



**COUNCIL CABINET**  
**7 October 2015**

**ITEM 10**

Report of the Deputy Leader and Cabinet  
Member for Communities & City Centre  
Regeneration

**European Structural and Investment Fund Strategy 2014-2020 -  
Successful Expressions of Interest**

**SUMMARY**

- 1.1 In March 2015 Department for Communities and Local Government (DCLG) released early calls for ERDF in D2N2 the following calls have been issued;
  - Priority Axis 1 – Promoting Research and Innovation
  - Priority Axis 3 - Enhancing the Competitiveness of SMEs - £12.5m
  - Priority Axis 4 – Supporting the Shift towards a Local Carbon Economy
- 1.2 The Council responded to these calls, working collaboratively with partners within the Derby and Derbyshire area (D2) to prepare a number of outline applications to meet the submission deadlines at the end of May (as reported through an Urgent Leaders Decision in May 2015). Decision letters for the projects have been received following the D2N2 ESIF Programme Sub Committee meeting in July 2015. This report sets out the decisions on the projects the Council is involved as a lead or delivery partner. Projects being developed to full application require confirmation of the Councils match funding.
- 1.3 Following the submission of an outline D2N2 wide proposal for Technical Assistance, a full application is expected to be supported. The Council has agreed in principle to be the Accountable Body for this bid, in the ESIF Technical Assistance report considered at July Cabinet. Initial feedback to the Expression of Interest has been positive and a decision is expected in the coming weeks. Assuming the proposal proceeds to full application, confirmation of the Council's match funding along with agreement to act as the Accountable Body role will need to be made.
- 1.4 A further ERDF call was issued at the end of July;
  - Priority Axis 2 – Enhancing Access to, and Use and Quality of, Information and Communications Technology - £3.8m

The Council is working collaboratively with D2N2 Local Authorities to develop an Expression of Interest.
- 1.5 D2N2 have started a consultation exercise to help shape a "Community Programme" that could utilise over £4m (combined ESF and ERDF resources) from the ESIF programme – for community led solutions to local economic development issues. For

example the programme could support activities to tackle low business start-up in a community, local low carbon initiatives or skills and employment. The Council have fed into this consultation. A draft proposal for the Community programme was considered by the D2N2 ESIF Programme Sub Committee in September.

- 1.6 The purpose of this report is to outline the Expressions of Interests that have been successful, set out the next steps in the application process, the role of the Council as an Accountable Body or Delivery Partner and seek approval of match funding required to take forward projects. The report also provides an update on other activity within the ESIF programme.

## **RECOMMENDATION**

- 2.1 To note the outcome of the first ERDF calls.
- 2.2 To approve the Council's match funding for ESIF projects supported to full application, set out in the table at Appendix 2.
- 2.3 To approve the Council's role in ESIF projects supported to full application, as Accountable Body or Delivery Body, as set out in the table at Appendix 2.
- 2.4 To delegate to the Acting Strategic Director of Communities and Place and the Director of Finance, the agreement of the final detailed project budgets and match funding contributions of the projects identified in Appendix 2 and the submission of full applications, in consultation with the Cabinet Member for Communities & City Centre Regeneration.
- 2.5 To agree for officers to continue to work with Local Authority partners to develop a D2N2 collaborative bid for the Priority Axis 2 ICT call and submit an Expression of Interest to meet deadlines.
- 2.6 To agree for officers to work towards identifying indicative Council match funding to support the ICT Expression of Interest which will be brought to a future Cabinet meeting for final determination.
- 2.7 To note proposals for the Community Programme and the Council's input the consultation exercise.

