

REGIONAL GROWTH FUND

SUMMARY

- 1.1 This report describes the draft programme that has been devised to invest up to £40m allocated to Derby from the Government's Regional Growth Fund (RGF).

RECOMMENDATIONS

- 2.1 To delegate decision-making responsibilities about component projects to Leader and Chief Executive in consultation with the RGF Programme Board, including approval of the detailed business case for each project.
- 2.2 To approve in principle the allocation of up to £3.25m from the Council's approved Capital Programme (2012-13 to 2014-15) towards the Global Technology Cluster including the Innovation Campus facility.
- 2.3 To approve the use of officer time on the projects listed in Appendix 2 in order to:
- develop a business case
 - prepare tender specifications
 - procure a delivery partner
 - manage the delivery and monitor and report on progress.

REASONS FOR RECOMMENDATION

- 3.1 To provide Members with an up to date account of the proposed programme for this RGF funding.

SUPPORTING INFORMATION

- 4.1 Members will recall that representations were made to Government during the middle part of 2011, because of the anticipated job losses at Bombardier Transportation Ltd, Citibank, Celanese and public sector in Derby. The Government's response was to establish an Economic Task Force, which is operating and liaising with the Derby Renaissance Board, in co-ordinating the city's response to these economic shocks and the other economic pressures that hit Derby during 2011. A submission was made on behalf of the Derby Renaissance Board (DRB) and the Economic Task Force, by the Council, on 1 July 2011. This was for £54m of Regional Growth Fund Round 2.

- 4.2 In late October the Government (Department for Business Innovation & Skills – BIS) announced that Derby had been allocated up to £40m. Discussions over the intervening period have been held with officials from BIS to obtain clarity about the process to draw down this funding and to specify the types of interventions that are considered most suitable for support.
- 4.3 The inaugural RGF Programme Board was held on 19 December at which the outline of the proposed programme was agreed. Membership has been drawn from the DRB, represented by Peter Richardson, and the Economic Recovery Taskforce, represented by Margaret Gildea. As accountable body for the programme, the City Council is represented by the Chief Executive, Leader of the Council and Director of Regeneration. BIS are represented by Rowena Limb and Anastasia Osbourne.
- 4.4 A schedule of meetings of the Programme Board is yet to be established but it is anticipated that following receipt of the grant offer for the programme from BIS, the Board will meet quarterly. Highlight and exception reports will be provided to Adam Wilkinson (Senior Responsible Owner for the programme) as required between board meetings.
- 4.5 During January and February, officers within the Regeneration Department have worked closely alongside DRB partners to produce more detailed project proposals and a summary of the entire programme. These have been the focus of a dialogue with BIS officials - the latest version of the Programme Summary is in Appendix 3.
- 4.6 It is anticipated that BIS will be in a position to issue an offer letter to the City Council in a short while. The next steps will involve the preparation of detailed business cases for each project, which then are appraised by BIS following endorsement by the Programme Board. Once approved, projects will commence and funding re-claimed retrospectively by the Council. Many of the proposed projects will be delivered by organisations appointed through a competitive procurement process.
- 4.7 This programme has been created with the aim of accelerating the delivery of the existing Economic Strategy for Derby and thus *creating a thriving sustainable economy* based on three inter-linked themes:
- *Investment in Business:* The programme will build upon the strengths in Derby's economy through support for the diversification into new markets and will contain a strong focus upon the support of "high growth" firms, which make up around 0.7% of the existing business base, especially SMEs operating in the rail, automotive and aerospace sectors.
 - *Investment in Innovation:* The programme seeks to enhance the innovation capacity of our companies by working closely with leading research Universities and encouraging a more outward-facing and collaborative culture between companies operating within different supply chains / networks. It will improve the business environment through physical improvements in commercial accommodation, site access arrangements and other essential site infrastructure such as broadband and power facilities for SMEs.

- *Investment in Skills:* The programme will assist the better alignment of bespoke skills initiatives and business needs, increase the engagement with SMEs, seek to influence young people's aspirations to work in particular sectors and increase the capacity to access jobs.

4.8 The programme has been devised to tackle six objectives of the Derby Economic Strategy:

- *Stimulating an enterprise culture with creativity and innovation*
- *Supporting the growth of companies and relocation opportunities*
- *Improving Derby as an investment proposition*
- *Addressing barriers to employment*
- *Aligning supply of and demand for skills*
- *Influencing young people's career aspirations.*

4.9 The most significant project within the RGF programme is the Global Technology Cluster. This will be a science and technology park in Sinfin, on land previously referred to as the Chellaston Business Park. At the centrepiece of this park will be an Innovation Campus showcasing research & development opportunities for small and medium sized companies operating in the transport engineering sectors, colloquially referred to as 'Planes, Trains and Automobiles'. The development will encourage inward investment by supply chain companies to all three transport sectors; encourage the growth of new and emerging high technology businesses that will thrive on an environment of collaboration and technology transfer.

4.10 Discussions are in hand via Derby University with other key universities in the UK to provide the expertise required for the Innovation Campus. Reports will be brought to a future Cabinet Committee on the Global Technology Cluster and the Innovation Campus. Members are asked to approve in principle the allocation of up to £3.25m towards these projects. Subsequent reports will seek approval for the Council to partially underwrite the initial operational costs of the Innovation Campus, which are yet to be determined, and to the proposed financial arrangements entailed in the construction of the road at the GTC.

4.11 The programme will deliver the following outputs:

- Creating over 4,700 jobs and a further 1,800 indirectly
- Safeguarding 1,700 jobs
- Assisting the creation and safeguarding of over 600 businesses
- Attracting over 30 businesses to Derby
- Establishing 350 apprenticeship places
- Refurbishment of 3,700 sq.m. of rail laboratory, workshop and office space
- Generating over £134m (private) and over £3m (public) leverage.

