



COUNCIL CABINET
15 January 2020

ITEM 11

Report sponsor: Strategic Director of
Communities and Place
Report author: Derby Enterprise Growth Fund
Manager

Derby Enterprise Growth Fund (DEGF) Approval

Purpose

- 1.1 DEGF Investment Panel on 29 November 2019 recommended the advance of a £313,000 loan to a company, subject to the completion of satisfactory due diligence.
- 1.2 Revised Terms of Reference for the Derby Enterprise Growth Fund (DEGF) Investment Panel were approved by Cabinet on 12 September 2018 (Council Minutes ref 60/18). As a result of this revision, DEGF Panel recommendations with a value above £250k require formal ratification by Cabinet. Financial Procedure Rules require all loans to external bodies to be approved by Cabinet.

Recommendations

- 2.1 To approve in principle that a loan of £313,000 is advanced to the company from the DEGF capital fund, subject to the confirmation of a satisfactory due diligence outcome, security protection and state aid position.
- 2.2 To delegate authority to negotiate and agree suitable terms to make the loan advance to the company to the Strategic Director of Corporate Resources in consultation with Strategic Director of Communities and Place and Cabinet Member for Regeneration and Public Protection. .

Reasons

- 3.1 To comply with Financial Procedure Rules.
- 3.2 To comply with the DEGF Panel Terms of Reference.
- 3.3 To support projects as recommended by the Investment Panel.

Supporting information

- 4.1 This recommendation was made by Panel on the 26th November 2019, and is subject to due diligence and contracting. If approved by Cabinet the loan will be offered under commercial terms at market rates. The actual interest rates will be determined as part of the due diligence process based on an assessment of risk as advised by the independent Due Diligence Report. The loan term is expected to be over 3 years to achieve full repayment, and this will be confirmed as part of the loan terms after the due diligence process.
- 4.2 The loan advance will only be made on receipt of a positive Due Diligence Report and confirmation regarding suitable security protection and State Aid. Cabinet is therefore asked to delegate authority to the Strategic Director Of Corporate Resources in consultation with Strategic Director of Communities and Place to approve the actual loan advance.
- 4.3 Panel recommended that suitable security protection should be taken for the loan. Security options will be investigated and scrutinized at Due Diligence to ensure suitable protection is provided. Due Diligence is undertaken by an independent third party supplier (costs are incurred by the applicant). The loan advance will only be made on receipt of a positive Due Diligence Report and confirmation regarding suitable security protection and State Aid. Cabinet is therefore asked to delegate authority to the Strategic Director Of Resources in consultation with Strategic Director of Communities and Place and Cabinet Member for Regeneration and Public Protection to negotiate and agree suitable terms to make the loan advance
- 4.4 The project should create 25 full time jobs which will be used to support the delivery of DEGF contracted outputs required by the Regional Growth Fund (which funded the creation of the DEGF). These are conservative outputs and are likely to be higher. Just over 2,000 FTEs have been created against a target of 2,200 by March 2021. Due Diligence recommendations will be covered during the contracting and claims process.

Public/stakeholder engagement

- 5.1 n/a

Other options

- 6.1 n/a

Financial and value for money issues

- 7.1 The loan will be a capital loan from the Recycled DEGF approved capital budget, funded from recycled DEGF capital receipts. Future loan principal repayments would then repay this fund.

Legal implications

- 8.1 The due diligence exercise will identify that the award will be suitably protected and compliant with the scheme rules. If this is not the case then additional legal advice will be sought to ensure the transaction will remain statutorily compliant.

Other significant implications

- 9.1 n/a

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Olu Idowu, Head of Legal Services	16/12/19
Finance	Toni Nash, Head of Finance	16/12/19
	Amanda Fletcher, Head of Finance for Communities and Place	16/12/19
Service Director(s)	Greg Jennings, Director of City Development & Growth	13/12/19
Report sponsor Other(s)		

Background papers:
List of appendices: