	<b>REPORT TO CABINET TO BE HELD ON 18 June 2019</b>
	<b>Key Decision</b> <b>YES</b>  <b>Forward Plan Ref No</b>
<b>Corporate Aims People/Place/Prosperity/Council</b>	<b>Cabinet Portfolio Holder</b> <b>Cllr Liz Colling</b>

**REPORT OF: Director (RB) – 19/131**

**WARDS AFFECTED: All**

**SUBJECT:    SUPPORTING MARINE AQUACULTURE -  
                 SEAGROWN LIMITED**

**RECOMMENDATION (S):**

Cabinet is recommended to:

1. Approve the acceptance of grant funding of circa £472,150 from the Coastal Communities Fund (CCF) on behalf of SeaGrown Limited for the establishment of a seaweed farming and processing industry within the Borough of Scarborough whereby SBC will act as accountable body for the funds and be subject to contract and terms and conditions of the grant; and
2. Delegate authority to the Director (RB) in consultation with the relevant Portfolio Holders to enter into an agreement with SeaGrown Limited governing payment of the grant and to offset any liabilities contained in the terms and conditions of the grant.

**REASON FOR RECOMMENDATION (S):**

To enable SeaGrown Limited to receive funding from the CCF and meet the preference of the funding body the Ministry of Housing, Communities and Local Government (MHCLG) to have the Local Authority acting as accountable body for the funds.

**HIGHLIGHTED RISKS:** All risks are identified in the risk matrix

## **1. INTRODUCTION**

- 1.1 In March 2019 SeaGrown Limited successfully secured £472,150 of funding from CCF in support of the establishment of seaweed farming and processing activity in Scarborough Borough. The funding is awarded by MHCLG.
- 1.2 MHCLG's preference is that the funds are paid annually, up front and directly to the Local Authority (SBC) who in turn act as accountable body for the funds rather than the monies being paid directly to the applicant.
- 1.3 This report seeks the agreement of Cabinet to the acceptance of such funds on behalf of SeaGrown limited and for the Council to act as accountable body for the project on behalf of MHCLG.

## **2. CORPORATE AIMS**

- 2.1 This report supports all of the Council's Corporate Aims.

## **3. BACKGROUND AND ISSUES**

- 3.1 The project involves establishing a brand new, innovative and sustainable marine aquaculture sector through the establishment of seaweed farming on the Yorkshire Coast.
- 3.2 The global market for seaweed was estimated to be worth around \$12bn in 2015 (Radulovich et al). By 2024 it is predicted to have grown to in excess of \$87bn, achieving an annual global growth rate of 12% throughout the period.
- 3.3 This major growth is predicted largely because of the growing health consciousness of consumers, including rapid increases in numbers of vegetarians and vegans in Europe. There is also a predicted dramatic increase in demand for seaweeds in the manufacture of high value compounds such as hydrocolloids, agar, alginates and carrageenan. Further, demand is predicted to increase from more novel users of seaweed such as biofuels, textiles, bioplastics, effluent treatment and cosmetics (Global Market Insights Feb 2018 – Pulidindi & Rajpathak).
- 3.4 European guidelines for sustainable aquaculture of seaweeds identify the major uses for seaweed as pharmaceuticals, cosmetics, human food, food supplements and processing, animal feed, plant fertilisers, bioplastics, biorefinery into high value compounds, ecosystem management (dissolved nutrient removal), waste water treatment and carbon sequestration.
- 3.5 SeaGrown have identified that there is a rapidly rising global demand for seaweed and in 2015 over 97% of this global demand was being satisfied by aquaculture, or farming of seaweed. Seaweeds grow in abundance around

the British coast, yet in the whole of the UK there is only one artisanal scale inshore seaweed farming business (Islander Kelp in Northern Ireland), with no seaweed aquaculture taking place in England at all.

