

## Cabinet

Tuesday, 30 July 2019 at 2.00 pm

Meeting to be held: Committee Room, North Tyneside Council, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY

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## SUPPLEMENTAL AGENDA

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**Subject: Investment Fund Update and Funding Approvals**

**Report of: Interim Director of Inclusive Growth, North of Tyne Combined Authority**

**Portfolio: Economic Growth**

## **Report Summary**

The purpose of this report is to update Cabinet Members on investment decisions and make further decisions on the allocation of funding.

## **Recommendations**

The Cabinet is recommended to:

1. Agree the funding requests for NUSTEM and Digital Catapult proposals as part of the STEM and Digital Skills Programme.
2. Agree £455,626 to support the Newcastle Helix Incubator and Accelerator project.
3. Agree a £618,472 allocation of the Inclusive Economy Innovation Fund to deliver a Returnships programme.
4. Authorise the Interim Head of Paid Service to finalise the conditions to be attached to the above funding awards and authorise the Interim Monitoring Officer to complete the necessary documentation.
5. Agree that the Combined Authority should proceed with the European Regional Development Fund (ERDF) application as Accountable Body for the Urban Element of the North of Tyne Growth Fund

6. Acknowledge ongoing development work on the Investment Fund, including development of the project pipeline, and commission a feasibility study into a regional bank and endorse the United Nations (UN) Climate Change Teacher Initiative.
7. Endorse further development work of the NE-CHAIN proposition and support Newcastle University's bid into Government's Strength in Places Fund, subject to final approval by the Head of Paid Service.

## **1. Background Information, Proposals and Timetable for Implementation**

### **1.1 Background**

At the June 2019 Cabinet meeting, Members agreed funding requests for Woodhorn Charitable Trust and the Kielder Observatory Astronomical Society to deliver a programme of activity as part of the STEM and Digital Skills programme. This report provides an update on progress and sets out two further proposals from NUSTEM and Digital Catapult for delivering Digital skills projects.

This report also sets out two further proposals for investments, to allocate £618,472 of the Inclusive Economy Innovation Fund for the delivery of a Returnships programme, which will provide employment routeways for economically inactive people. In addition, the report details a proposal to allocate £455,626 for the Helix Incubator and Accelerator, which is a three-year revenue project to provide specialist support to innovative SMEs aspiring to scale up.

The North of Tyne Growth fund will directly support small and medium-sized enterprises (SMEs) across the area by providing grants to enable businesses to grow. It is proposed that the project delivery will be entirely funded through the European Regional Development Fund (ERDF) and SME match, and therefore a request is made to Cabinet to support the North of Tyne Combined Authority applying for ERDF funding as Accountable Body.

Finally, an update is provided which summarises the ongoing work in several priority areas for investment.

### **1.2 STEM and Digital Skills Programme**

The STEM (Science, Technology, Engineering and Maths) and Digital Skills programme will contribute towards more young people choosing a career in STEM post 18, developing the digital sector to meet demand in key areas of the labour market. It will also help embed STEM into a whole school approach.

On 12<sup>th</sup> March 2019, the NTCA Cabinet approved a budget of up to £1,250,000 over 3 years for the STEM and Digital Skills Programme. Following consideration of the call documentation, and taking account of the views of the Portfolio Holder, the Interim Head of Paid Service used the delegated authority agreed by Cabinet to approve the call documentation.

The first call for projects was published on 22<sup>nd</sup> March and closed on 17<sup>th</sup> April. Sixteen applications were received through the first call with potential funding asks totalling £5,402,060 which was over 4 times the allocated budget. All applications were appraised by a subgroup of the NTCA Technical Officers' group. Based on the assessment of the applications and considering delivery across the STEM and Digital components, the top two scoring projects for the two components of the programme were:

- STEM: Kielder Observatory and Woodhorn Charitable Trust
- Digital Skills – NUSTEM and Digital Catapult

These projects will interact with all the beneficiary groups set out in the programme; cover a wide age range of pupils; will be available across the entire North of Tyne area; and are complimentary.

