

Report Title:	Maritime Knowledge Hub – Test & Trial Accelerator Project
Report of:	Assistant Director of Regeneration & Place

REPORT SUMMARY

This report provides a project overview and detail of the terms of the Grant Funding Agreements received from the Ministry of Housing, Communities and Local Government (MHCLG) and the Liverpool City Region Combined Authority (LCRCA) in respect of funding to deliver a two-year test & trial maritime accelerator project titled: Port City Innovation Hub Development.

A report to Economic Regeneration & Development Committee on 4th March 2021: <http://democracy.wirral.gov.uk/mglIssueHistoryHome.aspx?lId=50038799&Opt=0> outlined the proposed project and authorisation was approved for the Director of Regeneration & Place, in consultation with the Director of Law & Governance and the Director of Resources, to accept the terms of the Grant Funding Agreements and to commence necessary procurement exercised to enable delivery.

This is a key decision.

This project involves expenditure of external funds to the sum of £1,965,924.

RECOMMENDATION(S):

The Director of Regeneration & Place is recommended to:

- (1) Accept the terms of the Grant Funding Agreement from the Ministry of Housing, Communities and Local Government.
- (2) Accept the terms of the Grant Funding Agreement from the Liverpool City Region Combined Authority.
- (3) Authorise the Chief Regeneration Officer to proceed with the necessary procurements and partner Grant Funding Agreements required to progress delivery of the project in line with the funders guidance and as set out in the funding submission.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 Delivery of a pre-test and trial Maritime Accelerator Project presents an ideal opportunity to pilot sector growth and innovation activity in advance of the scheduled launch of one of the Council's key economic recovery projects, Maritime Knowledge Hub.
- 1.2 Successful delivery of the project will support new business growth and investment and reaffirm Wirral's position as a hub for maritime innovation.
- 1.3 The Director of Regeneration and Place has taken into account the risks to the Council set out in section 7 of this report. In particular the potential to repay a substantial proportion of the grants if for reasons beyond the reasonable control of the Council and the delivery partners the required outputs relating to the creation of jobs, and products are not achieved and the delivery partners are not able to compensate the Council for its resulting financial loss. Those risks can to some extent be mitigated but not entirely in these uncertain economic times. The Director of Regeneration and Place has consulted the Director of Resources.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The council could choose not to accept the grant offers.
- 2.2 The Council has explored options to further limit the risk of liabilities incurred through acceptance of the Grant Funding Agreements by requesting the addition of a 'reasonable endeavours' clause in respect of output performance. Both MHCLG and LCRCAs are unwilling to proceed on this basis.

3.0 BACKGROUND INFORMATION

- 3.1 Liverpool City Region has a long history as a maritime city of international importance, as well as a proud record of shipbuilding on the River Mersey. Maritime is one of the city regions success stories, home to a large and hugely diverse maritime and marine cluster which nationally employs more than 52,000 people, generating £4.2 billion turnover per year, with a workforce that is 42% more productive than the UK average. Future changes in technology will necessarily alter the way in which the maritime sector operates. Big data analytics, digitalisation, and ambitions for clean green growth will require investment, innovation and advancement in new disruptive technologies.
- 3.2 In collaboration with local and regional partners, Wirral Council is leading on the development of a new facility to support this sector. Scheduled for launch in 2023, the Maritime Knowledge Hub (MKH) is a catalytic project that will support wider development within Wirral Waters. It will create a world class centre of excellence for maritime business growth and sector development. It will bring together the region's key maritime assets in business, research, education and training to address challenges around innovation and skills within a refurbished and new build high profile centre.
- 3.3 Delivery of a complementary pre-test and trial Maritime Accelerator Project presents an ideal opportunity to pilot activity in advance of the scheduled launch of MKH, building cluster capacity, facilitating wider engagement of the sector and initiating test and trial innovation accelerator activities in readiness for full roll-out of the

concept within the new Hub which will form part of the wider Liverpool City Region Innovation Ecosystem.

