

CABINET MEETING – 14 SEPTEMBER 2021

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

Enterprise Development – Innovate for Good

Author(s):

Executive Director of City Development

Purpose of Report:

The report seeks Cabinet approval for Financial Assistance to the North East Business Innovation Centre (NEBIC) to enable delivery of a city-wide enterprise development project focused around the Innovate for Good programme.

Description of Decision:

Cabinet is requested to:

- i) Authorise Financial Assistance of £146,243 to the NEBIC to enable delivery of a city-wide enterprise development project, focused around the Innovate for Good programme, ("the Project), subject to a successful outcome in relation to the NEBIC's current application to the Sunderland Community Led Local Development (CLLD) programme; and
- ii) Subject to the above, authorise the Executive Director of City Development, in consultation with the Executive Director of Corporate Services, the Leader and Portfolio Holder for Dynamic City, to agree and enter into a partnership agreement with the NEBIC for the delivery of the Project.

Is the decision consistent with the Budget/Policy Framework? **Yes**

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

Subject to the approval of a recently submitted CLLD funding bid, the city-wide project will be delivered by the North East Business Innovation Centre (NEBIC). It will enable delivery of an enterprise development project focused on increasing the number and strength of social enterprise and co-operative businesses across Sunderland. It will support existing Voluntary Community and Social Enterprise (VCSE) Sector organisations to become more sustainable and provide pre-start assistance as well as working with start-ups and established businesses in the VCSE sector and enabling access to the NE BIC's Innovate for Good programme as appropriate.

The project will support the City Plan goal of creating more and better jobs, contribute to economic recovery post-Covid, and further accelerate delivery of the Sunderland Community Wealth Building Strategy. It will build on the increase in community interest companies which have been established over recent months both in Sunderland and the wider region, together with the city's Social Enterprise City status, and seek to increase the number of co-operative businesses within the city.

Alternative options to be considered and recommended to be rejected:

There is no alternative option recommended. A decision not to award the Financial Assistance to the NE BIC would mean that the opportunity to lever the associated CLLD funding would be lost and the outcomes from the project would not be delivered.

Impacts analysed;

Equality **Privacy** **Sustainability** **Crime and Disorder**

Is the Decision consistent with the Council's co-operative values? **Yes**

Is this a "Key Decision" as defined in the Constitution? **Yes**

Is it included in the 28 day Notice of Decisions? **Yes**

ENTERPRISE DEVELOPMENT – INNOVATE FOR GOOD**REPORT OF THE EXECUTIVE DIRECTOR OF CITY DEVELOPMENT****1.0 Purpose of the Report**

This report seeks Cabinet approval for Financial Assistance to the North East Business Innovation Centre (NEBIC) to enable delivery of a city-wide enterprise development project focused around the Innovate for Good programme.

2.0 Description of the Decision

2.1 Cabinet is requested to:

- i) Authorise Financial Assistance of £146,243 to the NEBIC to enable delivery of a city-wide enterprise development project, focused around the Innovate for Good programme, (“the Project”) subject to a successful outcome in relation to the NEBIC’s current application to the Sunderland Community Led Local Development (CLLD) programme.
- ii) Subject to the above, authorise, authorise the Executive Director of City Development in consultation with the Executive Director of Corporate Services, the Leader and Portfolio Holder for Dynamic City, to agree and enter into a partnership agreement with the NEBIC for the delivery of the Project.

3.0 Background

3.1 Sunderland’s Community Led Local Development (CLLD) programme is funded through European Structural and Investment Funds, including European Regional Development Fund and European Social Fund resources. Resources are focused on three strategic objectives: Enhancing employment and skills provision (Strategic Objective One); Boosting Enterprise and Entrepreneurship (Strategic Objective Two); and Improving Community Capacity, partnership working and social innovation (Strategic Objective Three).

3.2 The Council is accountable body for the CLLD programme and responsible for the appraisal of projects prior to their consideration for approval, or otherwise, by the Local Action Group (LAG). The LAG is made up of representatives from the voluntary, community, private and public sector and it is responsible for considering how well projects meet the CLLD criteria. The LAG decides which applications will be approved for grant support.

- 3.3 Sunderland was designated as a Social Enterprise Place in 2014, reflecting the breadth and depth of social enterprises established at that point within the city's economy. Work to support development of the social enterprise sector in its broadest sense, including the Co-operative Business and Community Interest Company (CIC) models, is led by the NEBIC. Comprehensive data on this sector of the economy is not currently available due to the complexity of legal structures within the social economy. However, between December 2020 and July 2021, the number of Community Interest Companies (CICs) in Sunderland has increased from 135 to 187. At 52, this was the highest increase in CICs across any of the North East local authorities. Based on the level of CICs in July 2021, Sunderland has the highest as a population ratio (per 10,000 population) in the region. Anecdotally, recent growth has been attributed at least in part to an increased focus by many people on their communities and on supporting and enabling community resilience during the Covid pandemic.
- 3.4 Cabinet approved the Sunderland Community Wealth Building Strategy in March 2020, with an associated Delivery Plan in place. As an overview, Community Wealth Building is about: developing assets, of all kinds, in such a way that the wealth stays local; using local assets to make communities more vibrant; aiming to help individuals, families and communities control their own economic destiny. The Community Wealth Building Delivery Plan includes a section focused on 'Business Growth and Investment including the Voluntary and Community Sector (VCS)'.

4.0 Current Position

- 4.1 In response to the most recent call for projects under the CLLD programme, the NEBIC has submitted an application which supports delivery of a number of the CLLD outputs in relation to Boosting Enterprise and Entrepreneurship. This is currently being appraised prior to consideration by the LAG. However subject to the approval of the CLLD application by the LAG, there is a funding gap identified within the application which needs to be addressed if the project, which will run for 19 months from September 2021 until March 2023 is to be able to progress.
- 4.2 Consideration has therefore been given to the extent to which the project also has the potential to contribute to the city's wider Community Wealth Building Strategy objectives - both in relation to Business Growth and Investment as well as Community empowerment, engagement and involvement. Equally consideration has been given to the potential to broaden the project to reach beyond the specific target areas of the city on which the CLLD programme is focused and enable delivery across the city as a whole. A total of £146,243 is required to enable the project to progress and be delivered on a city wide basis. This contribution would lever £139,829 of ERDF through the CLLD programme and, together with £6,257 of match funding from the NEBIC, combine to create an overall project total of £292,329. The NEBIC would be delivering this contract on a cost recovery basis only.

- 4.3 Delivery of the project will enable a range of activity from pre-start and start-up support for existing businesses in the VCSE sector. It will work with individuals to become more entrepreneurial, helping to explore business ideas and develop a business plan. It will support VCSE organisations, working on local projects to aid their long-term sustainability by helping them to consider co-operative business / social enterprise models as a means of building their own trading income, reducing grant dependency and diversifying income streams. Potentially, some of the VCSE organisations may become involved with the Innovate for Good programme, alongside new businesses and existing businesses in the VCSE sector. The range of activity and associated outputs is set out more fully in paragraph 4.6.
- 4.4 Innovate for Good was piloted by the NEBIC in early 2020. The aim of Innovate for Good is to provide a programme of intensive support to social enterprises with innovative or high impact business models in line with market opportunities. It is designed to capitalise on Sunderland's significant social enterprise sector and the rise in community-led, place-based activity during Covid-19.
- 4.5 As a programme Innovate for Good combines workshops, peer-to-peer support, business advice, coaching and mentoring to accelerate development, promote collaboration and increase impact. The model includes online and offline networking and action learning through peer-groups; one-to-one coaching & advice with an experienced/qualified Social Enterprise Coach/ Business Advisor; strategic innovation workshops; one-to-one mentoring (with experts by experience); and small group Innovation Challenges. The Innovation Challenges are designed to focus on problems directly relevant to Sunderland with the social entrepreneurs to be focused on creating ideas to address these problems, either identifying new market opportunities for their own business or working collectively to create something new and unique together.
- 4.6 The project will deliver a range of outputs across the breadth of the entrepreneurship and enterprise spectrum. Through a combination of the Innovate for Good business incubator and one-to-one/group workshop sessions it will support:
- 55 people to become enterprise ready. The participants are expected to be recruited, for example, through engagement with VCSE organisations and the wider community. Each person will receive a minimum of 12 hours of business support to explore the start-up journey. It is anticipated that up to 18 of these 55 people may go on to take part in the Innovate for Good programme.
 - 36 established social enterprise businesses, 18 of which will be start-ups (less than 12 months old). These 36 business will each benefit from a minimum of 12 hours of business support. This will be provided predominately through the Innovate for Good programme.
 - 28 VCSE organisations, as a minimum, to explore new service developments for sustainability and prepare strategic investment plans.
 - 40 VCSE employees and/or VCSE volunteers to develop enterprise skills.

