

Agenda Item No. 6(a)

DERBYSHIRE COUNTY COUNCIL

CABINET

29 November 2018

Report of the Strategic Director – Economy, Transport and Environment

D2 ENTERPRISE GROWTH FUND (ECONOMIC DEVELOPMENT AND REGENERATION)

(1) **Purpose of Report** To seek Cabinet approval to retain previously approved £200,000 from reserves and commit as match funding to the new extended project 'D2N2 SME Growth & Innovation Programme Phase 2' to deliver the Derby and Derbyshire (D2) Enterprise Growth Fund (D2EGF) and support economic growth in Derbyshire, and to note progress with the submission of the current European Regional Development Fund (ERDF).

(2) **Information and Analysis**

Background

At the Cabinet meeting held on 3 November 2015, approval was given to provide £600,000 to support Derbyshire and Derby Enterprise Growth Fund (D2 EGF) project (Minute No. 371/15 refers). The project proposal involved the Council working in partnership with Derby City Council to build on the success of the Global Derbyshire Small Business Grant Fund programme and expand the existing Derby Economic Growth Fund (DEGF) with additional ERDF resources.

On 31 January 2017, Cabinet endorsed the ERDF grant of £5.383m for the proposed Derby, Derbyshire, Nottingham and Nottinghamshire (D2N2) Growth and Innovation Programme (which includes D2EGF) and confirmed approval of the earmarked reserve of £600,000 funded from the General Reserve, as Derbyshire County Council's funding contribution towards the project.

As agreed within the partnership agreement, Derbyshire County Council has, so far, provided match funding of £400,000 and the current project will conclude in December 2018.

Current Programme

At the end of June 2018, the current D2EGF project had committed to supporting 27 businesses receiving a grant, 16 of which are based within the County. The project has also contracted to create 179.5 full time equivalent

(FTE) new jobs against a target of 250 and is fully expecting to reach the target of jobs created by December 2018.

Grants of £1.717m have been approved for the 16 Derbyshire based businesses and, due to the private sector match funding achieved, the programme has only required £400,000 of the originally approved Council match.

Proposed Extension (ERDF 2019–2023)

The D2N2 SME Growth & Innovation Programme Phase 2 will provide grants to small and medium enterprises (SMEs) that want to grow, innovate, improve productivity and create sustainable new employment across the whole of the D2N2 area. The total value of the new programme will be £4.339m including an ERDF contribution of £2.169m. The project application was submitted to Ministry of Housing, Communities and Local Government (MHCLG) as part of the D2N2 Priority Axis 3 open call in July 2018. A decision is expected by the end of December 2018.

The proposed activities that will make up this project are:

- The University of Derby Invest to Grow and D2EGF grant schemes. ERDF funding will allow these schemes to continue to address the demand for investment finance and stimulate economic growth to 2021. These programmes provide capital grants of between £15,000 and £500,000 to SMEs wishing to grow and which need financial support to invest. Match funding is being provided by the University of Derby and Derby City Council.
- Introduction of a small grant element of the two schemes, providing capital-only grants of between £1,000 and £10,000 to complement the D2N2 Growth Hub revenue grant offer. Match funding for this element of the Programme will come from beneficiary SMEs.

The partners will ensure that applicants are seamlessly referred to the relevant application process, depending on the amount of funding being sought.

The D2N2 SME Growth & Innovation Programme Phase 2 is led by East Midlands Business Ltd (EMB Ltd), working in partnership with Derby City Council, Derbyshire County Council and the University of Derby. The proposed timescale for phase 2 is 36 months, commencing on 1 January 2019 and ending on 31 December 2021.

Proposed outputs for Phase 2 are as follows:

- Number of businesses receiving a grant – 87
- Number of businesses receiving support – 87

- Employment Increase in supported businesses – 273
- Private Sector Match funding - £1.959m

Management of the D2EGF will continue to be undertaken by Derby City Council which will liaise direct with EMB Ltd as part of the D2N2 SME Growth & Innovation Programme Phase 2. Derby City Council has well established procedures in place and grants are approved via an existing Investment Panel, including Derbyshire County Council Member representation.

(3) **Financial Considerations** As stated in the report, D2EGF forms part of the D2N2 SME Growth & Innovation Programme. The rollover of the £200,000 earmarked reserve contribution from the Council will form part of the £699,929 match funding proposed to support the extension of D2EGF as part of the main programme. The remaining match is being secured by Derby City Council from recycled Regional Growth Funding from the previous Derby Enterprise Growth Fund.

As set out in the report, an earmarked reserve of £600,000 was approved by Cabinet on 31 January 2017 to support the original ERDF supported D2N2 SME Growth & Innovation Programme. The accountable body has confirmed that only £400,000 of the reserve has been required to support the programme. The £200,000 requested to support Phase 2 remains part of this earmarked reserve.

(4) **Legal Considerations** EMB Ltd is the contracting body with MHCLG for the ERDF supported programme. Derbyshire County Council is a delivery partner contributing match funding and delivering the D2EGF element of the programme. Derby City Council manages the D2EGF and has a signed funding agreement with EMB Ltd. In turn, Derbyshire County Council has a Service Level Agreement (SLA) with Derby City Council to ensure the project is delivered as agreed.

A decision for the current ERDF submission is expected by the end of December 2018. Subject to approval, a further report will be presented to Cabinet to formally endorse any approved project as a delivery partner which will, in turn, require the current SLA to be extended to cover the proposed Phase 2.

(5) **Social Value Considerations** The project will provide grants to directly support businesses to grow and improve their productivity. This will increase local employment opportunities for people in the D2 area and support the delivery of the objectives set out in the Derbyshire Economic Strategy Statement (DESS).

Other Considerations

In preparing this report the relevance of the following factors has been considered: 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 Environment Department. Officer contact details – Frank Horsley, extension 38348.

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

- 9.1 Approves the re-allocation of £200,000 of the previously approved earmarked reserve as match funding for the Derby, Derbyshire, Nottingham and Nottinghamshire small and medium enterprises (D2N2 SME) Growth & Innovation Programme Phase 2 project.
- 9.2 Notes that a further report will be required to endorse the European Regional Development Fund project and revise existing partnership agreements including the Service Level Agreement subject to approval by the Ministry of Housing, Communities and Local Government.

Mike Ashworth
Strategic Director – Economy, Transport and Environment