

EU Local Economic Development Funding	8th November 2016
To: The Leisure and Development Committee For Decision	

Linkage to Council Strategy (2015-19)	
Strategic Theme	Accelerating Our Economy & Contributing To Prosperity
Outcome	None at this time
Lead Officer	Head of Prosperity and Place
Cost: (If applicable)	Unknown at this time

The purpose of this paper is to report the outcome of test applications to the new EU Local Economic Development funding, the difficulties surrounding those funds, and a recommendation to defer making application.

Background

Northern Ireland will benefit from a number of European Structural and Investment Programmes, in the period 2014-2020. The European Regional Development Fund (ERDF) Programme will focus on improving Northern Ireland's sustainable economic growth. The Programme will be delivered by the Department for the Economy (DfE) and will focus on priority areas:

- promoting research and innovation
- promoting SME competitiveness, and
- supporting the shift towards a low-carbon economy.

Traditionally, this is the programme from which local authorities have benefited over the past twenty years. Councils have been able to lever funding from this programme to provide extended benefit from the usual amount raised for economic development from rates.

However, the current programme - Investment for Growth and Jobs Programme - has a new and important caveat attached by way of target which means that this programme becomes particularly difficult to access: that of a cost per job of no more than £1,000. For every thousand pounds spent on any programme, a job must be created.

Alchemy

Council's main business support programme is Alchemy. Council will also occasionally provide other small specialist programmes, but the main driver for all engagement for local business support provision, is Alchemy. The key aim of Alchemy is to support the development of existing and newly established businesses and target innovative businesses

that have the potential to grow, employ staff and consider opportunities to export. This will be achieved by directly supporting client businesses to take the necessary steps in addressing needs thereby harnessing the growth of the business via specialist, tailored one to one support.

This formed the basis for a “test bid” to the programme over the past few months. Within the bid, staff devised a tiered approach to include;

- Breakthrough.
- Accelerate.
- Exploring Exporting.

All of these to support and develop businesses at various stages of growth, through the pipeline to exporting. At best, and with costs cut back, the best outcome that staff were able to devise was 170 jobs over a three year period, at a cost per job of £1170.

Concerns

Leading from the £1,000 per job caveat there are several further concerns:

- The target appears to have had no consultation at local level in terms of achievability. The current Rural Development Programme allows for maximum scoring against projects where job creation cost is less than £25,000; cost per job against the Northern Ireland Business Start Up Programme is around £3,900; other similar programmes across the UK have costs per job of anything up to £14,900.
- The target market for engagement is cut further by having no provision for food businesses, tourism and related businesses and retail.
- Any company in receipt of financial assistance from Invest NI, of any level, is not eligible for support. This includes all those businesses who have received Gap assistance, innovation vouchers or any form of employment support.
- While we recognise the need to rebalance the economy and develop higher growth jobs, our combined effort from legacy councils has shown that job creation does not come from the Council – it comes from the business’s capacity to be able to create those jobs. This means we place the target for job growth in the hands of third parties, while still carrying the burden of meeting that job target.
- Council has been given no explicit, written guarantee that “best efforts” apply; that where Council does not meet its target, there will be no clawback. “Best efforts” was applied in previous programmes – it is not in evidence here.
- While we have made some test bids to Invest NI, several options for cost-cutting were suggested by them – however, each of these nullifies the effect of the overall programme.

Option 1: set “Stretching” Job Creation Targets to achieve the overall Cost per Job target of £1,000. If Total Project Eligible Costs remain constant at £388,550, the programme would need to create 280 Jobs to achieve an overall Cost per Job target of £1,000. This is an uplift in projected jobs of an additional 110 from the original projected Outcome of 170 jobs.

Options 2 and 3 involved the reduction of eligible costs while the Job Creation Target of 170 remained constant. To achieve the overall Cost per Job target of £1,000, Eligible Project Costs will need to be reduced from £388,550 to £278,500. This reduction requires Council to increase their contribution by £32,340 from £77,710 which increases their contribution to 40% of Eligible Project Cost. However, Council has already run this programme, and job creation has not been the ultimate outcome. For the current investment, Council could continue on, as is, without the onerous target of this programme. Growth will naturally evolve to job creation. Our current input is £80,000 per annum, without the time-imposed targets and administration of EU funding.

Option 4 is the Do Nothing option which accepts the programme as is. The target – as it is – is onerous, and not without significant challenge. It may mean that we are only able to accept those businesses who are able to guarantee that they will create a job – and this in exchange for mentoring assistance only.

Summary

Causeway Coast and Glens Borough Council is at the bottom of the table when it comes to Invest NI investment, although moving forward, Council wishes to work in partnership to address this, and increase that figure. This area is also at the bottom of the table for GVA, and longer terms plans will address this. However, at this early stage of work, this area is being disadvantaged by such an onerous target. It will be almost impossible to use EU funding to reduce that imbalance with these centrally-engineered targets.

The purpose of this paper is to inform Council of the entire picture surrounding the current structural funds, and the difficulties surrounding any potential application. However, based on all the evidence above, discussions to date, and inherent risk in accepting these funds, with potential for clawback, the following recommendation is made:

Recommendation

It is recommended that Council defers application until such times as later guarantees can be given that best efforts apply or until the £1000 cost per job limit is reviewed.