- 3.6 SeaGrown Limited, is a new company, run by local entrepreneurs with a background in marine science and survey. SeaGrown aim to spearhead the UK's entrance into the global seaweed market. The Yorkshire Coast is lucky enough to have excellent stocks and growing conditions for a large number of native seaweed species. SeaGrown recognise that harvesting wild seaweed is not the solution and propose to establish offshore commercial scale cultivation at an open water site, circa 3 miles from the shore at Scarborough.
- 3.7 The project can be broken into three core elements.
  - a. The establishment of an offshore farm whereby indigenous seaweed species will be grown on pre seeded ropes attached to a large growing frame structure anchored at the offshore site.
  - b. The transshipping of farmed product to and from the site via Scarborough Harbour via small workboats, for the manufacture and distribution of product at an inland processing facility within the borough.
  - c. The establishment of a product research and public information and outreach facility on board a dedicated vessel moored within Scarborough Harbour.
- 3.8 By 2021 the project aims to introduce UK (Scarborough) farmed seaweed into innovative new markets such as bioplastics, biotextiles and pharmaceutical products. In doing so SeaGrown have projected to create 9 direct jobs in the first 2 years of the project (by 2021), rising to 23 direct jobs within 5 years, plus many more indirect jobs anticipated within the supply chain.
- 3.9 Given the organisational status of SeaGrown Limited i.e. a micro business with limited resources, MHCLG have asked that Scarborough Borough Council receive the funding on their behalf and act as countable body for the funds.
- 3.10 The funds will be released to the Council from MHCLG annually, up front. Claims to draw down the funding from the Council by SeaGrown will subsequently be made as expenditure is incurred, and on the submission of appropriate evidence.
- 3.11 Subject to the approval of Cabinet the Council's Regeneration Services team would undertake the day to day management of the funding providing financial monitoring and management of the grant for the duration of the project.

## **4. CONSULTATION**

4.1 There has not been any public consultation in relation to this report.

## **5. ASSESSMENT**

- 5.1 The establishment of this innovative, environmentally sustainable and unique project will enable the Council to significantly contribute toward its “Prosperous” and “Inclusive and Vibrant” aims of the Corporate Plan and Community Strategy.
- 5.2 The project will also support investment in target areas of employment, training and new business creation as described in the Council’s Economic Development Strategy.
- 5.3 Specifically the scheme will contribute directly to the creation of new higher value jobs, reducing seasonality and improving the economic mix profile of the borough.
- 5.4 The project will also have a directly beneficial effect in providing additional activity within Scarborough Harbour and importantly will highlight the borough as being a location for innovative business and entrepreneurship. Indirectly the project will inspire the local community and raise aspiration and opportunity for those within our borough.
- 5.5 In undertaking the role of accountable body it is important to note that MHCLG require us only to act as “holders of the funds” on behalf of SeaGrown and to release the funds in accordance with evidence of profiled expenditure. The monitoring of outputs and project progress will be undertaken by CCF / MHCLG management agents Groundwork UK.

## **6. IMPLICATIONS**

### **6.1 Policy**

There are no policy implications arising from this report.

### **6.2 Legal and Financial**

- 6.2.1 Payment of grant monies from CCF through MHCLG will be made under section 31 of the Local Government Act 2003.
- 6.2.2 The Borough Council have acted as accountable body for a number of current and previous public sector schemes and have a track record for doing so successfully.

6.2.3 In this instance the Borough Council will act solely to hold the funds and process claims in accordance with the guidance set out by the CCF. The Council's liability as accountable body will be limited to that function alone and the Council will not be responsible for delivering any of the outputs of the scheme.

6.2.4 Any potential for clawback of funding for the non-delivery of outputs will be the responsibility of SeaGrown Limited.

### **6.3 Equalities and Diversity**

6.3.1 There are no equality and diversity implications arising from this report.

### **6.4 Communications**

6.4.1 We will request that any communications and marketing undertaken by SeaGrown include reference to the Borough Council.

