

North East Derbyshire District Council

Cabinet

18 March 2015

Pilot North East Derbyshire Business Growth Fund

**Report No PRK/13/15/SL of Councillor P R Kerry, Portfolio Holder with
Responsibility for Economy, Finance and Regeneration**

This report is public

Purpose of the Report

- To propose the establishment of the North East Derbyshire Business Growth Fund, a grant scheme of £40,000 to be piloted over 24 months for areas ineligible for BNED LEADER funding, to be funded from the Invest to Save Budget.

1 Report Details

- 1.1 In June 2014 the Growth Strategy for Bolsover and North East Derbyshire was formally adopted, identifying three priorities:
 - Supporting Enterprise: maintaining and growing the business base
 - Enabling Housing Growth: increasing the supply, quality and range of housing to meet the needs of the growing population and support economic growth
 - Unlocking Development Potential: unlocking the capacity of major employment sites
- 1.2 The case made in the Growth Strategy for supporting local economic growth is clear: the levels of funding the council can retain from National Non-Domestic Rates (NNDR) can be increased through modest investment, as witnessed with a number of the businesses in receipt of BNED LEADER Approach funding between 2007 and 2013, some of whom are continuing to grow without any further external investment.
- 1.3 Action 3 of the Growth Strategy's action plan for 'Supporting Enterprise' is 'Business Support Package,' entailing the development of a "menu of business support including market research, supply chain activity, business to business support, innovation, recruitment support, bespoke packages, support grants and/or loans" (Appendix 1). Leadership discussed the principle of establishing a Council grant or loan scheme, complimentary to the LEADER process at their meeting held on 3rd September 2014, noting the grants currently available locally, as identified by the Joint Assistant Director for Economic Growth (detailed in 1.4 to 1.8, below).
- 1.4 Businesses have been eligible for the various funding streams operated by the SCR and D2N2 Local Enterprise Partnerships (LEPs), such as Regional Growth Fund (RGF) grants. SCR offered RGF funding through its 'Unlocking Business Investment' programme, with grants of between £25,000 to £2,000,000 made

available to businesses with an average intervention rate of 20% (Projects requiring between £25,000 and £99,999 went through a more streamlined application process). The fund had a focus on job creation, but has allocated its budget until more grant funding is made available

- 1.5 The D2N2 RGF funding was distributed through two separate funding streams. A small grant scheme called Global Derbyshire Small Business Support offered grants of between £4,000 and £75,000 to SMEs with an intervention rate of 30% (50% for new starts with a maximum grant of £10,000). Operated by Derbyshire Economic Partnership on behalf of D2N2, the scheme has allocated its allotted funding to eligible projects. Another scheme called Unlocking Investment for Growth offered grants between £50,000 and £500,000 (in exceptional circumstances) for projects in their key sectors of Medical/Bio-science, transport equipment manufacturing, food and drink manufacturing, construction, the visitor economy and low carbon. The intervention rate was approximately 25%, with the scheme operated by East Midlands Business Ltd on D2N2's behalf.
- 1.6 Although more funding will be made available through both LEPs (through their Growth Deal and European Infrastructure funds allocations) it is not yet known in what form this will take and when businesses will be able to access it.
- 1.7 Currently, the only eligible schemes available to business in the district of North East Derbyshire are the 'Invest to Grow' scheme operated by the University of Derby. This has a total grant fund of £16million and offers grants or loans of up to 30% of total project cost, with a minimum award size of £15,000 (meaning a minimum total project cost of £50,000). This programme aims to support businesses in the Transport Equipment Manufacturing, Life Sciences, Construction, Creative Industries and Visitor Economy sectors (the D2N2 LEP priority sectors). An organisation called First Enterprise offer loans of between £3,000 and £100,000 to support existing businesses to grow. They expect businesses to contribute 30% of the value of the loan themselves and the loan can be used to purchase equipment, secure services or to match fund a larger project. Other grant schemes (such as 'Creative Derbyshire' for creative businesses, 'Encite' for those in the Transport supply chain etc) are available for businesses within specific sectors. For all these grants and loans, the creation of new jobs is a key expected output.
- 1.8 In addition, both LEPs intermittently offer larger grants through the main RGF funding programme, although there is no bidding round currently planned. This funding has a minimum grant to businesses of £1million, with job creation again a key output.
- 1.9 DEFRA announced on 27th February 2015 that the BNED LEADER Approach has been allocated €1.713m for the 2014-2020 programme, which equates to £1.370m using the exchange rate at the time of writing. Of the total allocation, around £1m will be available for grants to local businesses (the Council will utilise the remaining funding to administrate the scheme). It should be noted that the funding agreement will be in Euros and susceptible to changes in the Sterling-Euro exchange rate. The larger towns of Dronfield and Clay Cross have not been included within the Area boundary as these settlements are classified as urban built-up areas, although there are smaller sections within the wards of these communities, at Lower Super Output Level and smaller, which are eligible. This will create a difficult situation to manage and explain with eligibility within communities. There are a number of issues to be