- 3.4 Wirral Council was successful in an open & competitive call for Expressions of Interest for projects across the City Region under European Regional Development Fund (ERDF) Priority Axis 1: Promoting Research & Innovation and invited to submit a full application for delivery of a test and trial maritime accelerator project, titled: Port City Innovation Hub Development Project. The full application was submitted to MHCLG on 5th June 2020 along with an application to the LCRCA for match funding from the Strategic Investment Fund (SIF). Notification of a successful outcome was received by MHCLG on 19.04.21 and by LCRCA on 10.03.21. Grant Funding Agreements detailing the terms and conditions of the funding were received by MHCLG on 18.05.21 and LCRCA on 25.05.21.

Outline of the Port City Innovation Hub Development Project

3.5 Aim

Specifically, the project aims to support the PA1 Call objective to: increase the number of small and medium sized enterprises engaged in knowledge exchange, collaborative and contract research and innovation with research institutions, public institutions or large enterprises in order to help them bring new products and processes to market.

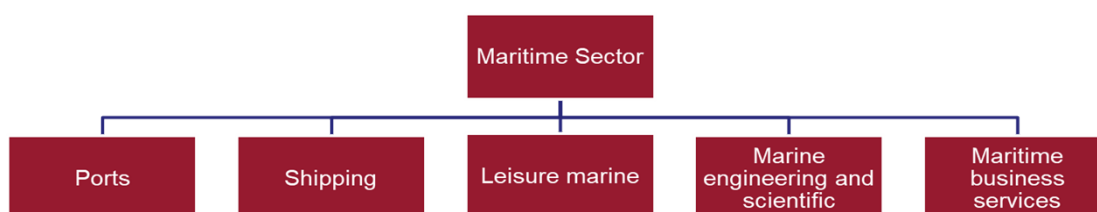
3.6 Objectives

The key objectives of the project are to:

- Enhance the development of a regional maritime cluster network.
- Engage the sector in University and Innovation Growth Support.
- Increase Research & Development and Technology Transfer.
- Acceleration of Innovation, New Processes, Products & Services.

3.7 Project Participants

Participation will be open to SMEs operating within the maritime sector and SMEs and pre/early revenue potential enterprises developing products or services applicable to maritime sector industries. Maritime UK has defined the sector as including five industries, which themselves can be broken down into 33 activities ranging from port management to maritime financial services, and ship building to international freight transport.



3.8 Project Activities

The project will test and trial a suite of different interventions to enable evaluation of different approaches to accelerating innovation in the maritime sector. An independent evaluator will be commissioned to provide ongoing reports on qualitative and quantitative results throughout the project lifetime.

3.9 Delivery Partners

University of Liverpool: will provide Master Level students to support a cohort of SMEs with complex innovation projects running between 12-24 months. They will also provide Student Group support for SME's engaged in the Masters and Innovation Sprint cohorts.

Competitively Procured 3rd Party: will deliver a discreet 'Innovation Sprint' – effectively an innovation 'bootcamp' anticipated to run for 3-4 months at a time, for small cohorts of SMEs/Individuals with a 'live' innovation project idea. The procurement exercise will call for organisational expertise in the delivery of competitive, cyclical, time-limited, intensive accelerator programmes.

Wirral Chamber: will coordinate liaison across the project partners, ensure a seamless end to end customer journey for all participants, and provide independent signposting across delivery partners or to externally provided intervention routes in order to mitigate duplication with aligned Research & Development and business facing programmes within the ecosystem across the City Region. They will also deliver bespoke adviser support to a 'control' group cohort to support evaluation of results across the different levels of interventions.

Mersey Maritime: will expand the maritime cluster and support all participants, facilitating engagement of Tier 1 & 2 cluster enterprises in: mentoring programme for participants, meet the buyers/supply chain events, pitching/dragons den events, industry knowledge share events.

Wirral Council: as project (and funding applicant) lead the Council will provide dedicated project management for project steer, governance, partner management, and compliance in line with grant funding agreements.

3.10 Required Outputs

80	Enterprises Receiving Support
8	New Enterprises Supported (subset of above ie: engagement of new enterprises established no longer than 12 months)
20	Enterprises Cooperating with Research Entities
30	Jobs Created
15	Enterprises Supported to Introduce New to the Market Products
21	Enterprises Supported to Introduce New to the Firm Products

3.11 Project Timetable

Milestone	Start
Establishment of Project Board / Inception	July 2021
Partner Grant Funding Agreements	July 2021
Recruitment of Project Staff	July 2021
Development of Standardised Paperwork & Processes	July 2021
Project Commences/Soft Launch & Engagement	July 2021

Procurement of Independent Evaluators	July 2021
Summative Evaluation Assessment Plan in Place	Sept 2021
Procurement of Accelerator Supplier	July 2021
Formal Project Launch	Sept 2021
Engagement Proper Commences	Sept 2021
Recruitment of Masters level students	July 2021
Commencement of Innovation Sprint	Sept 2021
Independent Interim Review	Apr 2022
Independent Interim Review	Dec 2022
Final Independent Review	April 2023
Activity Close Down/Project Ceases	June 2023
Post Project Activity:	
Practical Completion	Sept 2023

4.0 FINANCIAL IMPLICATIONS

4.1 The total project costs of £1,965,924 are wholly resourced via external funds:

Source	Amount	Status
ERDF	£965,462	GFA Received
LCRCA SIF	£676,146	GFA Received
University of Liverpool	£324,316	Match Funding Letter Received
Total Resource	£1,965,924	Secured

4.2 The Grant Funding Agreement includes a 10% Retention of Grant clause which will not be released until the following are achieved:

- (a) Completion of the Project Activities.
- (b) the Secretary of State has received, and is satisfied with, the final monitoring report following the final monitoring visit.
- (c) all audit issues outstanding are resolved.

4.3 The Grant Funding Agreement requires either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules.

5.0 LEGAL IMPLICATIONS

5.1 All European funded programmes have stringent rules and regulations, rigorous financial and audit processes and can be subject to financial clawback of funds for

failure to follow procedure and/or achieve the required outputs. Audit processes adopted previously have been based on sampling and if errors are found these can then be multiplied against the scale of the bid, which can significantly increase the level of financial clawback when compared against the actual identified error.

5.2 The Council's Solicitor has reviewed the Grant Funding Agreements and highlighted key areas of risk for consideration prior to acceptance of terms and conditions. The Council has explored options to further limit the risk of liabilities incurred through acceptance of the Grant Funding Agreements by requesting the addition of a 'reasonable endeavours' clause in respect of output performance. Both MHCLG and LCRCA are unwilling to proceed on this basis.

5.3 These risks and proposed mitigation strategy are detailed in Section 7 of this report. In respect of clawback there are two key risks to the Council namely: ineligible expenditure and underperformance on outputs. In respect of underperformance, following review, written notice and a subsequent failure to rectify underperformance, a reduction in grant may be applied as follows:

- Up to 15% below target – dealt with via project change process.
- 16-25% - a weighting of 5% would be applied.
- 26-50% - a weighting of 10% could be applied.
- Over 50% - a weighting of at least 15% could be applied.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 Acceptance of the Grant Funding Agreements for the pre-test and trial Maritime Accelerator Project will provide 100% funds to support the recruitment and appointment of two Council Project Officers within the Regeneration & Place Directorate for coordination and compliance monitoring of project partner delivery.

Description of Post	Grade	Status	Team
Economic Development Lead	PO10	New	Place & Investment
Economic Development Support	PO2	New	Place & Investment

7.0 RELEVANT RISKS

7.1

Key Risk	Mitigation Strategy
Clawback of grant due to claiming of ineligible expenditure	<p>A detailed granular budget has been agreed for all partners and approved by funders.</p> <p>a) The Council and selected delivery partners have extensive prior experience in managing EU programmes and ensuring compliance with European Union procurement, financial and audit requirements.</p> <p>b) The Council will provide back-to-back Grant Funding Agreements with all delivery partners mirroring eligibility criteria.</p> <p>c) Additional staff (referred to in Section 6) will be appointed to monitor closely the Council, the delivery</p>

	<p>partners, and the Council's subcontractors' compliance with EU audit requirements.</p>
<p>Clawback of grant due to underperformance of outputs</p>	<p>a) All outputs have been agreed with project delivery partners and considered achievable within the designated timescale based on extensive knowledge of the local economic market and prior experience in delivering similar business growth projects.</p> <p>b) There is recognition that the current pandemic and Brexit has an effect on the local economy which may impact on achievement of outputs. However, the primary focus of this project is delivery of research and innovation outputs. Recent innovation funding schemes launched during the pandemic within the Liverpool City Region have been significantly oversubscribed and there is confidence in business appetite for participation in the project. This is further evidenced through a market research study (January 2020) commissioned by Wirral Council which demonstrated willingness of the sector to engage in this specific project activity.</p> <p>c) The Council will provide back-to-back Grant Funding Agreements with all delivery partners mirroring underperformance requirements of funders. Output requirements will include 'stretch' to further mitigate the risk of funder clawback.</p> <p>d) Monitoring of performance will be closely managed by the Council's project team with support from the newly established Regeneration Project Management Office. Any necessary remediation plans will be agreed with delivery partners via the Project Board and in consultation with funders. This will provide an early warning system for the Council to enable management of any underperformance via the funders change control procedures and escalation of issues via internal Directorate governance where necessary.</p>
<p>Failure to appoint necessary commissioned services in compliance with EU requirements and as required for LCRCA grant drawdown</p>	<p>a) A procurement plan detailing the intended process was submitted and agreed by funders as part of the application process. A procurement file has been established to adequately document all processes, agreed with the Council's procurement team and in compliance with regulations.</p> <p>b) The Council recently conducted a preliminary market consultation, pursuant to Regulation 40 of the Public Contracts Regulations 2015 which provides public bodies with the ability to conduct market consultation and seek advice from market participants with a view to preparing for future procurement processes. Prior Information Notice (Reference: DN538990) ("PIN"), was issued by Wirral Council on 19.04.21 and opened for the requisite 35-day period with a closing date of 24.05.21. This process established clear market interest in respect of the provision of the 'accelerator</p>

	sprint' supplier for this project and the general consensus from potential suppliers was that the participant target within the proposed timescale and funding envelope is achievable. Procurement will commence, subject to acceptance of grant, in July 2021.
--	---

8.0 ENGAGEMENT/CONSULTATION

8.1 There has been ongoing consultation with businesses and stakeholders on the need for supported growth and innovation in the Maritime sector. The Council has commissioned detailed demand studies and recently conducted a formal market consultation exercise for both the accelerator project and the Maritime Knowledge Hub.

9.0 EQUALITY IMPLICATIONS

9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity.

9.2 The potential impact has been reviewed with regard to equality and links to the existing EIA conducted for Wirral's Growth Plan. There are no additional equality implications as a result of this report.

<https://www.wirral.gov.uk/communities-and-neighbourhoods/equality-impact-assessments/equality-impact-assessments-2014-0>

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 The project will focus on addressing the technology challenges facing the maritime sector. Two major challenges currently facing the sector are decarbonisation and digitalisation; The project is therefore expected to advance research and innovation in these technologies, supporting the borough in advancing climate emergency priorities within the wider business sector.

REPORT AUTHOR: Helen Carney

email: helencarney@wirral.gov.uk

APPENDICES - None

BACKGROUND PAPERS

Maritime Knowledge Hub report 4th March 2021

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
-----------------	------

Maritime Knowledge Hub

Economic Regeneration & Development Committee 4th March 2021:
<http://democracy.wirral.gov.uk/mglIssueHistoryHome.aspx?IId=50038799&Opt=0>

4th
March
2021: