

# DERBYSHIRE COUNTY COUNCIL

## D2 JOINT COMMITTEE FOR ECONOMIC PROSPERITY

### UK Shared Prosperity Fund: Joint Working and Funded Delivery

#### **(1) Purpose of Report**

- 1.1 To provide the Joint Committee with an update on the proposed collaborative approach across D2 authorities for utilisation of the UK Shared Prosperity Funding (SPF) to support business and aid economic growth. The following proposals are set within the context of the proposed East Midlands County Combined Authority and the constraints of the SPF funding criteria.

#### **(2) Discussion/ Decision Required by the Derby and Derbyshire Joint Economic Prosperity Committee (D2JC)**

- 2.1 The D2 Joint Committee is requested to discuss the range of funding proposals set out in this report note implications for the Growth Hub and Visit Peak District and Derbyshire and confirm support for the allocation of SPF across the projects.
- 2.2 The Committee is also requested to consider and agree allocation of Retained Business Rates to support an extension to the Business Start Up grant.

#### **(3) Information and Assessment**

##### Background: UK Shared Prosperity Fund

- 3.1 The Government's SPF guidance states that one of its primary goals is to build pride of place and increase life chances across the UK. This also aligns with the Levelling Up White Paper (2022) Missions, and specifically Mission 9 which states: *'By 2030, pride in place, such as people's satisfaction with their town centre and engagement in local culture and community, will have risen in every area of the UK, with the gap between the top performing and other areas closing.'*
- 3.2 The SPF guidance confirms three investment priorities: Communities and Place; Supporting Local Business; and People and Skills. The City and district councils have each received an SPF allocation for the period up to the end of March 2025 to deliver projects under the three priority

themes. Where there are common areas of need across geographic areas, authorities are collaborating to ensure they maximise value for money and achieve successful delivery within the constraints of the SPF criteria.

- 3.3 Over recent years, Derby and Derbyshire has benefitted from the European funding (e.g. European Social Fund (ESF), European Regional Development Fund (ERDF) and European Agricultural Fund for Rural Development (EAFRD)) to deliver a range of business support programmes. However, European funding has now come to an end and Government's intention was that UKSPF would be used to support the programmes that local areas considered to be important in meeting economic or social need. Examples of the programmes funded through European money include De-Carbonise (providing energy efficiency audits and grant funding) and LEADER (supporting the rural economy).
- 3.4 Over the last five years, the D2 local authorities have also benefitted from activity funded through the shared Retained Business Rates pot which has included the Business Start Up programme, feasibility and other grants for capital works and skills support. The remaining balance in the Retained Business Rates pot is £932,289.
- 3.5 Through the Business, Economy and Place Workstream, the ten local authorities have worked hard to identify common proposals for the use of the SPF over the next two years, and to secure economies of scale either through joint commissioning and/ or joint delivery. It should be noted there is no single 'blanket' proposal covering every authority for each proposed programme – instead, a suite of options has been developed with the City and district authorities selecting the activity that best meets local need and priority.

#### Business Start-up

- 3.6 The Business Start Up project is currently funded through the Retained Business Rates pot and at the meeting on 16 March, 2023, the Committee will have previously considered a proposed extension to the timescale of the project from 30 June 2023 to 31 December 2023. It is anticipated this extension will expend all remaining monies allocated to the project (£1m). However, given the success of the scheme, discussions through the Business, Economy and Place Workstream have confirmed a strong commitment to continue the scheme beyond December 2023 and allocation of UKSPF provides the best opportunity to do so, and certainly in advance of any projects or programmes being developed through the proposed Combined Authority.