finalised by DEFRA including the level of grant (which is anticipated to be between £3,500 and £174,000) and the application, selection and approval process.

- 1.10 The Council is aware that the majority (approximately 90%) of businesses in NED are micro businesses i.e. employ less than 10 people. Anecdotal feedback on LEP loans and grants is that for the vast majority of businesses the threshold is too high at the lowest rate of intervention at £4,000; there is also evidence of this from the LEADER programme where the minimum intervention on the last programme was £3,500.
- 1.11 Consideration has therefore been given by the Economic Development Unit (EDU) and Partnership Team as how best to deliver the Growth Strategy action plan identified in 1.3 in areas not eligible for BNED LEADER funding, to ensure full coverage. Both Teams have significant experience in the engagement and support to local businesses, including funding scheme management, and are best place to develop and deliver the proposed North East Derbyshire Business Growth Fund.
- 1.12 It is believed that a North East Derbyshire Business Growth Fund should be piloted for two years in order to assess local demand and the impact such a scheme could make. £40,000 over two years should provide sufficient funding from which to be able to effectively evaluate this impact. The focus of the grant would be businesses in which the Council were confident would achieve growth. Businesses which request funding to address decreases in trade would not be eligible as it is unlikely that the modest investment from funding would enable a long term change to their decline; such businesses would be signposted to business support services to look at how they operate.
- 1.13 The BNED LEADER Approach will provide an application and approval process which can be implemented for a local scheme. DEFRA currently expect that LEADER will commence nationally in June/July 2015, following any departmental changes after the General Election in May 2015, and will be producing their Operations Handbook in May/June 2015. It is recommended that the pilot North East Derbyshire Business Growth Fund commences in tandem with BNED LEADER to maximise the impact of publicity and have time to train staff and integrate the new grant operating systems. DEFRA is currently considering whether to develop a simplified application form for small grants and this may be a more appropriate system to adopt than the full form; should this not be forthcoming, it may be more appropriate to accept a signed business plan in lieu of an application form. Although more operational detail will be known upon receipt of the LEADER Operations Handbook, key issues relating to the proposed delivery process are identified in Appendix 2 and summarised below.
- 1.14 Due to the modest sum of funding involved it is proposed that the Fund will be primarily promoted through electronic means and a face-to-face contact with EDU staff rather than a formal launch, in order to manage demand and avoid raising expectation with local businesses.
- 1.15 The Council would not be tied to the LEADER priorities and could either remain generalist as suggested (enabling any business to apply) or set their own priority themes (e.g. training), whilst retaining the right to refocus the priorities should it so wish. Focusing on Job Creation and Growth and monitoring various measures of

success such as new jobs, turnover and NNDR would ensure that Growth Strategy priorities would be addressed and the impact of the Fund maximised.

- 1.16 It is felt appropriate to pilot the grant scheme for support up to £4,000, with a minimum of £500; the minimum is based upon consideration of the level of resources which could be reasonably expected to be spent on administering the grant (in terms of the application, approval, payment and monitoring processes). At least 10% match funding would be expected from the businesses, to show their own commitment to their project.
- 1.17 The ongoing monitoring with the business will be collated and reviewed as part of an end-of-pilot evaluation to allow the Council to reflect on its experiences from operating the Fund. At that point the Council can consider a range of options which will likely include whether to end the Fund, continue to operate the Fund in restricted areas, roll it out to other communities, amend the operating process and increase the available funding.

2 Conclusions and Reasons for Recommendation

- 2.1 Operating the proposed North East Derbyshire Business Growth Fund in non-BNED LEADER areas would show the Council's commitment to economic growth and enable full geographical coverage of small grants to businesses across the District.
- 2.2 The experience of increases in NNDR through the 2007-2013 BNED LEADER Approach Business Rates shows the long-term benefits of providing grants to private sector recipients to develop their businesses, with the Council able to maintain its service delivery with the additional revenues.

