

**D2 JOINT COMMITTEE FOR ECONOMIC PROSPERITY****21 February 2019****D2 BUSINESS RATE RETENTION PROGRAMME UPDATE**

(1) **Purpose of Report** To provide an update on the progress of the D2 Business Rate Retention programme.

**Discussion/Decision Required by the Meeting**

To note and comment on the progress of grant programme delivery for the three strands of activity.

(2) **Information and Analysis Update**

Members will recall previous updates to the D2 Joint Committee advising that approximately £8.6m (30% of the total business rate pool) has been set aside to support a programme of grant schemes enabling economic growth across the County.

There are three grant strands within the economic growth programme, all of which are geared towards supporting projects on an 'invest to generate' basis that otherwise might struggle to secure funding, either at all, or within an appropriate timescale. An objective of the programme is to demonstrate a positive impact of targeted investment in securing business rate uplift in future years. It was agreed by the Joint Committee at the outset of the programme that 75% of the available funding could be committed, with the remainder 25% available pending confirmation of business rate receipts at year end.

The Committee will be aware that Strand 1 (Business Support) is administered by Derby City Council through the Derbyshire Enterprise Growth Programme (DEGF). Strand 2 (Enabling Future Delivery) and Strand 3 (Delivering Economic Impact) are being managed by Derbyshire County Council, deploying resource from the Derbyshire Economic Partnership (DEP).

The paragraphs below provide an update on the three strands and progress with the appraisal process and approvals granted. This update will be supplemented by additional information provided to the Committee at its meeting on 21 February.

## **2.1 Strand 1: Business Support Grant (nominal allocation of £1.6m)**

The objective of this Strand is to support existing D2 businesses to survive, expand or relocate. The grant is aimed at helping create increased investment, jobs and business rates across the county and city. The level of individual grant available is between £2,000 and £50,000.

Following the opening of the grant fund October 2018, 102 expressions of interest (EOI) were received within the first month, seeking a total of £2.8m. Due to the overwhelming demand, the decision was made to close the 'call' to new expressions of interest until late January 2019 to allow time to work through the existing proposals. As a result of the initial appraisal process, 42 projects in this initial tranche have been invited to apply.

Since the fund re opened on 1st February, 2019 a further 70 EOIs for grant funding have been received totalling in excess of an additional £2m. The DEGF team is currently assessing all proposals and a full report will be provided to the D2 Business Support Grant Investment Panel on 26<sup>th</sup> February.

With regard to approvals, 18 applications of the 42 projects (totalling £381,372) have been agreed subject to due diligence; contracting with a further 13 applications is awaiting approval (totalling £460,456). Total spend to date for Strand 1, assuming all agreed, is therefore £841,828.

Due to the popularity of the grant scheme, consideration is being given by the Panel to closing the current call for projects until such time as a final decision has been made on those applications already in the system and the level of business rate recovery is confirmed at year end.

## **2.2 Strand 2: Enabling Future Delivery (nominal allocation of £1m)**

The objective of this Strand is primarily to support feasibility studies and pre-development work required to bring forward projects that are capable of providing an uplift to business rates in future years.

The nature of this fund means that, inevitably, some of the impacts of the feasibility work will only be known over the long term and outputs of this Strand won't always result in a direct/ immediate return on investment.

The Assessment Panel (made up of Derby City and Derbyshire County Council Section 151 officers), plus four chief executives (DCoC, Derby

City, High Peak and Derbyshire Dales) is supported in the assessment process by independent, expert advice from Regeneris.

A total of 18 applications have been received to date seeking funding totalling £1,703,235. At the Panel meeting held on 20<sup>th</sup> December, seven projects were “approved in principle” with a further seven requiring additional detail for consideration. One project was rejected whilst advice was provided to combine three individual submissions into a single project for consideration.

The additional information requested from applicants has been submitted for all the projects and appraisals are being revised accordingly. The Panel will meet again on 27<sup>th</sup> February to consider these with a view to finalising the grant offer. Due to the high level of demand, all applicants have been informed there is potential for funding awards to be scaled down at the discretion of the Panel in order to remain within the notional budget allocation.

### **2.3 Strand 3: Delivering Economic Impact (nominal allocation £5.6m)**

The objective of this Strand is to bring forward primarily capital projects that will deliver transformational change and deliver business rate uplift. Support is split into two: those which have an obvious, direct impact on business rate uplift and those which are likely to be equally important but where economic impact is not direct (i.e. improvements to quality of place and ensuring attractiveness to inward investment).

A total of 14 applications have been received to date seeking funding totalling £7,955,125. At the Panel meeting held on 30<sup>th</sup> November, 10 out of the 12 projects considered were “approved in principle”. One project was rejected and one withdrawn following appraisal.

The additional information requested from the 10 applicants has been submitted and appraisals revised accordingly. The Panel met again on 15<sup>th</sup> February to consider the revised applications and decisions have now been made – headlines will be reported verbally to the Joint Committee.

Given the popularity of this grant stream, all applicants have been informed there is potential for funding awards to be scaled down at the discretion of the Panel in order to remain within the notional budget allocation. In this regard, two recently received applications are being held in abeyance, pending the confirmed allocation of grant for existing applications and the level of business rate recovery being confirmed at year end.

A summary table of applications, funding and current position is provided below.

<b>STRAND 1</b>			
<b>Expression of Interest</b>	<b>Initial value of bids</b>	<b>Taken forward to apply</b>	<b>Current Position</b>
Tranche 1: 102	Tranche 1: £2.8m	Tranche 1: 42	18 agreed subject to due diligence - total £381,372  13 pending approval – total £460,456
Tranche 2: 70	Tranche 2: £2m	Tranche 2: none	All initial EoI's pending
<b>Total</b>	<b>£4.8m</b>		<b>31 applications</b> <b>£841,828</b>
			75% of notional £1.6m is <b>£1.2m</b>

<b>STRAND 2</b>			
<b>Applications received</b>	<b>Total funding sought</b>	<b>Current Gap in funding</b>	<b>Current Position</b>
Strand 2: 18	<b>£1,703,235</b>  Total £1m potentially available  75% for allocation is <b>£750,000</b>	£703,235  + 25% (£250,000)	7 “Approved in Principle” – total value of <b>£365,000</b>  10 further detail required - £1,088,235  1 rejected - £250,000

<b>STRAND 3</b>			
14	<b>£7,955,125</b>  Total £5.6m potentially available  75% for allocation is <b>£4.2m</b>	£2355,125  +25% (£1.4m)	10 “Approved in Principle” total value of <b>£6,517,655</b>  1 withdrawn  1 rejected - £362,720  2 new applications still to be appraised - £1,074,750

### **3) Issues**

In addition to the level of over-subscription for each of the three strands which is being managed appropriately by the relevant Assessment Panel, a recent appeal decision impacting on business rates chargeable for Automated Telling Machines (ATMs) will potentially have a significant impact on the level of business rates recovered across the D2 area.

Currently, this level of uncertainty is being managed through the Panels by the contingency to only allocated 75% of the predicted funds. Further work is required going forward to ensure there is an accurate understanding of the level of business rates expected to be recovered and therefore the final amount of grant funding available.

### **4) Recommendations:**

4.1 It is recommended that:

- a) The Joint Committee notes the success of the overall grant programme and the level of over-subscription for funding.
- b) The Joint Committee notes the potential impact of the recent ATM appeal.
- c) The joint Committee notes the pending grant offers to be made by the Assessment Panels across the three strands of the programme.
- d) The Joint Committee requests that the Assessment Panels prepare appropriate press releases in support of this positive grant funding programme.