

Agenda Item No. 7(c)

DERBYSHIRE COUNTY COUNCIL

CABINET

3 November 2015

Report of the Strategic Director - Economy, Transport and Environment

D2EE (DERBY, DERBYSHIRE ENERGY AND EFFICIENCY) LOW CARBON ECONOMY – MATCH FUNDING (STRATEGIC POLICY, ECONOMIC DEVELOPMENT AND BUDGET)

(1) **Purpose of Report** To seek Cabinet approval for £187,000 match funding contribution over three years from 2016-17 towards the proposed “D2EE (Derbyshire, Derby - Energy and Efficiency)” project. The requirement for the funding contribution is subject to a full application to the D2N2 (Derby, Derbyshire, Nottingham and Nottinghamshire) European Structural and Investment Fund (ESIF) being successful.

(2) **Information and Analysis** The ESIF 2014-20 is a national programme managed by Government and delivered locally through Local Enterprise Partnerships (LEPs). ESIF brings together a number of European Union (EU) funding streams, most notably European Regional Development Fund (ERDF), European Social Fund (ESF) and European Agricultural Fund for Rural Development (EAFRD). The D2N2 LEP allocation from Government is approximately £214m across the lifetime of the programme but is subject to exchange rates and ability to deliver against the national programme. In March 2015, D2N2 launched the first ‘call for projects’ through the ESIF Programme 2014-20. The call requested Expressions of Interest across three ERDF priority areas for submission to the Department of Communities and Local Government (DCLG) by the end of May 2015. The D2N2 calls were as follows:

- Priority Axis 1: Promoting Research & Innovation.
- Priority Axis 3: Enhancing the Competitiveness of Small and Medium Sized Enterprises (SMEs).
- Priority Axis 4: Supporting the shift towards a Low Carbon Economy.

The Council has responded to the call, working collaboratively with all local authorities’ areas in the Derby and Derbyshire area (D2), to prepare a number of comprehensive partner projects, of appropriate size and impact, to deliver economic growth. Such projects are fully aligned to the approved Derbyshire Economic Strategy Statement and proposed combined Authority ambitions.

ESIF provides the Council and its partners across the D2 area the opportunity to maximise investment into local economic growth by supporting business growth, job creation and productivity gains. Such investment directly supports the ambitions of the County Council and its wider partners in supporting economic growth, improving local job opportunities and ensuring residents are able to maximise their potential. Engagement in the ESIF programme also demonstrates to Government the Council's ability to provide effective, joined up delivery of local economic development which further strengthens our position in respect of securing substantial devolution of powers and resources in future years.

Following the submission of an initial Expression of Interest in summer 2015, the Council has been invited to submit a full application for the D2EE project for consideration by the DCLG by 5 November 2015. As part of this process, applicants must confirm that the total funding package is in place, including match funding contributions from delivery partners.

The Project

The D2EE project has been invited to submit a full application for support via Priority Axis 4 of the D2N2 ESIF programme. The applicant and lead partner is the University of Derby, working alongside delivery partners Derbyshire County Council and Derby City Council.

Subject to approval, the project will operate over three years (2016-18) with a total investment package cost of £4.893m (£2.446m ERDF). In addition to the proposed County Council investment of £187,000 over three years, match funding will include an equivalent £187,000 from Derby City Council (subject to approval). The remaining match has been secured from University of Derby resources and includes private sector income as match.

The Low Carbon Economy is a key priority of both the D2N2 LEP and the County Council. The proposed full application bid for ESIF funding will help local businesses to become more resilient to the likely changes and price rises ahead by lowering costs. It will also enable them to be better positioned to take advantage of opportunities that arise from both increased demand for low-carbon services and access more stringent procurement.

The ERDF call "Supporting the Shift Towards a Low Carbon Economy in All Sectors" (Priority Axis 4) made £10m (with 50% matched funding required) available for applications in the D2N2 area. The project builds on the Derby City Council 'BESPOKE' pilot project which provides energy efficiency support and advice to local businesses. Building a Derbyshire-wide programme will help ensure the County begins to develop more renewable and decentralised energy capacity, thereby securing more security and resilience long term.