Accordingly, on 4<sup>th</sup> June, Cabinet approved funding requests from Woodhorn Charitable Trust (£395,006) and Kielder Observatory (£240,200). Investment Panel also considered the two projects which focused on the digital skills component of the call (NUSTEM and Digital Catapult) and requested further clarification in respect of project expenditure. Further discussions with the applicants took place and updated proposals were submitted to and endorsed by Investment Panel on 16<sup>th</sup> July. Summaries of the NUSTEM and Digital Catapult proposals are included in Appendix A.

<b>Applicant</b>	<b>NTCA Funding</b>	<b>Total Project Cost</b>
<b>Digital</b>		
NUSTEM	£214,160	£271,934
Digital Catapult	£ 82,750	£122,750

#### *Next steps*

The Investment Panel recommends to Cabinet that the funding requests for the NUSTEM and Digital Catapult projects are approved subject to the following funding conditions:

1. Development of a detailed delivery plan, including a timeline / critical path, key milestones and quarterly performance measures.
2. Confirmation in writing of the state aid position of the project.

### **1.3 Newcastle Helix Incubator and Accelerator**

The Newcastle Helix Incubator and Accelerator is a three-year revenue project to be delivered by Newcastle City Council, which will provide access to bespoke business support, university research and innovation capabilities for innovative businesses with the ambition to scale up.

The focus of support will be on growing businesses in digital, ageing, design and urban science based in the Lumen Building at Newcastle Helix. Graduate businesses currently based within university incubators demonstrating potential for high growth will also be targeted, encouraging them to move into a greater commercial environment.

Specifically, businesses will be provided with:

- access to industry experts and mentors who can provide 1:1 coaching
- opportunities to participate in challenge led commercialisation programmes

- access to £233k innovation grant fund for new product development
- opportunity to participate in a programme of business growth-focused events

In addition, the project will also pay for a 'living lab' set of activities to trial new ways of providing access to space for early stage companies, particularly led by under-represented groups e.g. female or international founders.

The project will deliver the following outputs and impacts:

- 70 gross new jobs
- business support provided to 72 businesses.
- £140,000 private sector leverage in the form of match funding against the grants provided from SMEs.

The project is in the process of applying for ERDF funds. To enable the project to go ahead a request is made to NTCA to provide £455,626, the remaining match funding. Further match will also be provided by the SMEs as set out below.

<b>Funding source</b>	<b>£</b>
NTCA Revenue	455,626
ERDF Revenue	642,859
Rental Income	159,555
Business Grants	140,000
Uni Income	63,000
<b>Total Project Cost</b>	<b>1,461,040</b>

A full appraisal was undertaken on the project; it reported that the project demonstrates a strong fit with NTCA economic objectives of job creation, private sector investment and supporting SME businesses in our priority sectors to grow.

#### *Recommendation*

The Investment Panel recommends to Cabinet that the funding request for the Newcastle Helix Incubator and Accelerator projects are approved subject to the following condition:

1. Confirmation that all ERDF match funding is in place.

### **1.4 Returnships Programme**

The North of Tyne Devolution Deal included a commitment by Government and the NTCA to explore ways to support those returning to the labour market after time out of paid employment to care for children or other family members. On 8<sup>th</sup> November 2018, the NTCA cabinet agreed that the proposal should be fully developed and appraised.

Following a collaborative development process between NTCA and regional stakeholders, £618,472 of funding is requested to pilot an approach to more effectively connect carers with the labour market through a returnship model. NTCA

is the lead applicant with delivery of the programme to be managed through the NTCA's Employability and Inclusion Group, working in partnership with the following care organisations: Carers Northumberland, North Tyneside Carers Centre, and Newcastle Carers.

Intelligence from local carer organisations indicates carers need greater support to both find employment and manage caring responsibilities in work, there is a need to improve the evidence base on the scale of demand and the most effective means of support. While unpaid carers are the primary target group for the pilot, the project will be available to other economically inactive residents that need support to re-enter the labour market. This project will be employer-led, to offer genuine work opportunities for those who need to re-engage with employment as part of the Inclusive Growth agenda.

