



## **Derbyshire Business Support Grants Scheme (DBSGS)**

### **SUMMARY**

- 1.1 This report describes the programme that has been devised to invest up to £1.6m (Strand 1) of pooled business rates into a Small Business Support Grants Scheme – see appendix 2 for Background.
- 1.2 The report seeks agreement to the Council taking responsibility for the delivery of the Derbyshire Business Support Grants Scheme as detailed in reports to the D2 Joint Committee for Economic Prosperity Report and D2 Chief Executives Meeting.
- 1.3 The Small Business Support Grants Scheme will be managed within the Council's Derby Enterprise Growth Fund (DEGF) team and will utilise the processes which are delivered by the Council's Economic Growth Service to provide grant and or loan funding to businesses.

### **RECOMMENDATION**

- 2.1 To approve the acceptance by the Council of [up to £1.6million] of pooled business rates funds for allocation to the Derbyshire Business Support Grants Scheme ("DBSGS") to be administered by the Council's Economic Growth Service.
- 2.2 To approve the delegation of decision-making responsibilities for DBSGS projects to the Cabinet Member appointed to the DEGF Investment Panel, including approval of the detailed business case for each project.
- 2.3 To approve the revised Terms of Reference for the Investment Panel as detailed in Appendix 3.
- 2.4 To approve the decision making for urgent action to the Strategic Director of Communities and Place following consultation with the S151 Officer, Cabinet lead member responsible for DEGF, and Monitoring Officer (or their designated deputies in their absence).
- 2.5 To approve the allocation of retained business rates into the Council's approved Revenue Budget (and then Capitalise as appropriate) on the basis that there are no restrictions in regard to allocating the fund to capital or revenue spend.

- 2.6 To approve the cash flow of the fund from accumulation of Business Rates from Derby City Council in the first instance, and then Derbyshire County Council and the Counties remaining districts once agreement has been signed off by all the members.
- 2.7 To recommend Council to approve the delegation of decisions about any necessary amendments to the criteria and terms of reference of the Scheme to the D2 Chief Executives group on behalf of the D2 Joint Committee in agreement with the designated Section 151 Officer.
- 2.8 To recommend Council to delegate decisions about the management of the 25% of funds retained to the S151 Officer in consultation with the D2 Chief Exec's Group.
- 2.9 To note the background to the establishment of the D2 Joint Committee for Economic Prosperity detailed in paragraphs 4.17 and 4.18, and to endorse the delegation for it to make decisions about the delivery of economic growth in accordance with its agreed terms of reference as per the decision of Council Cabinet in February 2014.

## **REASONS FOR RECOMMENDATION**

- 3.1 To comply with the Council's Financial Procedure rules.
- 3.2 To enable the proposed programme for this Business Rate Pilot funding to commence under the existing processes and management arrangements for the DEGF.

## **SUPPORTING INFORMATION**

### **Derbyshire Business Support Grant Scheme Attributes**

- 4.1 The purpose of the scheme is to support businesses to expand, evolve or relocate, helping create increased investment and job creation and to generate or develop business rates across the county and city. It is intended that the scheme be as flexible and attractive as possible to businesses where the following criteria are proposed as part of the assessment framework.
- 4.2 The size of grants that can be awarded will range from £2,000 to £50,000, commencing following consideration of this report and running across two financial years, ending on 31 March 2020, subject to confirmation and regular liaison with Government and relevant section 151 officers on a continued open call basis.
- 4.3 Grants will be available to Sole Traders, Partnerships and Limited Companies (micro, small medium enterprises (SMEs) businesses and Start-ups) across Derby and Derbyshire who pay or who will pay business rates as part of the Grant Funded Project.

- 4.4 Applications will need to be match funded by at least 50 per cent by the applicant (match funding cannot include any other grant that the applicant may have received). The total amount of support provided within that 50 per cent limit can include an element of DEGF loan funding if a grant-loan mix is deemed appropriate by Officers and the Panel.
- 4.5 Applicants will be required to demonstrate activity which seeks to achieve improved productivity, technology, systems, supply chain and skills development within businesses. Funding will be available for Capital and Revenue projects with no restriction on percentage split.
- 4.6 Grants may provide funding for capital expenditure, relocation, fit out costs, research and development, consultancy costs, training, working capital (including stock), rental, staffing costs. There are no general exclusions to project spend, subject to Officer and Panel discretion and State Aid regulations and as long as the business / project is eligible to pay business rates.
- 4.7 However, applications will not be considered for the purpose of shop front makeovers, as these are cover in Strand 3.
- 4.8 No sectors are excluded from applying provided that the applicant pays Business Rates (or will pay as a result of the project) and the grant can be allocated in compliance with State Aid Rules. Unlike the DEGF scheme, potential job displacement is not a factor that would prevent an application for proceeding. Similarly, the potential for Business Rate displacement is not prohibitive.
- 4.9 This is an 'Invest to Generate Scheme' and is not intended to duplicate current grant schemes (e.g. the Derby and D2 Enterprise Growth Fund, Digital Business Growth or D2N2 Energy Efficiency Grant) but will provide an alternative source of funding to SME's where smaller capital and revenue grants are required. Given the purpose is to reach activities that other grant schemes do not, it is not deemed to be a fund of last resort.
- 4.10 For Grants less than £20K, payments (at the discretion of Investment Panel) can be made ahead of spend evidence subject to necessary documentation of such (including clawback provisions) and post completion monitoring.
- 4.11 Any change to Investment Panel Members to be agreed by the Economic Growth Service (Fund Management Team and Head of Service).

### **Management of the fund**

- 4.12 The fund will be managed in accordance with the existing DEGF processes. This is detailed in the following paragraphs.

- 4.13 Expressions of interest and application are processed using the DEGF website. Bi-monthly meetings of the Investment Panel consider applications of £20,000 or higher, while a 'virtual committee' of Investment Panel Members will be convened via email for grants falling below that threshold.
- 4.14 Due diligence in respect of all applications to DEGF, D2EGF and DBSGS will be undertaken internally by DEGF officers, where the application value is less than £100,000. Where applications are for loan/grant support in excess of £100,000, due diligence will be outsourced to the Council's appointed external advisers. The production of necessary legal documentation will be undertaken by the Council's Legal Service in the first instance; however, where matters are complex, security is to be taken or there is a lack of capacity within the internal service, matters will be outsourced to the Council's external legal support (selected via the EM Lawshare Framework). The Council's Legal Service will advise on matters relating to State Aid and procurement.
- 4.15 The scheme will be monitored throughout its duration proposed above as 31<sup>st</sup> March 2020. Clawback clauses will be inserted into documentation. A basic level of monitoring will be undertaken (i.e. monitoring of financials / milestones against budget).
- 4.16 Measures of success for this element of the economic growth fund will be focused around (specifics to be agreed by officers at Investment Panel):
- Turnover growth or profitability – 'supporting firms to become more productive and competitive' with agreed milestones.
  - Value of contracts awarded.
  - Diversification into new markets.
  - Evidence of project expenditure
  - Jobs to be counted but not contracted.
- 4.17 Programme monitoring and evaluation will be via an agreed service level agreement (SLA) between the Accountable Body (Derbyshire County Council) and the Delivery Partner (DEGF). The SLA will include agreed turnaround times, performance and delivery standards, clear roles and responsibilities, quality assurance on management of delivery and expenditure. The finances of the scheme will remain a separate cost centre within DEGF. The fees chargeable to the Accountable Body (initial indication are that these would be 9.5% of the total fund) will be paid from the £1.6m allocation to this fund. These charges will be agreed between the City and County Council in advance.

### **General background to D2 Joint Committee on Economic Prosperity**

- 4.18 The D2 Joint Committee for Economic Prosperity was established in 2013/14 with local authority partners agreeing its terms of reference during this period. The Council Cabinet in Derby approved the terms of reference on 12 February 2014.

4.19 The Joint Committee is the overarching accountable body for the scheme.

## OTHER OPTIONS CONSIDERED

5.1 This proposal has been subject to development and scrutiny by senior officers and leaders across D2 and forms one of three funding streams to help support business retention and business growth. The attributes of other agreed grant funding schemes such as Global Derbyshire were considered in the development of the DEGF proposals to ensure good practice has been embedded. This opportunity has been given by the Government to enhance economic development and regeneration and this option has been decided upon in conjunction with Strand 2 and 3.