In terms of employment outcomes, each of the 18 start-ups represents employment for the individual involved in setting up the business. In addition, 12 jobs are expected to be created in established social enterprises and wider VCSE organisations over the lifetime of the project.

- 4.7 It is expected that there will be three cohorts of businesses which will take part in the Innovate for Good programme with approximately 12-15 in each cohort. This will depend on the level of innovation and commerciality identified, with the remaining participants being supported through wider enterprise and business support delivery also through the NEBIC. The costs for the wider enterprise and business support are not included within the project costs and will be met by the NEBIC.
- 4.9 Subject to Cabinet approving the proposed grant funding and the successful approval of the CLLD application by the LAG, a detailed Partnership Agreement will be required to be developed between the Council and the NEBIC. This will set out the outputs to be delivered by the NEBIC across the project as a whole, including the outputs directly related to the CLLD funding. It will also include opportunities for collaboration in relation to identification of the Innovation Challenges. It is proposed that the terms of the Partnership Agreement will be agreed by the Executive Director of City Development in consultation with the Executive Director of Corporate Services, the Leader and Portfolio Holder for Dynamic City.

5.0 Reasons for the Decision

- 5.1 Subject to the approval of a recently submitted CLLD funding bid, the city-wide project will be delivered by the NEBIC. It will enable delivery of an enterprise development project focused on increasing the number and strength of social enterprise, co-operative businesses and community interest companies across Sunderland. It will support existing Voluntary Community and Social Enterprise (VCSE) Sector organisations to become more sustainable and provide pre-start assistance as well as working with start-ups and established businesses in the VCSE sector and enabling access to the NEBIC's Innovate for Good programme as appropriate.
- 5.2 The project will support the City Plan goal of creating more and better jobs, contribute to economic recovery post-Covid, and further accelerate delivery of the Sunderland Community Wealth Building Strategy. It will build on the increase in community interest companies which have been established over recent months both in Sunderland and the wider region, together with the city's Social Enterprise City status, and seek to increase the number of co-operative businesses within the city.

6.0 Alternative Options

- 6.1 There is no alternative option recommended. A decision not to award the Financial Assistance to the NEBIC would mean that the opportunity to lever the associated CLLD funding would be lost and the outcomes from the project would not be delivered.

7.0 Relevant Consultations

7.1 Financial Implications

The Financial Assistance to be provided will be met from a combination of the allocation for economic development within the approved capital programme and resources within the revenue budget allocated for community wealth building.

7.2 Risks

A project steering group will be set up. Meetings will monitor project progress, finances and output performance against agreed milestones, financial and output profiles which will be set out in the Partnership Agreement. Progress will be reviewed monthly with a written progress report as part of the claims process which will be aligned with CLLD reporting requirements

7.3 Legal Implications

Since 1st January 2021, the proposed provision of financial assistance by public bodies to third parties now need to be assessed against BEIS's Technical Guidance on the UK's international subsidy control commitments dated 31st December 2020 (updated 24th June 2021) ("the Technical Guidance"). This has replaced the previous EU State aid rules that governed financial assistance proposals.

The Technical Guidance requires a public body to assess any subsidy proposal against its impact on the UK's international commitments in respect of subsidies, including in particular against the principles contained in the new UK/EU Trade and Co-operation Agreement (TCA).

In this case, it is not considered that the proposed grant of financial assistance to the NEBIC will constitute a subsidy for the purposes of the above, given that the NEBUC is not acting as an enterprise in this case. acting merely as an intermediary for the provision of business support to local eligible individuals, VCSE organisations and businesses on a cost recovery only basis.

8.0 Background Papers

None