## **REASONS FOR RECOMMENDATION**

- 3.1 The Council has been involved in a number successful Expressions of Interest for the first ERDF call of the EU Structural and Investment Fund 2014-2020 (ESIF). The table at Appendix 2 provides details of the projects, D2N2 Programme Sub Committee decisions and requirements for taking the project forward to full application.
- 3.2 To take forward full applications requires match funding contributions to be confirmed with evidence that the total funding package is in place.
- 3.3 The Council's role in ESIF projects is either as a project lead and Accountable Body

or a Delivery Partner. As Accountable Body the Council is responsible for managing Delivery Partners to deliver the project to achieve approval financial and output targets, establishing robust systems that fulfil EU audit requirements and to collate and submit compliant claims. There is a level of risk associated with fulfilling this role, however the Council has experience of acting as Accountable Body for EU projects and any costs associated with fulfilling this role will be built into funding bids.

- 3.4 Feedback from decisions made on the first ERDF call is that proposals that demonstrate a wider benefits across the D2N2 area are more likely to be prioritised. Therefore officers are working collaboratively with the other three upper tier authorities (Derbyshire County Council, Nottingham City Council and Nottinghamshire County Council) to develop a D2N2 wide bid through the ICT call. This report is seeking in principle approval for the Council to be a Delivery Partner within the ICT bid and to work towards identifying indicative match funding of up to £300,000 over a three year period.
- 3.5 An outline D2N2 wide bid has been submitted to access Technical Assistance (TA) which provides an opportunity for the Council to access funding through the ESIF programme to increase staffing. We are proposing to work collaboratively with Derbyshire County Council to secure TA support for two External Funding Officers, one for ERDF and one for ESF. The officer's time would be split 50/50 across Derby and Derbyshire. The Council will need to contribute £65,000 over a three year period to secure this resource.
- 3.6 Proposals have started to be developed for a D2N2 ESIF Community Programme. Council officers had an opportunity to feed into this consultation exercise in August through a workshop, a summary of this input is provided at Appendix 4. Initial feedback from this consultation exercise will be considered at the D2N2 ESIF Programme Sub Committee.



**COUNCIL CABINET**  
**7 October 2015**

Report of the Acting Strategic Director for Communities and Place Directorate

**SUPPORTING INFORMATION**

- 4.1 In response to the first ERDF calls issued in March 2015, following a report to Leadership, the Council submitted a number of Expressions of Interest (EOIs). EOIs have now been assessed and considered by the D2N2 ESIF Sub Committee and decision letters have been issued to projects. A description of the projects the City Council is involved in is detailed below. Appendix 2 provides an overview of the projects, setting out any match funding requirements for the Council.

**ERDF Projects submitted through the early call**

- 4.2 **D2 Enterprise Growth Fund**  
The project was submitted under Priority Axis 3 - Enhancing the Competitiveness of SME's. The project will roll-out the successful Derby Enterprise Growth Fund (DEGF) model across Derbyshire and importantly, expand the existing DEGF fund with additional ERDF resources.
- 4.3 This new, Derby and Derbyshire Enterprise Growth Fund (D2EGF) will allow enhanced funding and support for more SMEs, delivering additional funding to innovate, expand and create new jobs. The new fund will create at least 500 new direct jobs and at least 100 companies will benefit from funding support.
- 4.4 The project was supported by the D2N2 Sub Committee but must be brought forward to full application in conjunction with East Midlands Business (EMB), Nottingham University and the University of Derby, all of whom applied for an ESIF project themselves. The Committee want to support a grant programme for businesses that delivers across the D2N2 area. Officers are working with partners to develop a combined project that will 'top up' DEGF grant funding with £1.5m of ERDF.
- 4.5 In consultation with the Cabinet Member for Communities & City Centre Regeneration, it has been agreed in principle that the Council is a Delivery Partner for the D2 element within the combined project with EMB taking on the Accountable Body role. Officers are working with partners to develop the full application, secure funding for DEGF and the staff resource required to manage this additional funding.