3 Consultation and Equality Impact

- 3.1 The EDU regularly engages with businesses across the District to identify their needs, aspirations and any barriers to their growth. The Partnership Team has similar experience in its role through delivering the BNED LEADER Approach. The proposed methodology for the North East Derbyshire Business Growth Fund is informed by this engagement and experience.
- 3.2 A grant fund providing support to businesses in areas ineligible for BNED LEADER funding would ensure equitable access to grant support across the District.
- 3.3 Before officially launching the Fund, an Equalities Impact Assessment will be undertaken to ensure that the promotion of the Fund is as open and accessible as possible.

4 Alternative Options and Reasons for Rejection

- 4.1 Running the North East Derbyshire Business Growth Fund as a pilot in non-LEADER areas reduces the risk to the Council in terms of long-term commitment whilst the impact can be assessed and reduces the need for significant cash commitment which would be required if the Fund covered all of the District.
- 4.2 Discussions were held with Newark & Sherwood who operate a business loan scheme. The main advantage of a loan fund is that it is replenished through

repayment. However, it was felt that the costs were too high in terms of buying into N&SDC's scheme whilst establishing a NEDDC loan scheme was not appropriate. It would take too much time to establish a process which mitigated for the legal risks to the Council and be too expensive in terms of buying in external expert advice on risk finance and management.

- 4.3 Although grants are not recyclable, they are significantly less costly to administer than a loan fund. The advantage of a grants scheme is that the BNED LEADER processes can be utilised, reducing the resource burden of establishing a new system, and the two schemes can be publicised across the District in tandem.

5 Implications

5.1 Finance and Risk Implications

- 5.1.1 It is proposed that £40,000 from the Invest to Save budget is utilised over 24 months in order to operate the pilot. Funding will only be granted to businesses following a robust appraisal process which aligns with the national and European standards recognised in the LEADER Approach, with legal contracts outlining the expectations upon the funding.
- 5.1.2 The appraisal and approval process would ascertain on a case by case basis, based upon a risk analysis, whether to pay the grant in arrears or in advance of activity to ensure that the business can cashflow their project (as it could be questioned whether businesses who could do this actually required a grant). The monitoring process would ensure that the expenditure had been made on eligible and expected activities.
- 5.1.3 The Fund will primarily be publicised electronically and through face to face contact with Council staff. Where printed materials or events are required such costs will be provided from existing EDU promotion budgets.

5.2 Legal Implications including Data Protection

- 5.2.1 Contracts will be established between the Council and successful applicants prior to funding being paid, to mitigate risk. These contracts will be based on those utilised in the BNED LEADER Approach. Upon receipt of the Operations Handbook from DEFRA in April/May 2015, discussions will commence with the Legal Department on how to adapt these to be fit for purpose for this fund.

5.3 Human Resources Implications

- 5.3.1 Although there will be workload management issues, it is believed that the Pilot North East Derbyshire Business Growth Fund can be effectively managed in-house by the Partnership Team and EDU. The EDU will lead on the external promotion of the Fund, working with applicants to develop projects and undertaking site visits as part of the monitoring requirements.
- 5.3.2 The Partnership Team will be responsible for administering the applications, contracting with successful applicants, assessing and processing claims, making payments and updating websites and producing press releases.

- 5.3.3 Collectively the Teams will undertake project appraisals, with colleagues from other departments (primarily within the Growth Directorate) encouraged to support the appraisal process and promotion, such as at site visits.

6 **Recommendations**

- 6.1 That Cabinet approve the establishment of a pilot North East Derbyshire Business Growth Fund, a grant scheme of £40,000 to be piloted over 24 months for areas ineligible for BNED LEADER funding, to be launched in conjunction with the BNED LEADER Approach, to be funded from the Invest to Save Budget.
- 6.2 That Cabinet receives regular progress updates regarding the Pilot Fund and a presentation of the project evaluation towards the end of the scheme.

7 **Decision Information**

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	Non-BNED LEADER Approach areas
Links to Corporate Plan priorities or Policy Framework	Growth Strategy

8 **Document Information**

Appendix No	Title
1 2	Growth Strategy Action Plan Proposed North East Derbyshire Business Growth Fund Outline Operating Process
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
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Appendix 1

Appendix 1 – Growth Strategy Action Plan – is a separate PDF document. Please click on the link below:-

Growth Strategy Action Plan

Appendix 2

Proposed Pilot North East Derbyshire Business Growth Fund

1. Background

This outline paper focuses on core elements required in delivering the Pilot North East Derbyshire Business Growth Fund, which will grant £40,000 over 24 months to areas not eligible for BNED LEADER Approach funding (due to a falling outside of the DEFRA designated rural areas).