Participants will be North of Tyne residents with barriers to work who are seeking routes into employment after at least two years out of the labour market. The focus will be those who are economically inactive but may not be eligible for support through mainstream programmes. The funding will include a small employer fund of £50,000, with a maximum award of £5,000 per employer to support costs such as training, incurred by smaller employers (including voluntary organisations) that would otherwise prevent them from providing returnship opportunities.

The core target cohort is those with caring responsibilities who are unpaid, and not in receipt of Carer's Allowance (caring for under 37 hours per week), including:

- Young carers
- People who want to balance caring responsibilities with work
- People whose caring responsibilities have recently come to an end, or will soon come to an end

However, the project will be led by demand, and will not exclude other people who are unemployed or economically inactive and see Returnships as the best opportunity to enter or re-enter the labour market.

A breakdown of project costs is included below:

Project expenditure	£
Staff costs	£440,152
Accommodation	£9,883
Supplies and services	£88,480
Employer fund	£50,000
Support services	£29,957
<b>total</b>	<b>£618,472</b>

The project will aim to deliver the following outputs / outcomes:

- 900 clients engaged, of which 450 will progress into a returnship. This includes 300 carers, and 150 non-carers
- 225 clients progress into paid employment, of which 130 will be in work six months after the end of the intervention.



### *Outcome of appraisal*

The appraisal found that there is a good strategic case for investment, and the project is well aligned with the North of Tyne Combined Authority's strategic and economic objectives. Particular points were raised around ensuring no duplication of activity by broadening the criteria to include secondary target group and the need for a detailed delivery plan, which includes confirmation of the projects position in respect of state aid.

These queries form the basis for the funding conditions.

### *Recommendation and proposed funding conditions*

The Investment panel recommends to Cabinet that the proposed funding request for delivery of the Returnships programme is approved subject to the following conditions.

The applicant should:

1. Provide a detailed project delivery plan, including a timeline / critical path, key activities and quarterly performance measures. This should be shared in draft form by the end of August 2019 and be provided in final form by October 2019.
2. Provide a recruitment timeline for all posts.
3. The applicant should review the state aid position of the project, particularly the Employer Fund and the award of public funding to SMEs and provide a state aid compliance statement.
4. Appropriate measures to be put in place to ensure state aid compliance, these are to be approved by the NTCA Programme Manager.
5. A protocol to be agreed by the Investment Panel to deal with any conflict between the main target group of the project and the wider economically inactive group.
6. A protocol to be agreed by the Investment Panel to ensure there is no duplication between the employability programmes being delivered.

## **1.5 North of Tyne Growth Fund**

In November 2018, Cabinet were advised on the opportunity to bid for ERDF funding to invest in strategic reinvestment and business growth opportunities for SMEs in the North of Tyne. The proposal was supported, and an outline application was submitted to the Ministry of Housing, Communities and Local Government (MHCLG) for ERDF investment towards a £15,140,938 project. In February 2019, the NTCA was invited to submit a full application which was submitted in June. It is anticipated that the project will be approved and able to commence 1<sup>st</sup> October 19.

This application has been developed in parallel with the North of Tyne Rural Growth Project (also matched with ERDF) for which Northumberland County Council is the lead applicant and NTCA funding has been provided as match. The planned activity is complementary, ensuring a strong business support offer is available to SMEs across the Combined Authority's geography.

For the North of Tyne Growth Fund, no investment is requested from the North of Tyne Investment Fund. If secured, ERDF will be providing £4,640,938 with the match coming entirely from SME contributions.

The Fund will deliver the following outputs:

<b>Key Performance Indicator</b>	
Jobs created	252
Private sector Leverage	£10.5m

The project will contribute towards supporting business growth and fostering innovative processes which will drive productivity resulting in increased profitability, wage growth and employment growth in SMEs. The objective of the project is to provide discretionary grants of approximately £125,000. The forecast number of SMEs to receive financial support is around 28.

*Recommendation*

The Investment Panel recommends to Cabinet that the Combined Authority should proceed with the ERDF application as Accountable Body.

