

**North East Derbyshire District Council**

**Cabinet**

**28 September 2016**

**Pilot North East Derbyshire Business Growth Fund Progress Update**

**Report of Cllr P Kerry Portfolio Member for Economy, Finance and Regeneration**

This report is public

**Purpose of the Report**

- To provide an update for the North East Derbyshire Business Growth Fund
- To note changes to the implementation of the programme

**1 Report Details**

- 1.1 In March 2015 Cabinet approved the establishment of the North East Derbyshire Business Growth Fund (BGF), a £40,000 grant scheme funded from the Invest to Save Budget, piloted over 24 months in areas not eligible for BNED LEADER support (Clay Cross, Dronfield and Tupton). Grants of up to £4,000 would address a niche not addressed by Local Enterprise Partnerships (LEP) loans and grants which have a minimum intervention threshold of £4,000, which is too high for the vast majority of NED businesses, approximately 90% of whom are micro businesses which employ fewer than 10 people.
- 1.2 The BGF complements the delivery of the Growth Strategy for Bolsover and North East Derbyshire, particularly the priority of "Supporting Enterprise: maintaining and growing the business base." The key drivers for the fund are the creation of jobs and apprenticeship opportunities and the increase of Business Rates (National Non-Domestic Rates, NNDR) in businesses which the Council were confident would achieve growth.
- 1.3 Linkages with existing schemes and services such as Ambition, Talent Match and the Working Communities Programme help to support local people into these employment opportunities, although this cannot always be exclusively residents of the District due to employment law. As well as business growth, increased employment supports more economically sustainable households and communities who are less likely to experience pressures such as financial exclusion.
- 1.4 Additionally, the increased council powers to retain Business Rates provide an opportunity to increase flexible budgets which can be utilised to retain and develop local jobs and services. Evidence from the 2007-13 BNED LEADER Approach shows that an additional annual total of £35,269 of Business Rates has been generated from nine of the businesses supported to a level of £1,107,289 in grant. A number of these businesses are continuing to grow without any further external

investment. The BGF aims to generate Business Rates proportionate to this although expectations need to be kept realistic as the outcome achieved compared to the level of investment made should be noted .

- 1.5 Cabinet approved to launch the BGF in parallel with the BNED LEADER Approach 2014-2020, to maximise publicity of funding programmes which would cover the whole district. The national LEADER programme had previously been delayed due to lengthy Government and European Union (EU) negotiations, which were then affected by the May 2015 General Election and further negotiation over the national LEADER Operations Handbook over the summer. The programmes were launched locally at the earliest possible time of 16<sup>th</sup> November 2015, meaning that the BGF Pilot will operate until autumn 2017.
- 1.6 The original intention was that the BGF utilised the BNED LEADER application process, which was being developed at the time. However, once publicised it was clear that the LEADER process was significantly burdensome and inappropriate for the BGF so a new procedure was designed using the principles of the previous LEADER Approach, keeping the processes as simple as possible whilst retaining the scheme management best practice principles. Feedback from applicants has only raised one problem which relates to software compatibility, which was resolved through NEDDC Officer support.
- 1.7 Due to the modest sum of funding available, the BGF is primarily promoted through contact with the Economic Development Unit (EDU) in order to manage demand and avoid raising expectation with local businesses. This contact also helps to identify the appropriateness of project ideas at an early stage. However, to ensure transparency the BGF is also publicised in the “Business” section of the NEDDC website and was promoted after its launch in the winter 2015 edition of NED News.
- 1.8 The Partnerships Team and EDU regularly meet to discuss the progress and outcomes of the BGF as well as any issues arising through engagement with projects and applicants. This provides flexibility in the approach, allowing for development of any stages within the process as well as considering whether any of the priorities should be refocused based upon experiences to date.
- 1.9 The BGF has an expected conversion rate between number of enquiries received and number of Expressions of Interest (EOIs) and Full Applications (FA) submitted. Whilst appropriate support and information is provided to all applicants, it is expected for a number of reasons that not all applicants proceed with their project. Common reasons often relate to eligibility of activity, commitment to the project, changes within the business, planning and licensing requirements and the requirement to complete application forms. This is atypical of many two-stage funding schemes, for example BNED LEADER.
- 1.10 It is noted that the robust appraisal and approval process has resulted in three of the four approved projects receiving less funding than requested, with no detriment to the delivery of the project or its outcomes. Applicants are expected to provide at least 10% match funding to show their commitment to the project and to date this has been significantly higher, at 49.49% of overall costs.
- 1.11 The BGF has also experienced very good value for money in terms of job creation. To date the BGF applicants are collectively contracted to deliver 4.4 Full Time

Equivalent (FTE) jobs for the total £23,475 expenditure, a rate of £5,335 per job. This is significantly higher value for money than the £25,000 per job rate used by the LEPs and shows the value of funding schemes which support micro-businesses.

- 1.12 The 2014 Joseph Rowntree Foundation report *“The benefits of tackling worklessness and low pay”* found that in “for every out-of-work claimant that moved into a job that paid the Living Wage (then £7.45 per hour), the government gained, on average, almost £6,900. The local economy benefited, on average, by more than £14,000 per year every time an unemployed person began a Living Wage job.” This varied locally due to factors including local wage, rent and Housing Benefit levels. (<https://www.jrf.org.uk/report/benefits-tackling-worklessness-and-low-pay>). The BGF is therefore currently expected to be a very cost effective contributor to job creation.
- 1.13 As there BGF is still in its early stages it is not yet possible to determine if there are any changes to the Business Rates levels. The Revenues Team will be notified of any grants made as projects complete, to refer to the Valuations Office as appropriate.
- 1.14 Any changes to Business Rates, as well as other outputs, outcomes and case studies of impact achieved will be reported in the pilot evaluation, which will reflect upon the experiences from operating the Fund. At that point the Council will 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.
- 1.15 The following information was correct at 8<sup>th</sup> August 2016:

	Total	Clay Cross	Dronfield	Tupton
<b>Enquiries</b>				
Enquiries Received (2 further enquiries from ineligible areas are considering LEADER bids)	29	16	12	1
<b>Expressions of Interest (EOIs)</b>				
Expressions of Interest Received	15	7	7	1
Expressions of Interest Endorsed (invited to full application)	15	6	7	1
Expressions of Interest Withdrawn by Applicant	2	1	1	0
Expressions of Interest Rejected	1	1	0	0
Total Funding Endorsed for EOIs currently developing applications	£31,297	£4,000	£23,297	£4,000
Total Forecast Job Outputs for Endorsed EOIs currently developing applications	12.5	4	6	2.5
Total Estimated Match Funding for Endorsed EOIs currently developing applications	£90,869	£12,480	£72,164	£6,125
<b>Full Applications (FAs)</b>				
Full Applications Received	4	2	2	0
Full Applications Approved ( <i>not all at the funding level requested</i> )	4	2	2	0

Full Applications Rejected	0	0	0	0
Total Funding Approved	£11,858	£4,800	£7,058	£0
Contracted Match Funding	£11,617	£3,871	£7,746	£0
Total Contracted Job Outputs for Approved Full Applications	4.4	1.4	3	0

## **2 Conclusions and Reasons for Recommendation**

- 2.1 There are already some pleasing outcomes from the BGF which will be reported in the greater detail within the end-of-project evaluation. Following the latest BGF progress review held on 13<sup>th</sup> July 2016 a number of proposed changes to the eligibility criteria and processes have been agreed in order to maximise the outcomes achieved by the fund. These are:
- 2.2 That the guidance notes clearly state that the Council reserves the right to expect a business plan, if requested, to help evidence the business proposal. This will be mandatory for any start-up business applicants, with the plan providing detailed financial forecasts in lieu of audited accounts as requested from existing companies. Start-up businesses will be signposted to the national Business Support Helpline and gov.uk business plan development resources. There have been a number of home-based business start-up enquiries which will not initially generate Business Rates, employment opportunities or significant turnover and a business plan helps to determine whether any of these are likely to make a longer-term growth impact.
- 2.3 That requests to support the development of standard websites are limited to £500. There have been a number of enquiries requesting support of up to £4,000 for standard website development despite there being an increasing number of free resources available to businesses. Growth outcomes from such projects can be negligible and support for a full level grant is therefore felt inappropriate. Applications for websites to develop added functionality (such as customer relationship management or sales-to-stock management capabilities) will still be eligible to apply for a maximum of £4,000 as such additions are developing the capabilities of the business in a more defined way.
- 2.4 Changes to these eligibility and process issues will commence following recognition by Cabinet and all application forms and guidance updated as appropriate. To minimise disruption applications currently within in the process will be assessed against the criteria at the time they made their formal application.
- 2.5 As noted in section 1.15, the BGF has now either contracted or endorsed applications beyond the £40,000 originally allocated. Should these endorsed Expressions of Interest result in contracted applications within forecast timescales the BGF will have allocated all funds with significant time still to officially run. On that basis, it is recommended that the pilot evaluation is brought forward to a suitable time to be able to inform 2017/18 budget setting considerations.