The project proposal is to provide energy efficiency advice (including renewable energy), grants, support and innovation to SMEs throughout the D2 area. The project recognises the twin roles that it can play in making local SMEs more competitive and resilient, and in boosting local demand for low carbon economy services. It will specifically target those SMEs engaged with, or in the supply-chains, for transport and advanced manufacturing, a critical backbone of the Derbyshire economy. These SMEs are more likely to be engaged in energy-intensive activities and would therefore benefit greatly from progressing to environmental management.

Derbyshire County Council's proposed match funding will support project management and staffing costs.

The University of Derby has agreed to act as the Accountable Body and will deal with all the administrative tasks and duties.

Specific activities include:

- Basic energy and resource efficiency audits, recommendations and advice (local authorities).
- Renewable energy generation advice, return on investment (ROI) calculations (local authorities) and technical support (University of Derby).
- Carbon footprinting and data monitoring/analysis to assess interventions (all partners, with specific involvement for University of Derby students).
- Bespoke energy and resource efficiency advice including process design, linking to new market products and firms, and accessing university researchers.
- Capital grants for energy efficiency and renewable generation improvements (averaging 50% intervention rate).
- Support to create and implement environmental management plans and standards to access new markets and continuous improvement.

The main input of both the County and City Councils is to support businesses at the front end of the journey by identifying what support is needed through an energy and efficiency audit. This analysis will result in a series of recommendations and options for businesses to follow. At this stage, if there is a need for in-depth technical advice, an opportunity to look at process improvement and productivity, or link them to new products, businesses will be passed to the University of Derby Institute for Innovation in Sustainable Engineering and the Business School for direct support.

From either of these stages, businesses can access grants to invest in new energy or resource efficiency improvements that will reduce energy costs and greenhouse gas emissions, helping improve environmental air quality across

the County. This is a requirement of many contracts and will be a significant step-forward for the County's SMEs.

The capital grants will help businesses to improve the energy efficiency of their premises and processes, utilising the advice and support they will be given along the engagement journey. The project aims to deliver around £2.28m in capital energy efficiency and generation interventions in the D2 area, with around half coming from the grants and the rest from private sector leverage.

Direct outputs for the project have been forecast as 375 businesses supported and 100 business receiving grant support for targeted energy efficiency projects. As a result of this intervention, the project should also lead to a reduction in greenhouse gas emissions of 570 cubic tonnes over three years.

(3) **Financial Considerations** The County Council would need to provide £187,000 (50%) over three years from 2016-17 of the revenue matched funding required to support the local authority workstream within the project. Equivalent Derby City Council match funding has been confirmed. Funding for the scheme will be required for a three year period starting in 2016-17. Ordinarily, it would be expected that Economy, Transport and Environment would use their earmarked reserves to finance the match funding required, however, as the level of earmarked reserves across the Council are under review, it is proposed to find the £187,000 required from the General Reserve.

The University of Derby is meeting its own matched funding requirements for its work packages in the proposed bid.

(4) **Human Resources Considerations** Staffing for the two local authorities will be in the form of one full time project manager and five full-time officers at a total cost of £748,000 over three years, including marketing and on-costs for the Councils. Full details of project governance will be confirmed in the event of a successful full application but it is envisaged all project staff will be employed by Derby City Council, with three full time officers then seconded to the County Council.

Other Considerations

In preparing this report the relevance of the following factors has been considered: legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property and transport considerations.

(5) **Key Decision** No.

(6) **Call-In** Is it required that call-in be waived in respect of the decisions proposed in the report? No.

(7) **Background Papers** Held by the Economy and Regeneration Service within the Economy, Transport and Environment Department. Officer contact details – Nawaz Khan, extension 38481.

(8) **OFFICER'S RECOMMENDATION** That Cabinet approves a total funding contribution of £187,000 over three years from 2016-17 from existing Economy, Transport and Environment earmarked reserves, however, as the level of earmarked reserves across the Council are under review, it is proposed to find the £187,000 from the General Reserve to support economic growth towards the proposed "D2EE (Derby, Derbyshire - Energy and Efficiency)" project.

Mike Ashworth
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