**1.6 Investment Fund – Further development work**

In May 2019, Cabinet set out high-level proposals for allocation of Investment Fund resources, while the Elected Mayor’s manifesto set out a range of priorities. Development work is being undertaken in a number of these areas.

**1.6.1 Local Industrial Strategy Propositions**

The NTCA is contributing to the development of the North East Local Industrial Strategy by the North East Local Enterprise Partnership and has commissioned development work in a number of key areas – to both highlight assets and to develop the project pipeline further. This includes work into the Digital Sector, Culture and Creative Sector, Ageing, Energy and Low Carbon.

NTCA officers are working with Newcastle University in the development of the North East Cluster for Healthy Ageing and Independent Living (NE-CHAIN). There is an opportunity to highlight the nationally and globally recognised strengths in the area - including academic expertise, strong NHS and social care practice, industry partners, data analytics, citizen engagement and the National Innovation Centre for Ageing. We want to be known as the global centre specialising in the demonstration, evaluation, rapid adoption and scaling of products and services to meet the needs of individuals. The NTCA is asked to endorse further development work of the NE-CHAIN proposition and to support Newcastle University’s bid into Government’s Strength in Places Fund, subject to final approval by the Head of Paid Service.

## 1.6.2 Regional Bank

The NTCA is seeking to explore the feasibility of the development of a regional bank. As noted by PricewaterhouseCoopers (PwC)<sup>1</sup>, new banks are “not only providing customers with more choice but are helping to drive innovation and meet the needs of customers who may not be targeted by the main high street banks.” Furthermore, a report for the Royal Society for the encouragement of Arts, Manufacturers and Commerce (RSA) this year concluded that there are 4 reasons to protect local bank branches:

- Supporting Local Economies and SMEs
- Providing Choice and Competition
- Promoting Financial Inclusion
- Boosting Economic Resilience

It is proposed that the NTCA commissions a feasibility study to examine these and related challenges in the North of Tyne area and opportunities for new or existing financial institutions to address these issues. It is estimated that this work will cost circa £35,000 and we are seeking Cabinet’s approval to commission this study, using funding already allocated for development work.

## 1.6.3. Low Carbon

The Elected Mayor, the North of Tyne Combined Authority and the three constituent local authorities have a strong commitment to reducing carbon emissions. The Local Government Association recently unanimously approved a motion encouraging the adoption and use of the UN’s 17 Sustainable Development Goals. Consistent with this commitment, it is proposed that the NTCA supports the uptake of the UN Climate Change Teacher Initiative. This would help ensure that all young people in state education have access to an up to date climate change curriculum. The Combined Authority is asked to endorse this initiative and to support work to raise awareness of it with Head Teachers.

## 2. Potential Impact on Objectives

- 2.1 The projects identified in the report are consistent with the priorities set out in the NTCA vision.

## 3. Key Risks

- 3.1 Risks associated with each funding application have been considered as part of the application and appraisal process. As required conditions associated with funding agreements have been included.

## 4. Financial and Other Resources Implications

- 4.1 The overall impact on the use of the Investment Fund arising from the approvals recommended in this report are as outlined below:

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<sup>1</sup> <https://pwc.blogs.com/files/challenger-bank-2017-.pdf>

	2019/20	2020/21	2021/22	2022/23	Total (£)
STEM and Digital Skills - NUSTEM	105,663	52,854	55,643		<b>214,160</b>
STEM and Digital Skills - Digital Catapult	35,750	47,000			<b>82,750</b>
Newcastle Helix Incubator and Accelerator	34,503	153,913	172,397	94,813	<b>455,626</b>
Returnship Programme	146,766	231,906	239,800		<b>618,472</b>
<b>Total</b>	<b>322,682</b>	<b>485,673</b>	<b>467,840</b>	<b>94,813</b>	<b>1,371,008</b>

## 5. Legal Implications

5.1 The Interim Monitoring Officer's comments have been included in this report.

## 6. Consultation/Engagement

6.1 Applicants and stakeholders have been fully engaged in the development of funding applications and project proposals.

## 7. Appendices

7.1 Appendix A – Summary of STEM and Digital Skills Projects.

## 8. Background Papers

8.1 The background papers are confidential because they contain business/financial information.

## 9. Contact Officers

9.1 Tom Warburton, Interim Director of Inclusive Growth, [tom.warburton@northoftyne-ca.gov.uk](mailto:tom.warburton@northoftyne-ca.gov.uk)

## 10. Glossary

10.1

ERDF	European Regional Development Fund
MHCLG	Ministry of Housing, Communities and Local Government
NE-CHAIN	North East Cluster for Healthy Ageing and Independent Living
PwC	PricewaterhouseCoopers
RSA	Royal Society for the encouragement of Arts, Manufactures and Commerce
SME	Small and Medium-sized Enterprise
STEM	Science, Technology, Engineering and Maths

## 11. Sign-off

11.1 Interim Head of Paid Service: Yes

Interim Monitoring Officer: Yes

Interim Chief Finance Officer: Yes

## Appendix A: STEM and Digital Skills

### NUSTEM - conNect

**conNecT** is a three-year family and school engagement project, delivered by a partnership of the NUSTEM group at Northumbria University and Life Science Centre.

The project aims to:

- Normalise discussions about digital technology within the family and home context.
- Extend creative learning opportunities to diverse and under-served audiences within the region, bringing groups together in a supportive and accessible atmosphere.
- Showcase career opportunities and relevance in an area of regional expertise and strategic importance, namely the technology sector (and particularly the Internet of Things).
- Support teachers, families and learners at a critical phase of STEM education; children of late primary school age (8-11 years old).

#### Strand 1 - Workshop courses

conNecT participants will take part in a series of workshops aimed at building their skills and confidence working with digital making ideas. Typically delivered over 5 sessions, children and their caregivers will support each other as they discover the delight and wonder to be found in tinkering with technology. Families will progress from first steps to confident self-expression using key digital skills.

#### Strand 2 - conNecTed Schools

Three conNecTed schools courses will be delivered and classroom involvement will be supported by a 2-hour twilight CPD session for teachers, targeted at schools in areas of low socio-economic status. During the session, teachers will develop their tinkering and digital skills alongside their careers knowledge, enabling them to lead a simplified, curriculum-linked, conNecT-based activity with children in their schools during class time.

**NTCA Funding Requested: £241,160**

**TOTAL Project Cost: £271,934**

#### Outputs

School Engagement Interactions	Pupil Engagement Interactions	Teacher Engagement interactions	Parent/Carer Engagement interactions	Teacher CPD sessions
	3,350	24	1,350	3

## Digital Catapult - *Inspire North of Tyne*

The Inspire North of Tyne proposal will deliver STEM and digital enrichment events over 2 years across the NTCA area comprising:

- Careers Fair events, which will take place in central locations and will be open to all secondary schools in the NTCA area Parents, Teachers, & Career professionals;
- in school events which will include industry workshops & employability workshops these events will accommodate whole school years, Teachers & parents will also be invited to engage in these events;
- Industry visits and industry activities, these events will accommodate up to 30 students & 2 teachers per event;
- Careers events specifically tailored to accommodate SEND/PRU and students with complex needs. Teachers, Parents/Carers and Career professionals will be invited to engage in these events;
- Teacher CPD workshops which will accommodate up-to 20 Teachers per event;

The events will challenge pre-conceived ideas, raise aspirations and encourage young people to think beyond their current experience through meaningful encounters with employers. They will bring the world of work to life by providing opportunities for young people to understand STEM career pathways, educational pathways and the skills and competencies to help to build successful working lives. The events will also engage the influencers of young people such as teachers, parents and carers to ensure they are supportive of education and career choices of young people.

**NTCA Funding Requested: £85,000**

**TOTAL Project Cost: £125,000**

### Outputs

School Engagement Interactions	Pupil Engagement Interactions	Teacher Engagement interactions	Parent/Carer Engagement interactions	Teacher CPD sessions
11	1,620	40		40

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