### **6.5 Staffing**

6.5.1 There will be a cost to the Council associated with the financial management of the CCF grant in terms of staff time and resources. As a contribution to the scheme the Borough Council's Regeneration Service will absorb this activity within its existing workload.

### **6.6 Planning Implications**

6.6.1 There are no direct implications in respect of planning. SeaGrown have however received all necessary consents and licences to undertake the proposed project from the relevant statutory bodies including: Natural England, the Environment Agency, the Marine Management Organisation, the Crown Estate and the Borough Council.

### **6.8 Crime and Disorder Implications**

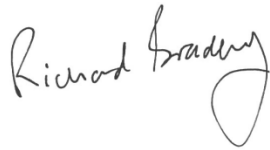
6.8.1 No direct implications

### **6.9 Health and Safety implications**

6.9.1 No direct implications

### **6.10 Environmental implications**

6.10.1 It is a core value of the project to deliver sustainable business activity from a renewable resource with no adverse impact on the marine environment. Ultimately the project will seek to produce products which contribute positively to the reduction climate change including the production of naturally sourced animal feed, plant fertilisers, bioplastics, ecosystem management (dissolved nutrient removal), waste water treatment and carbon sequestration.



**Richard Bradley**  
**Director**

**Author: Alex Richards, Regeneration Services Manager**

Telephone No: 01723 384317

E-mail address: alex.richards@scarborough.gov.uk

**Background Papers:**

None

IF YOU HAVE ANY QUERIES ABOUT THIS REPORT OR WISH TO INSPECT ANY OF THE BACKGROUND PAPERS, PLEASE CONTACT THE AUTHOR.

## Risk Matrix

<b>Risk Ref</b>	<b>Date</b>	<b>Risk</b>	<b>Consequences</b>	<b>Mitigation</b>	<b>Current Risk Score</b>	<b>Target Score</b>	<b>Service Unit Manager/Responsible Officer</b>	<b>Action Plan</b>
1	June 2019	Cabinet do not accept grant funding from CCF on behalf of SeaGrown	The project may not proceed leading to: <ul style="list-style-type: none"> <li>• Loss of employment opportunity</li> <li>• Loss of economic growth + diversity</li> <li>• Reputational damage to the Council regarding its economic development support function.</li> </ul>	This report	B4	A1	Alex Richards	NA
2	June 2019	Cabinet accept the funding on behalf of MHCLG but Regeneration Service fail to adequately manage the allocation and draw down of grant.	Reputational damage to the Council and failure to secure future funding through MHCLG.	The Regeneration Service in tandem with the Council's Accounts department have extensive experience in managing grant funded programmes, including those overseen by CCF and via section 31 of the Local Government Act 2003.	B4	A4	Alex Richards	To work closely with MHCLG and managing agents Groundwork to ensure grant payments are made in accordance with their guidance.

**Glossary of Terms**

Risk	An event which may prevent the Council achieving its objectives
Consequences	The outcome if the risk materialised
Mitigation	The processes and procedures that are in place to reduce the risk
Current Risk Score	The likelihood and impact score with the current mitigation measures in place
Target Risk Score	The likelihood and impact score that the Council is aiming to achieve
Service Unit Manager	The Service Unit or Officer responsible for managing the risk
Action Plan	The proposed actions to be implemented in order to reduce the risk to the target score

**Risk Scoring**

Impact	5	[Grid of 5x5 cells]				
	4	[Grid of 5x5 cells]				
	3	[Grid of 5x5 cells]				
	2	[Grid of 5x5 cells]				
	1	[Grid of 5x5 cells]				
		A	B	C	D	E
	Likelihood					

Likelihood:

- A = Very Low
- B = Not Likely
- C = Likely
- D = Very Likely
- E = Almost Certain

Impact

- 1 = Low
- 2 = Minor
- 3 = Medium
- 4 = Major
- 5 = Disaster