4.12 In addition the following outcomes – to be quantified - will be achieved:

- Increase in business exports and productivity
- Increase in gross value added
- Increase in proportion of adults with qualifications
- Reduction in proportion of businesses reporting skills gaps
- Raising levels of aspirations amongst young people
- Reduction in unemployment rates and the total welfare bill.

OTHER OPTIONS CONSIDERED

5.1 A variety of different projects have been considered in the formulation of the proposed programme. The methods to govern the programme and to procure the best delivery partners have also been given thorough consideration. The proposals contained in the Programme Summary are considered to offer the optimum impact.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Service Director(s) Other(s)	Stuart Leslie Martyn Marples Karen Jewell
For more information contact: Background papers: List of appendices:	Name 01332 641624 e-mail alan.smith@derby.gov.uk None Appendix 1 - Implications Appendix 2 - List of projects Appendix 3 - Derby Employment Taskforce, Programme Summary (v2)

IMPLICATIONS

Financial and Value for Money

- 1.1 The Council's Regeneration Fund has already been utilised to pay for incidental costs in connection with the GTC and Innovation Campus projects in lieu of the receipt of RGF resources. It is hoped that most of this defrayed expenditure can be reclaimed through the first combined RGF claim in the near future.
- 1.2 Reports will be brought to future Cabinet Committee meetings to seek approval for any proposed financial commitments by the Council, over and above the existing approved Capital Programme allocation, towards any projects within the RGF programme.
- 1.3 The requirement for a detailed business case for each project to be endorsed by the Programme Board, before being independently appraised by BIS, will also help ensure financial probity. Where it is felt not to be appropriate for the Council to deliver projects directly, a competitive procurement process will help secure the best value for money.

Legal

- 2.1 As accountable body the Council will enter into a contract with BIS to deliver the programme and fulfil all the conditions to be stipulated by BIS. These conditions have not yet been revealed to the Council although it is unlikely that they will be more onerous than conditions encountered under various other forms of Government regeneration programme e.g. Single Programme, ERDF, City Challenge etc.
- 2.2 Several of the projects in the programme have European state aid implications that will be carefully considered during the inception phase. Legal advice will be sought whenever necessary to safeguard the Council's position.

Personnel

- 3.1 The personnel requirements for dealing with the RGF2 Programme have yet to be quantified, but there will definitely be a need to create a Programme Executive Team, to manage the inception and delivery of the programme. This will comprise a Programme Manager, Project Monitoring Officer and part-time Programme Administrator. The team will require support from the Resources Directorate, particularly financial and legal services, which have yet to be quantified. The Programme Manager will be responsible for all programme-level reporting, including the submission of collated claims to BIS and all substantive correspondence with BIS about project business cases, grant offers and project evaluation. The Programme Manager will also prepare a mid-term (2014/15) programme-level evaluation report and a final programme evaluation report (2015/16). The programme executive will oversee the successful inception, commissioning and delivery of individual projects.

- 3.2 RGF will not be available to cover the cost to the Council for the appointment of this team. Internal discussions are taking place to explore options for the funding of any new posts, and for the part-time and/or time-limited redeployment of staff for the duration of the programme – until 2015. A subsequent report will be brought to your meeting if additional resources are felt to be required.

Equalities Impact

- 4.1 The Council's Equal Opportunities policies and practices will be applied in the delivery of every project. Where external project delivery is to take place, the tender criteria adopted will ensure our policies are adhered too.

Health and Safety

- 5.1 The Council's Health and Safety policies and practices will be applied in the delivery of every project. Where external project delivery is to take place, the tender criteria adopted will ensure our policies are adhered too.

Environmental Sustainability

- 6.1 The Council's Environmental Sustainability policies and practices will be applied in the delivery of every project. Where external project delivery is to take place, the tender criteria adopted will ensure our policies are adhered too.

Asset Management

- 7.1 Assets created or improved through the investments made possible with this programme will, if Council owned, be added to the Council's Asset Management Plan and our appropriate policies and practices will be applied in their management and upkeep.

Risk Management

- 8.1 The Prince 2 methodology will be applied to the management of all projects including the preparation of Risk and Issues Logs. Highlight and exception reports will be provided to Adam Wilkinson (Senior Responsible Owner for the programme) as required between board meetings.

Corporate objectives and priorities for change

- 9.1 This programme will support a number of the Corporate Objectives, but especially:
- CYP2 - To build ambition, aspiration and achievement
 - CG1 - To help create a healthy, vibrant economy with the physical and educational infrastructure to sustain the prosperity of business and citizens.

LIST OF RGF PROJECTS

- 1.1 A matrix of eight projects has been refined in discussion with BIS and the Cabinet Office. The RGF Programme Summary is attached (Appendix 3) and this provides a brief description for each project as follows:
1. Transport Engineering Supply Chain Initiative
 2. Coaching for Growth Programme
 3. Enterprise Creation Programme
 4. Enterprise Investment Fund
 5. Global Technology Cluster / Innovation Campus
 6. Lightspeed Evolution
 7. Rail Technology Centre
 8. Investment in Skills Programme
- 1.2 The detail of each of these projects and the amount of funding to be allocated is currently the subject of discussion with BIS. *(For Cabinet Pre-Agenda purposes, please note that we will update Appendix 2 and 3 as and when possible, and we may have to revise the report if we actually have sign off by BIS and a potential contract before Cabinet. We don't know the timescale for this, as it is in the hands of BIS).* A current status report will be given to Cabinet in support of this report on 13 March 2012.