- 4.6 It is proposed to use commit up to £1.5m (subject to confirmation from Derbyshire County Council about their contribution to this match funding) of the expected £12m DEGF loan repayments to match fund this ERDF project. Thus up to £1.5m of the loan repayments would be ring fenced to support grants to businesses, providing the match funding required for this project. A verbal report will be provided about the status of the County Council match funding.
- 4.7 DEGF loan repayments started to be repaid in 2014 and the Council has received almost £1m to date. Recycled loan funds are being used to continue DEGF to invest in businesses and create additional outputs that are necessary for the Council to comply with our Regional Growth Fund contract conditions through to March 2020. A profile for the DEGF loan repayments which identifies the ring fenced ERDF match funding is attached at Appendix 3. (to follow)
- 4.8 **D2 Business Development Programme**  
The project was submitted under Priority Axis 3 - Enhancing the Competitiveness of SME's. The D2 Business Development Programme will offer a unique pre pre-start up programme consisting of workshops and 1-to-1 coaching sessions to help local entrepreneurs generate embryonic business plans for the launch of new enterprises.
- 4.9 The project will achieve the creation of 120 new enterprises in the D2 area. This will help to tackle the lower than average levels of entrepreneurship and self-employment rate that has historically existed in Derby and Derbyshire. The approach is unique because it's the only programme that combines intensive consistent approach to pre prestart hand holding, workshop and coaching techniques with creativity and innovation support to spark business ideas.
- 4.10 The project was support by the D2N2 Sub Committee to progress to full application which is being developed. The match funding requirement for this project is £525,000. Derbyshire County Council as a Delivery Partner have agreed to provide £325,000 of match funding, this contribution is subject to Cabinet approval in October. The Council's match funding requirement for this project is £200,000 and it is proposed to allocate £67,000 each year, over a three year period to support this project. The rationale for providing match funding through DEGF is that this project will help sustain and develop the pipeline for the fund over the next three years.

4.11 **D2 Start, Connect Grow**

The project was submitted under Priority Axis 3 - Enhancing the Competitiveness of SME's. It aimed to nurture start-up and growing businesses in Derby and Derbyshire, by providing a joined up programme delivering:

- Business support (advice, mentoring, workshops, access to equipment and finance)
- Workspace (managed / grow-on)
- Showcasing, networking and collaboration opportunities
- World-Class Digital Infrastructure

A partnership approach was adopted to increase enterprise activity in Derby and Derbyshire. The project sought to create 525 new jobs and deliver support to 560 businesses and deliver demand led support services and infrastructure for individuals and SMEs, either by direct service delivery (additional activity funded by ERDF) or by aligning existing provision and co-ordinating with other complementary projects.

4.12 The project was not supported to full application, more detailed feedback on the reason for this decision is being sought. Officers will work with partners to review the decision and consider options for how the different elements of the project can be taken forward.

4.13 Officers are in discussion with partners and the Lead Member to develop a more modest 'plan B' in order to achieve at least some of the original objectives. This is likely to involve bringing forward proposals for 'grow-on' space for Connect. It should be noted that projects offering only partial LEP coverage and modest geographical reach have not fared so well in assessments conducted so far.

4.14 **Centre for Supply Chain Competitiveness in Transport Engineering**

The project was submitted under Priority Axis 3 - Enhancing the Competitiveness of SME's. The purpose of the project is to strengthen local supply chains by building the capacity of SMEs in, or wishing to join, local Transport Equipment and Manufacturing (TEM) supply chains. In essence the project is a continuation to the successful Encsite programme of business support funded to date by RGF and ERDF resources

4.15 The project will assist 117 companies by reviewing their current capacity then providing a package of business support activities and events to stimulate higher productivity, business growth and new jobs created. It will both extend the reach of SMEs *along* the Transport Equipment Manufacturing supply chains and *across* into other sectors for improved business resilience. It will complement other local and national business support activities by adding value within the existing referral network.

- 4.16 The University of Derby is the Accountable Body for this project and the Council is a Delivery Partner. The Council's match funding requirement is up to a maximum of £300,000. Options for providing match funding for this project are being discussed with the University and the preferred option is to offer this as a loan (through DEGF loan recycling) to the University of Derby. The loan would be repaid through the project, by business contributions. Another option would be to provide DCC match as a grant payment (again through DEGF loan recycling). A verbal update will be provided about the outcome of these negotiations.
- 4.17 **Growing and Developing the Visitor Economy Sector in D2**  
The project was submitted under Priority Axis 3 - Enhancing the Competitiveness of SME's. This project will support the capacity of SMEs in the visitor economy and its supply chains to grow in regional, national and international markets. It will do this by providing enterprises with support through business advice and guidance, expertise and knowledge needed to access new and emerging markets that have been identified by Visit England as well as supporting the visitor economy to achieve economic growth within its domestic markets by aligning provision through the D2N2 Growth Hub.
- 4.18 This is a partnership proposal led by Visit Peak District and Derbyshire (Accountable Body), the Council is a Delivery Partner within this project. This project requires £145,000 of match funding from the council. It is proposed to earmark up to £60,000 from the Tourism budget (over a three year period) with the remaining coming from DEGF recycled loans.
- 4.19 **Invest in D2**  
Marketing Derby, in partnership with Derbyshire Economic Partnership and Destination Chesterfield, submitted an Expression of Interest for an inward investment project operating across the City and County. The project was submitted under Priority Axis 3. It has recently been confirmed that the project has been supported to full application.
- 4.20 This application has not been shared with the Council but we believe there is no requirement for Council match funding to support this project.
- 4.21 **D2N2 Growth Hub**  
The project was submitted under Priority Axis 3 - Enhancing the Competitiveness of SME's. The project will ensure the continuation of the D2N2 Growth Hub which is fundamental to the D2N2 business support infrastructure. D2N2 Growth Hub is already significantly improving the take up of business support. It will further the future development of the Growth Hub focal point and referral service and enhance capabilities in partner organisations so that an increasing number of businesses achieve their growth potential. Over the three years of the project it will deliver 1,160 business assist outputs new jobs (output figures are being reviewed as the full application is developed).



- 4.22 The Growth Hub is a partnership proposal involving partners across D2N2 and lead by Nottingham City Council, the Council is a delivery partner within the project. The Council has recently been asked to confirm that level of match funding available to support this project and officers are reviewing options to provide match funding to the project through staff time. Options will be discussed and agreed with the Director of Finance and Acting Strategic Director of Communities and Place.
- 4.23 **D2 Energy Efficiency**  
The Council worked with the University of Derby and Derbyshire County Council to prepare an EOI for Priority Axis 4 – Supporting the Shift towards a Local Carbon Economy Support SME's. The project will support SME's with energy and resource efficiency improvements and implementing renewable energy generation. It will also assist new low carbon economy sectors through UoD research offer to SMEs and business school engagement, whilst also boosting local demand through the offer of in-depth assistance and capital grants to SMEs. Helping improve formal environmental standards in SMEs will help them access tenders and supply chains. Through the Council element of the profile 300 businesses will be engaged, with 200 energy audits carried out and 100 receiving grants.
- 4.24 The proposed match funding contribution from the Council (£187,000) is to support the Council's share of project management and staffing costs and could be met through the Climate Change Board reserve. This funding has been specifically earmarked for those project opportunities that take forward the Council's Climate Change aspirations and make good business sense.
- 4.25 For the grants element of the project, the Council, along with the County Council will need to take on the responsibility for administering the business grants which will effectively mean paying each grant in advance and the submitting a quarterly claim retrospectively to be reimbursed. The Council will put measures in place to ensure the financial risk from taking on this role is minimised but effectively we already undertake this role with the BESPOKE business support project. Set out in Appendix 4 are further details of how the business grants will be managed and the implications for the Council.

#### **Technical Assistance**

- 4.26 ESIF Technical Assistance could provide match funding to increase the Council's EU staff resource to work with partners to support project development within Derby. In response to a call for Technical Assistance a D2N2 wide Expression of Interest has been submitted with the Council acting as Accountable Body (agreed in principle at the July Cabinet). There is a 50% match funding requirement.



- 4.27 The Economic Regeneration Service has held discussions with Derbyshire County Council with a view to accessing TA to support a shared ESIF staff resource. It is proposed to seek TA to recruit two External Funding Officers (one focusing on European Regional Development Fund and one focusing on European Social Fund) working across the City and the County. The total cost of employing two Officers for a three year period is in the region of £260,000, half of this cost would be funded through TA with the match funding required from the City and County Council. The Council will need to contribute £65,000 over a three year period to secure this resource and it is proposed that this match funding could be met through the External Funding Team and Derby City Partnership reserves.
- 4.28 The External Funding reserve was originally intended to backfill the External Funding Manager post while this officer is seconded to manage the Regional Growth Fund Programme, this arrangement will continue in 2015/16. It is proposed to secure any underspend against the External Funding Manager, up to a maximum of £30,000, within the External Funding reserve. This reserve will be used to provide match funding for the ESIF Technical Assistance project.

**Priority Axis 2 - Enhancing Access to, and Use and Quality of, Information and Communications Technology**

- 4.29 The Priority Axis 2 ICT call was released at the end of July and officers are working collaboratively with Derbyshire, Nottingham and Nottinghamshire Councils to prepare an expression of interest by the 25 September.
- 4.30 The proposal will focus around three elements;
- Grants programme – providing support to businesses to access ICT.
  - Growth programme – providing support through peer learning, demonstrations and mentoring opportunities to showcase new technology and ICT solutions to help businesses grow. The programme would also support information and intelligence sharing to support innovative collaborations between SMEs involved in the supply chain of D2N2s key sectors.
  - Events programme – a programme of workshops, education events and demonstration events delivered at hubs across D2N2.
- 4.31 Nottinghamshire County Council is taking the lead on this project and will be Accountable Body. The Council is a Delivery Partner and there is a requirement for 50% match funding to support activity in Derby. It is proposed to identify £300,000 over a three year period to support the ICT project. Options for meeting this match contribution are being explored which could include existing budgets supporting the ICT project through Connect Derby.
- 4.32 If the EOI is successful, a future Cabinet report will be prepared to confirm the programme detail and match funding contribution.

**D2N2 Community Programme**

- 4.33 5% of the D2N2 ESIF strategy (ERDF and ESIF funds) has been ring fenced to support a Community Programme, a model for distributing ESIF funding at a community level.
- 4.34 One East Midlands have undertaken a consultation exercise on behalf of D2N2 to help inform the design of a community programme. Council officers had an opportunity to feed into this consultation exercise in August through a workshop, a summary of this input is provided at Appendix 5.
- 4.35 The initial consultation feedback is that there is support for a D2N2 Community Programme. There are likely to be some challenges in designing a programme and identifying match funding. The ESIF Programme Sub Committee will consider the initial findings from the consultation and the further development of a bespoke ESIF Community programme.

<b>OTHER OPTIONS CONSIDERED</b>
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- 5.1 The City Council could develop projects for the ESIF programme without engaging with partners outside of the City. However projects that are strategic and can demonstrate an impact across the D2N2 area are being encouraged through the ESIF programme and are more likely to be successful.
- 5.2 The Council could respond to the D2N2 ESIF Programme without dedicated staff resource. The risk in this approach is that it could lead to a response that lacks co-ordination and the full benefit of the ESIF Programme is not realised for the City.

**This report has been approved by the following officers:**

<b>Legal officer</b> <b>Financial officer</b> <b>Human Resources officer</b> <b>Estates/Property officer</b> <b>Service Director(s)</b> <b>Other(s)</b>	Emily Feenan – Principal Lawyer Martyn Marples – Director of Finance  Alex Ward – Estates Manager  Alan Smith – Head of Economic Regeneration Andy Hills – Climate Change Manager Catherine Williams – Principal Regeneration Manager Greg Jennings – Head of Regeneration Projects Greg Pickup – Senior Derby Enterprise Growth Fund Manager Chris Pook – Economic Strategy Manager Katie Evans – RGF Programme Monitoring Officer
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<b>For more information contact:</b> <b>Background papers:</b> <b>List of appendices:</b>	Emma Dann 01332 643047 Emma.dann@derby.gov.uk None Appendix 1 – Implications Appendix 2 – ESIF Expression of Interest Summary – Match funding Appendix 3 – DEGF Loan Repayment Cashflow Appendix 4 – D2 Energy Efficiency Appendix 5 - D2N2 Community Programme
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<b>IMPLICATIONS</b>
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**Financial and Value for Money**

