the start up service in Lancaster District in 2009/10 and that it would act as Accountable Body for the purposes of contractual arrangements with NWDA. This funding would be additional to the £104,500 funding allocated to Lancaster District for the same year under the NWDA funding model. Consequently, it is proposed that the City Council enters into an agreement with Lancashire County Council as the basis for a co-funding arrangement with NWDA and for co-procurement leading to delivery of the business start up service within the District from April 2009.
- 2.3 Under such an arrangement, the impact on City Council resources would be relatively limited, with a requirement for some staff time in working with the County Council and NWDA during the procurement phase and some subsequent involvement in monitoring implementation of the contract. However, this time requirement is significantly outweighed by the additional resources from the County Council for business support and the opportunity it provides to align the start up service more with the City Council's business support activities and priorities. As an example, the proposed arrangements could enable the Rent Grant Scheme, if continued into 2009/10 (currently subject to a growth item request, already submitted, to be considered as part of the City Council's 2009/10 budget process) to be closely linked

to the start up service through the provision of financial assistance in appropriate cases. It is also worth noting the wider context for the County Council's contribution as part of an emerging joint response to the economic downturn which also includes a shared protocol/guidance for respective customer service centres.

2.4 As part of any co-funding agreement between NWDA and local authorities under these proposals, it would be necessary to agree the allocation of funding to priority groups and areas. 80% of the NWDA/ERDF funding must be allocated against regional priorities (women, black and minority ethnic groups, social enterprise, people with disabilities and spatial priority areas identified in the Regional Economic Strategy) whilst the remainder, and any co-funding, may be allocated to other local priorities, subject to NWDA (and Lancashire County Council) agreement. These local priorities have yet to be formally established as detailed discussions have yet to take place with both NWDA and the County Council. However, it is anticipated that these may include, as examples, out-of-work benefits claimants (especially in LAA target communities) and people under notice of redundancy.

2.5 Whilst the NWDA project is over five years, the initial funding agreement will be for a period of three years. Whilst the budget for the first year is known, subsequent years' will be reviewed to adjust for possible changes in the funding model allocations, co-funding availability and levels of demand/take-up for the service. Although the County Council is not, at this stage, in a position to commit funding for future years of the project, this does not prevent the agreement with NWDA being taken forward but it will mean that any contractual arrangements will need to be flexible with regard to future years of the project.

### 3.0 Details of Consultation

3.1 Consultation on the local delivery arrangements has not been considered necessary or appropriate.

### 4.0 Options and Options Analysis (including risk assessment)

4.1 The following options have been identified:

Option	Advantages	Disadvantages	Risks
1. Do nothing ie no co-funding arrangement, NWDA select local deliverer	Minimal City Council staff input required as no local project management implications	Extent of service limited by NWDA allocation of funding Limited opportunity to target local priorities	
2. City Council provides co-funding and acts as Accountable Body for project based on District footprint	Co-funding would allow enhanced service which can be extended to include local priorities City Council selects local deliverer	Co-funding would require an additional budget growth item for business counselling activity as there is no appropriate existing budget (nb this would be additional to the budget growth request already submitted for the Rent Grant Scheme) Any associated external audit costs would need to be met	Usual risks associated with Accountable Body status related to managing funding, achieving outputs

		in full by the City Council	
3. Enter into an agreement with Lancashire County Council who will provide co-funding and act as Accountable Body for project based on District footprint	City Council does not need to act as Accountable Body Co-funding allows enhanced service which can be extended to include local priorities County/City Councils select local deliverer Allows firm link to be made with LSP/LAA targets for business start up Funding fully committed to service delivery within the District Any associated external audit costs would be the County Council's responsibility	County Council influences priorities and deliverer selection (mitigated by agreement between the two authorities on the co-funding arrangements)	
4. Join Mid-Lancashire grouping, with lead local authority acting as Accountable Body	City Council does not need to act as Accountable Body. Co-funding requirement possibly met by other authorities and/or Lancashire County Council Possible re-allocation of resources within the grouping in response to high local level of demand	Options in selecting local deliverer(s) potentially more restricted Opportunities to address local priorities potentially more limited Possible re-allocation of resources within the grouping in response to low local level of demand	It is possible that the City Council would be required to agree a risk sharing arrangement with the lead authority for the group to mitigate their financial risks as Accountable Body (eg grant clawback and audit costs).