**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 Toni Nash, Head of Finance Lynda Innocent, Head of Transformation and Business Applications.
<b>For more information contact:</b> <b>Background papers:</b> <b>List of appendices:</b>	Jo Hadson Tel no 01332 642302 Appendix 2 – Background Appendix 3 – DEGF Terms of Reference

**IMPLICATIONS****Financial and Value for Money**

- 1.1 The business rates authorities within the county of Derbyshire have joined the Derbyshire Business Rates Pilot in order to provide the most cohesive approach possible to furthering financial sustainability for the councils and to promote Economic development and regeneration projects across the county. Approval from Government has been given on the basis of Derbyshire being a good pilot in a two-tier authority area and will be helpful on a proof of concept basis, to enable the Government to develop its 100% Business Rate ambitions from 2020/21.
- 1.2 The estimated additional income to the formation of the Pilot in 2018/19 is circa £28m and 30% of this amount – circa £8m, - is to be allocated to the Derby and Derbyshire Joint Committee for Economic Prosperity via its Accountable Body, Derbyshire County Council, to support new business and business growth across the county. The remainder, 70%, is to be retained by each individual authority.
- 1.3 The £8m is split £4.2m Derbyshire County Council, £2.8m Derby City Council and £1m from the remaining districts. Originally it was envisaged that this money would be paid to Derbyshire County Council (The Accountable body) following audited NNDR3 Returns at the year end. However for cash flow purposes these monies will start to be paid to Derby City Council to administer on a quarterly basis based on the original forecast business rates for 2018/19, first payments to be made in September subject to member agreement. This will be paid over to Derbyshire County Council on a quarterly basis. Until the details and a separate agreement has been signed off between Derbyshire County Council and all members, Derby City Council have agreed to cash flow as appropriate in the interim period and this will be reviewed at quarter 2.
- 1.4 There are the risks associated with the level of business rate income. Business rates income streams can be volatile, whether as the result of a one-off event (for example a successful large rating appeal causing a significant reduction in rate income) or something structural within an area (for example the closure of a major plant).
- 1.5 The final position on the total agreed, allocation to the Derby and Derbyshire Joint Committee for Economic Prosperity will not be available until all NNDR3 returns have been successfully audited and any adjustments made and the allocations agreed. This should be in October 2019.
- 1.6 Therefore there is a risk to the total amount available to the Derby and Derbyshire Joint Committee for Economic Prosperity to allocate and there is the issue of cash-flow risk if the Derby and Derbyshire Joint Committee for Economic Prosperity Committee choose to allocate funding prior to October 2019 as currently each authority retain their own business rates until the final apportionments are calculated.

- 1.7 To mitigate this risk it is intended that 25% of the £1.6m will be held back until the final Business Rate pot is confirmed.

## **Legal**

- 2.1 Grants will be made on the basis of the Council's standard form Grant Agreement, which already forms the basis of DEGF Grant Awards. Legal Services will advise on the terms of Grant Agreement and if necessary additional support will be provided by external legal advisors.
- 2.2 Legal Services will advise on any State Aid implications of specific grant awards, however, it is envisaged that most awards will fall within the de minimis provisions of the State Aid legislation.
- 2.3 On 1 April 2017 the government launched five initial 100% business rates retention pilots in devolution deal areas. In December 2017 as part of the Local Government Finance Settlement, the government announced a further ten 100% business rates retention pilots for the duration of the 2018/19 financial year; Derbyshire was one of the further 10 pilot schemes.

The D2 Joint Committee for Economic Prosperity is leading on delivery of the pilot and the Section 151 Officers of the 10 Derbyshire constituent local authorities have worked together to determine the extent of the rate pool (the business rate economic growth fund). Section 151 officers have advised D2 there are no known restrictions on the use of the business rate economic growth fund in terms of what, how or when it is spent (notwithstanding the need to ensure it meets the terms set out in the original business case); this provides a considerable amount of local flexibility to ensure the money is targeted on appropriate projects that either sustain or increase growth.

The Derbyshire Small Business Support Grants Scheme is considered consistent with the terms set out in the original business case and therefore eligible to use the business rate economic growth fund

## **Personnel**

- 3.1 Current DEGF Officers time and proposed Commercial Finance Manager budgeted within the cost profile.

## **IT**

- 4.1 The existing DEGF Website and Monitoring Database will need to be updated to facilitate the efficient submission of applications and monitoring of spend through the Strand 1. The project will work with IT Services to achieve this

## **Equalities Impact**

5.1 None directly arising.

## **Health and Safety**

6.1 None directly arising.

## **Environmental Sustainability**

7.1 None directly arising.

## **Property and Asset Management**

8.1 None directly arising.

## **Risk Management and Safeguarding**

9.1 None directly arising.

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

- 10.1
- Enabling individuals and communities – helping to sustain services for local people in the longer term.
  - Improving housing, supporting job creation and regeneration – Creating sustainable jobs and businesses to support the economic and social well-being of local people.
  - Being more commercial – look to maximise external funding opportunities.
  - Delivering our services differently – working in genuine partnerships to achieved shared objectives across D2N2.