- 1.1 To take forward ESIF projects to the full application stage the Council needs to confirm the in-principle match funding commitments identified in project Expressions of Interest. Council match funding has been identified from a number of sources detailed below;

**DEGF** – The fund is now operating as a recycled fund with loan repayments used to support businesses to grow and create new jobs. A DEGF cash-flow has been prepared which provides a profile of expected DEGF loan re-payments, existing commitments, anticipated future commitments and ESIF match funded projects. £12m is expected to be repaid to the Council and it is proposed to use up to £2.1m over a three year period (2016-2018) as match funding to support D2 Enterprise Growth Fund (£1.5m), D2 Business Development Programme (£200,000), Centre for Supply Chain Competitiveness in Transport Engineering (£300,000) and possibly Growing and Developing the Visitor Economy (£85,000). The availability of these funds is entirely dependent upon the current loans being repaid. There is a risk that the current loan repayments will default and the match funding will not be available. If this happens there is a further risk that the Council will already be contractually committed and therefore have to find the match funding from other sources, effectively underwriting the match values. Every effort will be made to mitigate against this risk as detailed in Section 9 below.

The use of DEGF loan re-payments is subject to the agreement of DCLG (as Regional Growth Fund monitoring body), discussions are on-going and a verbal update will be provided at the Cabinet meeting.

**Tourism Budget** – It is proposed of ear mark up to £60,000 from the Tourism budget as match funding for the Growing and Developing the Visitor Economy. £30,000 from the Tourism operations budget and £30,000 through dedicated tourism staff time over a three year period.

**Climate Change Reserve** – This reserve is ear marked to support projects in line with the Council's Climate Change ambitions. It is proposed to use £187,000 over a three year period as match funding for the D2 Energy Efficiency project.

**External Funding Reserve** – The External Funding Reserve was established to enable the External Funding Managers post to be backfilled. It is proposed to use £40,000 of this reserve over the next three years to match fund the ESIF Technical Assistance project.

**Derby City Partnership (DCP) Reserve** – It is proposed to use the remaining £25,000 of the DCP reserve to match fund the ESIF Technical Assistance project over the next three years.

**Legal**

- 2.1 In acting as Accountable Body there are a number of significant legal implications for the Council;
- Responsible for the financial management of ESIF funding.
  - Contracting with delivery partners across D2N2.
  - Establishing compliant systems and procedures.
  - Delivering and reporting on agreed programme outputs.
- 2.2 The Council currently acts as Accountable Body for a number of externally funded programmes and has established robust systems and procedures to manage the responsibilities associated with fulfilling this role.

## **Personnel**

- 3.1 If the D2N2 Technical Assistance bid is successful, two External Funding Officers will need to be recruited. The officers will be a shared resource working across Derby and Derbyshire and we will need to agree with Derbyshire County Council, who will be the recruiting organisation and the employment law implications of this.
- 3.2 In taking on the role of Accountable Body, there will be resource implications for the Council which may require the recruitment of additional staff. The full cost to the Council of fulfilling the Accountable Body role will need to be met from within the ESIF project budgets and not have cost implications for the Council.

## **IT**

- 4.1 If the Council is the recruiting organisation for the External Funding Officers through the Technical Assistance programme, there would be a requirement for IT equipment and use of DCC information systems facilities. Information Systems will be consulted on the cost associated with providing ICT equipment and facilities and this will be built into the project costs.
- 4.2 As Accountable Body the Council will need to ensure consistent collection and reporting of beneficiary information and ensure activity is joined up with other service provision across the D2 and/or D2N2 area, it is proposed to implement a single IT data management system for all partners. The system would need to fulfil EU monitoring requirements. Further engagement and consultation with Information Systems Department will be required to confirm if the Councils current case management system can be used and cost implications associated with additional equipment and licenses.
- 4.3 An appropriate data sharing agreement will need to be put in place and the working practices established will need to ensure compliance with the Data Protection Act.
- 4.4 The Information Systems Department has been involved in discussions to develop the proposal for the Derby element of the collaborative D2N2 ICT bid.

