

Agenda Item No. 7(x)

DERBYSHIRE COUNTY COUNCIL

CABINET

20 September 2016

Report of the Strategic Director – Economy, Transport and Communities

**D2 BUSINESS DEVELOPMENT PROGRAMME – REVISED PROPOSALS
(STRATEGIC POLICY, ECONOMIC DEVELOPMENT AND BUDGET)**

(1) **Purpose of Report** To update Cabinet on progress regarding the D2 (Derby and Derbyshire) Business Development Programme and seek approval for up to £270,000 revenue contribution towards the revised project proposals.

(2) **Information and Analysis**

Background

At the Cabinet meeting on 3 November 2015, approval was given to provide £325,000 match funding over three years towards the delivery of the “D2 Business Development Programme” project (Minute No. 375/15 refers). Working in partnership with, and lead by, Derby City Council, total match funding of £525,000 was confirmed (including £200,000 from the City Council) which enabled a full application to be submitted for funding through the D2N2 (Derby, Derbyshire, Nottingham and Nottinghamshire) European Structural and Investment Fund (ESIF) as part of the European Regional Development Fund (ERDF) Priority Axis 3 strand (Enhancing the Competitiveness of Small and Medium Sized Enterprises). The total cost of the proposed project was £1.05m (50% match funded via ERDF).

The Project

The D2 Business Development Programme offers a unique enterprise support/pre-start up programme consisting of tasters, workshops and one-to-one coaching sessions to help local entrepreneurs generate embryonic business plans for the launch of new enterprises. The project will support 300 potential entrepreneurs and 50 enterprises through information, diagnostic and brokerage support. Overall, the objective is to create 120 new enterprises in the D2 area directly tackling the current lower than average level of entrepreneurship, boosting economic resilience and helping rebalance the economy in favour of private sector growth. The programme complements existing pre-start provision available through the Growth Hub and will increase

the quality and standard of business proposals coming to the pre-start network for further support.

The approach is unique because it will be the only locally-focused programme that combines intensive pre pre-start workshop and coaching techniques with creativity and innovation support to spark business ideas. The D2 Business Development Programme will support aspirational individuals to explore business ideas through a structured process from idea generation to business formation.

A minimum of 14 cohorts is proposed (nine in Derbyshire and five in Derby City) during the three years of funded activity. Each cohort will consist of a series of 10 workshops provided over a six month period. Throughout the programme, there will be a focus on individual needs and tailored support and advice in line with the strengths and personalities of beneficiaries. In between the workshops, one-to-one mentoring will be available from tutors to ensure more tailored support. The maximum number of beneficiaries on each cohort will be 40.

All communities in the D2 area will be target beneficiaries but the project will seek to engage clients from those areas that have seen traditionally low rates of entrepreneurship, including deprived wards and rural areas. The project builds upon the success of the previous Local Enterprise Growth Initiative (LEGI) programme which operated across Bolsover and parts of Nottinghamshire during the last Labour Government.

Current Position

In order to progress the project, a procurement exercise was undertaken whilst awaiting an ERDF funding decision, to secure a delivery body. The exercise tested the market demand for such an intervention and will also allow the project to commence delivery promptly should an approval for ERDF support be secured. The procurement exercise was undertaken in line with Derby City Council's Financial Regulations.

Eight organisations responded to the procurement exercise and, following evaluation, the preferred bidder was East Midlands Chamber Ltd. Pre-contractual discussions have taken place with the preferred supplier on a without prejudice basis, subject to receiving Cabinet approval. Due to delays at national level regarding European funding post-referendum, the project remains in appraisal and a final decision has been delayed. Furthermore, ESIF stipulates a minimum project value of £1m in order to qualify for ERDF support, whereas the tendering exercise indicated that the market could deliver the project outputs for around half of the anticipated cost.

In order to prevent further delay and to enable commencement of delivery, a revised proposal is now presented to Cabinet which, given the significant

reduction in cost and lack of confirmation from Government on funding, is to contract with the preferred supplier and progress delivery of the project without ERDF support. Based upon the costs quoted by East Midlands Chamber Ltd, the tendered project would deliver the original outputs proposed whilst reducing the Council's funding requirement from £325,000 to a maximum of £270,000 (the actual funding required will be confirmed during contract negotiations).

An alternative option has been investigated to scale up the project to meet the £1m threshold to remain eligible for ERDF support. This option is not recommended for a number of reasons. Firstly, the procurement exercise demonstrated that the required outputs could be delivered at the reduced cost and evidence suggests there would be a high risk of demand saturation should the project be scaled up arbitrarily. Secondly, this option would necessitate a re-tendering exercise to be undertaken if ERDF is to be pursued, with subsequent risks associated, not least the continuing uncertainty about the future of non-contracted ESIF as a result of on-going Brexit negotiations. Finally, project delivery without ERDF would ensure much more flexibility to deliver the project without risk of clawback and without added bureaucracy and claims processes.

In summary, the Council can secure delivery of the same project for less money and with greater flexibility without EDRF funding.

The revised project has been approved by Derby City Council through a wider 'financial matters' report on 8 August 2016. Subject to approval by the County Council's Cabinet, the project partners will finalise contractual arrangements with East Midlands Chamber Ltd by 30 September 2016, with the intention of launching the programme in early November 2016. Contractual negotiations will include agreed branding and marketing of the programme to maximise take-up.

(3) Financial Considerations At the Cabinet meeting on 3 November 2015, a financial contribution of £325,000 from the County Council was approved as match funding from the Council's General Reserve. The revised proposal will cost only £270,000 resulting in a reduced call on the General Reserve by £55,000. Confirmation of the actual budget required will be finalised during contract discussions with the preferred supplier.

(4) Legal Considerations The Council's Financial Regulations provide that contracts with a value above the Official Journal of European Union (OJEU) threshold of £172,514 must be approved by Cabinet. However, Derby City Council will be the contracting body for the proposed project with the County Council as funding partner. The Council's legal interests will be secured through a partnership agreement.

(5) **Social Value Considerations** The project tender was won by East Midlands Chamber Ltd, based in Chesterfield which helps secure a local, sustainable supply chain in the development of business support activity and will help increase local knowledge and understanding of the County's economic base in the medium term.

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.

(6) **Key Decision** No.

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

(8) **Background Papers** Held by the Economic Regeneration Service within the Economy, Transport and Communities Department. Officer contact details – Frank Horsley, extension 38348.

(9) **OFFICER'S RECOMMENDATIONS** That Cabinet:

- 9.1 Approves the revised approach to delivering the previously agreed D2 (Derby and Derbyshire) Business Development Programme and the continued commitment of match funding to the programme.
- 9.2 Notes the reduction in the funding contribution from £325,000 to £270,000 which will result in a saving of £55,000 from planned spend in the General Reserve.
- 9.3 Approves the award of a contract to East Midlands Chamber Ltd to deliver the revised project as set out in the report with Derby City Council being the Contracting Authority for the project.
- 9.4 Authorises the Chief Executive to enter into any subsequent partnership agreement with Derby City Council in order to deliver the project

Mike Ashworth
Strategic Director – Economy, Transport and Communities