Discussions have been held between the Economic Development Unit (EDU), Partnership Team (PT), Chief Executive, Executive Director for Operations and Lead Member in order to ensure the appropriateness of this proposal.

In addition, experiences of day-to-day contact with local businesses through the EDU, BNED LEADER Approach and consultation with partners operating similar schemes such as Newark & Sherwood District Council has identified the needs of local enterprises in order to help them grow within the District.

The complexities of establishing a grant scheme are recognised and it has been agreed that managing the Fund on the same delivery lines of the 2014-2020 BNED LEADER Approach and utilising their application and approval process will provide a substantial delivery framework. DEFRA advise that the LEADER Operations Handbook will be made available in May/June 2015 and therefore many details regarding delivery will be clearer after that date.

In terms of launch and delivery it is recommended that the pilot commences in tandem with BNED LEADER to maximise the impact of publicity and ensure that full District coverage of grant opportunities can be promoted. It will also provide time to train staff and integrate the new grant operating systems. This will likely be in June/July 2015, meaning the pilot would end around June/July 2017.

The sections below identify the key issues which are believed to be important in terms of delivering a successful pilot which makes a significant impact to local business growth. Annex 1 outlines the programme delivery process and the duties of the EDU and Partnership Team staff, including the stages between application and approval, contracting, monitoring, reporting and also appeals for unsuccessful bids.

2. Grant Criteria

- Focus: Job Creation and Growth. The focus of the grant would be businesses in which the Council were confident would achieve growth. Businesses which request funding to address decreases in trade would not be eligible as it is unlikely that the modest investment from funding would enable a long term change to their decline; such businesses would be signposted to business support services to look at how they operate
- Priority Sectors: General Enterprise and Tourism (See Example Activity below)

- Geographical Coverage: Non-BNED LEADER Areas in NED (primarily Dronfield and Clay Cross; potential for Callywhite Lane to be eligible for LEADER). Example publicity content: “For areas not eligible for BNED LEADER NEDDC has established the NED Business Growth Fund which will....”
- Both Capital and Revenue Grants
- Maximum Grant of £4,000
- Minimum Grant of £500
- Match funding expectations is dependent upon the business case put forward. At least 10% match funding would be expected from the businesses to show their own commitment to their project.
- All activity to commence and finish between approximately June 2015-June 2017

2. Example Activity

Because of the generalist approach to the fund there will be a broad scope in terms of the projects which may come forward. Assuming some of the output criteria identified in section 3 below can be met, examples on the type of activity which can be funded could include:

- Extending and Improving Premises (e.g. Brighter Business)
- Employing an Apprentice (but not core staff costs)
- Financial Packages (e.g. Website, Advertising, Artwork)
- Business Start-up Costs
- Business Growth Items (e.g. Equipment [including ICT], Machinery)

The EDU would discuss the particular needs of the business to ensure that the activity is appropriate and also maximise the funding made available. Although each application will be taken on its own merits, it is felt that it would be inappropriate to provide funding for stock and other consumables (as also restricted in other similar grant programmes).

Expenditure such as feasibility studies, planning application costs and consultants fees would not create any direct growth output and would be therefore ineligible from this pilot Fund.

3. Measures of Success

Measuring the impact of the funding on growth is essential to identifying the value of the Fund. Rather than having a burdensome suite of indicators, discussions with partners identify a few key criteria which can provide this evidence base:

- Jobs Created/Jobs in the Business: This output can be collected in ‘real-time’ to assess whether the business is growing.
- Turnover: This could be monitored on an annual basis, informed by the audited accounts of the business. By comparing the last accounts at the time of approval compared to those of the next two full accounting periods per project, a trend could be

identified; as public documents provided once per year, this would place minimal workload expectations upon the business.

- **National Non-Domestic Rates:** This information is recorded at NEDDC and can therefore be collected at the same time as the Turnover details, to help form a picture of the growth with the business and any benefit to the Council and the local economy.
- **Case Studies and Unexpected Outputs:** The monitoring process will also allow for the gathering of information which may identify successes and be used as a “good news story” which can be promoted locally or with partners to showcase the success of NEDDC’s support. For example this could include number of new clients, additional overnight stays at hostelrys or receipt of a business award.