## **Equalities Impact**

- 5.1 The ESIF programme seeks to reduce social and economic disparities by supporting businesses and addressing skills employment and social inclusion. If the Technical Assistance bid is successful there will be additional staff with technical expertise to support the development of robust applications for ESIF and provide opportunities for the City Council to target projects at our most deprived communities with a particular focus on individuals who are furthest from the jobs market. One of the ESIF Programme cross cutting themes is Equality and the impact of projects on this issue will be a key part of the project assessment process.

## **Health and Safety**

- 6.1 None directly arising from this report.

## **Environmental Sustainability**

- 7.1 The D2 Energy Efficiency project will help local businesses improve their resource efficiency and will also present opportunities within the growing low carbon sector. Developing the low carbon economy is a key priority of the City's Climate Change Strategy.

## **Property and Asset Management**

- 8.1 The projects identified within this report are not capital projects and there are no direct property and asset management issues. However forth coming calls and the work supported through the Technical Assistance proposal may bring forward capital projects. Where the proposals are to involve Council led or sponsored new development or refurbishment of either internal or external stock, then engagement and consultation with Property Design and Maintenance at an early stage would be undertaken to ensure that their input is included within the project development and in turn inform the Council's investment strategy.

## **Risk Management**

- 9.1 There is a risk to the Council in under-writing the DEGF match funding contribution to ESIF projects as it is dependant on DEGF loan repayments from businesses over the next three years. If there is a high level of default the Council may need to meet the match funding contribution. The measures in place to minimise this risk are set out below;
- DEGF loans have enforceable security in place and therefore the Council could re-coup default DEGF loans from companies and meet match funding commitments.
  - A greater level of monitoring is implemented for high risk DEGF companies or where large loans have been awarded to ensure early intervention and action if a problem arises.
  - DEGF repayments and commitment levels are closely monitored to ensure cash-flow is effectively managed. An internal DEGF cash-flow review meeting



is held bimonthly involving Interim Strategic Director of Communities and Place, Director of Finance, Head of Finance, Head of Service for Economic Regeneration, RGF Programme Accountant, RGF Programme Manager and the Senior DEGF Manager.

- 9.2 ESIF funding is paid in arrears, on evidence of defrayal and on a quarterly basis. Therefore the Council will need to bank roll the ESIF projects it is involved in. The Council currently delivers a number of ERDF supported projects (examples include Innovation Centre, Marble Hall, BESPOKE business support) and cash-flows projects between claims. The risk to the Council is mitigated by;
- Implementing robust systems and procures to ensure a clear audit trail to evidence project expenditure and defrayal.
  - Dedicated staff resource to effectively manage and monitor ERDF projects.
  - Where the Council is working with delivery partners or supporting businesses, implementing robust contracting arrangements to transfer the risk of non compliance and any potential claw back to the delivery partner/business.
- 9.3 Where the Council is the Accountable Body we would be responsible for any non-compliance or under-performance from the delivery of this programme across D2N2. This could expose the Council to the risk of clawback.
- 9.4 This risk would be managed through the following measures;
- put in place robust legal agreements with all of the partners involved in the bid to pass on the risk of clawback.
  - introduce compliant performance management systems
  - ensure there is sufficient capacity within the Council to effectively manage and monitor projects. The cost of which would be met from within the project budgets.

### **Corporate objectives and priorities for change**

- 10.1 This Programme will contribute towards creating for the people of Derby:
- An inspiring start in life by improving educational attainment.
  - An inspiring working life by improving skills and creating jobs.
  - An inspiring place to live by improving inner city areas.