4.2 As background to Option 4 it should be noted that within Lancashire it was always likely that the two Multi Area Agreement local authority groups, Pennine Lancashire and the Fylde, would propose arrangements for delivery of the Business Start Up project within their respective boundaries. Consequently, one possible arrangement was for the remaining Mid Lancashire authorities, including Lancaster, to act as a third grouping with one of the authorities acting as Accountable Body. This option has not been actively pursued, the preference being to establish a dedicated service for Lancaster District's distinctive economic footprint.

## 5.0 Officer Preferred Option (and comments)

5.1 Option 3 is the preferred option as this provides the optimum arrangement for a locally focused business start up service, enhanced by County Council co-funding.

## 6.0 Conclusion

6.1 The new approach by NWDA towards the delivery structure for the business start up service is to be welcomed in providing the opportunity to align the service more with

local priorities and other local business support. The proposed arrangements with Lancashire County Council would seem to be the best response to this opportunity and should enable business start up support to be better integrated with local strategy and LSP/LAA Action Plans.

#### **RELATIONSHIP TO POLICY FRAMEWORK**

The proposals for the start up service relate to the 2008/09 Corporate Plan through the Council's medium term objectives which include: 'Lead the regeneration of our District' and the Priority Outcome to 'improve economic prosperity throughout the Lancaster district'.

The proposals will also impact on the Lancashire Local Area Agreement target NI 171 new business registration rate which is one of the targets in the Economy Thematic Group Action Plan under the Sustainable Community Strategy .

#### **CONCLUSION OF IMPACT ASSESSMENT**

**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

Diversity – positive impact. The project will target priority groups including women, black and minority ethnic groups and people with disabilities leading to greater representation within the business community

Human rights – positive impact in enhancing access to business start up advice for vulnerable groups

Community safety – neutral impact

Sustainability – positive impact. The service will enhance the survivability of start up businesses. The NWDA tender questionnaire requires providers to complete a carbon calculator and to commit to having a Sustainable Procurement Plan and Green Travel Plan in place

Rural proofing – rural areas are deemed a priority under the project and the funding allocation for Lancaster District includes a rural premium

#### **FINANCIAL IMPLICATIONS**

The proposals under the preferred option (Option 3) have no financial implications for the City Council as the time requirements for developing the co-funding arrangements, deliverer selection and any on-going monitoring of the arrangements can be met by existing staff (estimated at up to 5% of a full time post) and as the County Council will provide the co-funding. Furthermore, Lancashire County Council will act as Accountable Body and, as such, will handle all funding relating to the project and all claims from providers for payment of funding, as well as associated external audit costs. It should also be noted that whilst a budget growth item has been submitted for the Rent Grant Scheme under the City Council's 2009/10 budget process (referenced in section 2.3), there is no direct interdependency between that funding and the implementation of the Business Start Up Service. However, it is relevant to note the complementary nature of the two projects and the opportunity afforded to establish an integrated package of new and early stage business support comprising financial assistance and business counselling which is fully compliant with the Government's Business Support Simplification Programme.

The financial and staff time implications of options 1, 2 and 4 are as follows:

Option 1 (do nothing) – no financial implications for the City Council but the scope of the service would be limited by failure to take up the funding of £50,000 offered by the County

Council under a co-funding arrangement for the first year of the project. City Council officer time requirement estimated at less than 1% of a full time post.

Option 2 (City Council provides co-funding and acts as Accountable Body) – under this Option the City Council would need to agree a cash contribution to enable it to enter a co-funding agreement with NWDA. Whilst there is no pre-determined level of contribution that would be required, there is currently no existing budget which could fund such a contribution at any level. This Option would also carry financial risks for the City Council as Accountable Body. City Council officer time requirement estimated at up to 10% of a full time post taking into account the additional time arising from the City Council's role as Accountable Body.

Option 4 (join Mid-Lancashire grouping) – similar to Option 3 in that there would be no financial implications as it is understood that co-funding could still be provided by the County Council and the City Council would not be required to act as Accountable Body. City Council officer time requirement estimated at up to 5% of a full time post.

#### **SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer has been consulted and has no further comments.

#### **LEGAL IMPLICATIONS**

No legal implications have been identified for the City Council in relation to the preferred option. Lancashire County Council, as the Accountable Body, will have formal contractual arrangements with NWDA and the delivery organisation. However, the City Council may need to consider ancillary documentation, especially between it and the County Council, to facilitate this arrangement and any such documentation would need to be considered by Legal Services.

#### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

#### **BACKGROUND PAPERS**

Business Start Up Service Specification,  
NWDA

**Contact Officer:** Bill Kindon

**Telephone:** 01524 582071

**E-mail:** [wkindon@lancaster.gov.uk](mailto:wkindon@lancaster.gov.uk)

**Ref:** N/A