## **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 Partnerships Team has similar experience in its role through delivering the BNED LEADER Approach. The

Teams meet regularly to discuss the progress and outcomes of the BGF and any issues arising through engagement with projects and applicants; the methodology used to deliver the Fund is informed by this engagement and experience.

- 3.2 A grant fund providing support to businesses in areas ineligible for BNED LEADER funding ensures equitable access to grant support across the District.
- 3.3 An Equalities Impact Assessment was undertaken prior to the launch of the fund.

#### **4 Alternative Options and Reasons for Rejection**

- 4.1 Retaining the current process which lacks a mandatory condition for start-up businesses to provide a robust business plan maintains greater risk to the Council's funds, as confidence cannot always be easily determined from assumptions within the application form. Adopting the condition and clearly asserting this within the application guidance reduces the risks placed upon the public funding.
- 4.2 Retaining the priorities and eligibility levels in their current form weakens the opportunity to maximise the outcomes from the Fund. For example a £4,000 grant towards a basic website redesign is unlikely to create any more jobs or increase Business Rates, whilst utilising 10% of the available budget. Smarter limits which are clearly communicated to applicants will ensure that the Council maximises its outcomes from the investment it is making in the Pilot BGF.

#### **5 Implications**

##### **5.1 Finance and Risk Implications**

- 5.1.1 The Pilot BGF is utilising £40,000 ringfenced from the Invest to Save budget over a 24 month period. 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 legally binding Service Level Agreements outlining the expectations upon the funding. Minimal expenditure has been required to publicise the BGF from existing budgets (£9.17 printing costs).
- 5.1.2 The robust appraisal and approval processes ensure the appropriateness of approving the application, including the nature of the activity, the suitability of the applicant and determining the payment schedule. The monitoring process ensures that expenditure is made on eligible and expected activities.

##### **5.2 Legal Implications including Data Protection**

- 5.2.1 Service Level Agreements, informed by the Legal Department, are established between the Council and successful applicants prior to any funding being paid.
- 5.2.2 Files containing personal and commercial information are securely stored either in locked cabinets (hard copies) or limited access password protected electronic files.

##### **5.3 Human Resources Implications**

- 5.3.1 The BGF is managed effectively by the Partnerships Team and EDU, with clear separations of duties within the process to ensure transparency.

5.3.2 Engagement with other departments has provided invaluable assistance in identifying eligible applicants (particularly Environmental Health and Estates), developing the scheme process functions (Legal and Finance) and sharing experience and good practice (BDC Partnerships Team).

## 6 Recommendations

6.1 That Cabinet:

a) notes the current progress of the North East Derbyshire Business Growth Fund.

b) notes the changes to the existing eligibility criteria and processes.

c) determines if the pilot evaluation should be brought forward to a suitable time to be able to inform 2017/18 budget setting considerations.

## 7 Decision Information

<b>Is the decision a Key Decision?</b> (A Key Decision is an executive decision 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
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No
<b>District Wards Affected</b>	Non-BNED LEADER Approach areas
<b>Links to Corporate Plan priorities or Policy Framework</b>	Growth Strategy

## 8 Document Information

Appendix No	Title
<b>Background Papers</b> (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)	
Growth Strategy Action Plan Proposed North East Derbyshire Business Growth Fund Outline Operating Process	
<b>Report Author</b>	<b>Contact Number</b>
Steve Lee (SDL) Strategic Partnership Co-ordinator	01246 (21)7512