The information above will be collected by the EDU during monitoring visits or by the PT as part of the desk-based exercise.

4. Delivery Process

As noted, it is proposed that the pilot Fund is delivered in line with the process framework of the 2014-2020 BNED LEADER Approach. DEFRA advise that the LEADER Operations Handbook in will be made available in May/June 2015 and therefore many details regarding delivery will be clearer after that date. Standard practices of the LEADER Approach include having a separation in the duties of officers involved (e.g. those helping to develop a bid do not appraise, approve or monitor it), a full viability check/appraisal for the business and its proposed project, a formal funding agreement and monitoring of the spend and activity supported.

DEFRA is currently considering whether to develop a simplified application form for small grants and this may be a more appropriate system to adopt than the full form; should this not be forthcoming, it may be more appropriate to accept a signed business plan in lieu of an application form, which would contain the required detail without the need for an additional stage in the application process.

Rather than the detailed LEADER Expression of Interest form (or Outline Application), the Pilot Fund would use a single side EOI form to minimise bureaucracy (whilst ensuring all quality and eligibility expectations are met).

All applications would be posted in, with a “wet signature” to reduce the risk to the Council in terms of attempted fraud. Applications would then be scanned and saved on file, accessible only to the EDU and PT officers involved.

In terms of launch and delivery it is recommended that the pilot commences in tandem with BNED LEADER to maximise the impact of publicity and ensure that full District coverage of grant opportunities can be promoted. It will also provide time to train staff and integrate the new grant operating systems. This will likely be in June/July 2015, meaning the pilot would end around June/July 2017.

It is proposed that the EDU/PT have discretion as to whether payment could be made in advance of activity to remove cashflow issues, based upon analysis of risk. The monitoring process would ensure compliance on agreed expenditure.

With regard to promotion, due to the modest sum of funding involved it is proposed that the Fund will be primarily promoted through electronic means (website and e-mail) and face-to-face contact with EDU staff rather than a formal launch, in order to manage demand and avoid raising expectation with local businesses. As there is no promotion budget except the existing EDU publicity budget, all printing costs will be minimised. Should the suggested promotion approach not attract enough interest in the early stages, alternative methods such as producing a small number of leaflets may be considered; indicatively, 4,000 A5 flyers cost around £246.00 through NEDDC Print and Design, although it is expected that far fewer would be required for the pilot Fund.

As noted in Annex one, the delivery responsibilities of the EDU and PT are separated into the following general division although the teams will co-operate as much as possible to ensure the successful delivery of the pilot Fund. This can be summarised as:

EDU: Business engagement as the “Gateway contact” in terms of promotion, project development, application appraisal and on-site monitoring. To cover any promotional costs from departmental budget.

PT: Processing EOI’s, application appraisal, contracting and desk-based monitoring, website updates, press releases etc. Anticipate approximately 1 day per week of dedicated staff time.

5. Monitoring and Evaluation

Each successful business will be expected to complete monitoring reports for a period of 1 year after the award of the grant; frequency would be determined on a case by case basis. The PT will process these reports, which will also include analysis of expenditure evidence to ensure that it has been made on eligible activity in line with the application and funding agreement.

This will be backed up by a site visit from an EDU officer at 1) project inception, 2) after spend completion, and 3) after an agreed period in which the impact can be measured (likely to be between 6 months and 1 year after the award of the grant). The site visits will be used by staff to check any physical works or pieces of equipment that have been purchased and also to talk with the applicant to potentially become aware of any additional benefits from the award of the grant (indirect outputs) that can be used in the Case Studies.

The ongoing monitoring with the business will be collated and reviewed as part of an end-of-pilot evaluation to allow the Council to reflect and learn on its experiences from operating the Fund. At that point the Council can consider a range of options which will likely include whether to end the Fund, continue to operate the Fund in restricted areas, roll it out to other communities, amend the operating process and/or increase the available funding.

Should the evaluation be favourable, the Council may wish to extend the delivery of the Fund or add other strands of support in future. It is therefore proposed that the umbrella package of support is called the North East Derbyshire Business Growth Fund, which may have loan, grant and other targeted support offshoots in the future, each with their own “trading name.”

6. Next Steps

- Obtain Cabinet Approval 18th March 2015.
- Await DEFRA's National Operating Manual, for application process and forms etc (expected May/June 2015)
- Publicise once LEADER is confirmed and infrastructure is in place (expected June/July 2015).

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2nd March 2015

Martyn Handley
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Outline Process: Programme Delivery