- 3.7 An assessment of costs to continue the Business Start Up programme has been undertaken and for the period 1<sup>st</sup> January 2024 (following utilisation of the Retained Business Rates) to 31<sup>st</sup> March 2025 (end of SPF period); it is estimated that £380,000 is required to fund the business advisers and project support officer. *NB: this is working on the basis of provision in High Peak, Amber Valley, Chesterfield, North East and South Derbyshire. Bolsover and Erewash have decided not to directly fund business start up through the joint approach to UKSP and instead, are looking at different approaches either through existing partnerships or local resources.*
- 3.8 As part of its SPF Investment Plan, Derby City is commissioning a range of business support services, including start-up, and has indicated welcome that a tender application from the current Vision Derbyshire Business Start Up team would be welcomed. At the time of writing, a tender has been submitted and feedback is awaited.
- 3.9 The relevant contributions required to continue the joint (Vision Derbyshire) approach to business advisers has been identified in the authorities' UKSPF Investment Plans. Subject to agreement of the approach by the Joint Committee, the details of the approach will be refined to ensure continued delivery of the programme from 1<sup>st</sup> January 2024 to 31<sup>st</sup> March 2025 and will include an extended Memorandum of Understanding. An update report brought back to the Joint Committee at a future meeting.
- 3.10 Although the provision of support and advice through the work of the business advisers has been one of the most successful elements of the scheme to date, the take up of start up grants is also now starting to increase.
- 3.11 For the period beyond December 2023, it is proposed to extend the start up grant pot through accessing some of the remaining funds from the Retained Business Rates pot; £245,000 is proposed to be allocated for this purpose. This would have two benefits:
- All authorities have contributed to the Retained Business Rates pot and therefore should/ would be able to access the grant pot, irrespective of whether they have utilised SPF to fund an adviser (as there will be a start-up business advisor in all authority areas one form or another).
  - Utilising Retained Business Rates to provide the grant funding means the amount needed from UKSPF is less and the money can be spread over other projects but means the start up project will still deliver the same outputs.

3.12 It is proposed the UKSPF- funded advisers and the whole business start up grant continues to be managed by Derbyshire County Council through the existing arrangements previously approved by the Joint Committee (*NB: this proposal would be subject to approval by DCC Cabinet*). It is considered this approach would provide consistency for the businesses and partners working within the scheme – specifically the external grant assessor who has built up considerable knowledge and understanding of the local economy over the first two years of the programme (this proposal would be subject to the performance review and potential extension of the existing contract).

#### De-carbonise scheme

3.13 The previously EU-funded ‘De-Carbonise’ scheme supported businesses across the D2 area to access energy efficiency audits and subsequent capital grant funding to improve the physical condition of their buildings and drive lower carbon emissions (e.g. through double glazing, solar panels, more efficient plant and machinery). The project has now closed but was highly successful – particularly as businesses spotted the opportunity to reduce their energy bills and tackling rising fuel prices at the back end of the project period.

3.14 Through discussions in the Business, Economy and Place Workstream, authorities have considered the opportunity presented by SPF to continue funding a similar project and as a result, several districts have agreed to do so and create a new de-carbonise scheme. *NB: some have allocated funding only towards undertaking energy audits with businesses, whilst others have also put forward an allocation to operate a grant scheme for de-carbonise projects based upon those audits.*

3.15 The participating districts and boroughs are:

| <b>District/Borough</b> | <b>Energy Audits</b> | <b>Grant Scheme</b> | <b>TOTAL</b>    |
|-------------------------|----------------------|---------------------|-----------------|
| Amber Valley            | £77,969              | £0                  | <b>£77,969</b>  |
| Chesterfield            | £58,000              | £150,000            | <b>£208,000</b> |
| Derbyshire Dales        | £57,970              | £88,235             | <b>£146,205</b> |
| High Peak               | £100,000             | £0                  | <b>£100,000</b> |
| North East Derbyshire   | £75,000              | £0                  | <b>£75,000</b>  |
| South Derbyshire        | £59,000              | £149,000            | <b>£208,000</b> |

*NB: Bolsover District Council, Erewash Borough Council and Derby City Council have opted out of the scheme*

- 3.16 In order to secure economies of scale, those districts that have opted into the scheme have requested that overall management is undertaken by Derbyshire County Council; this would also include the Council undertaking the procurement process for appointing an organisation(s) to operate both the energy audits and the grant scheme, as well as manage the relationship with that organisation when they are appointed. The Joint Committee is advised that further work is required to fully understand the budget, fees and outputs required for the scheme - to help support this work, a draft project initiation document (PID) has been created and shared with participating districts and boroughs. It should be noted that separate approval from DCC's Cabinet would be required to confirm the arrangements.
- 3.17 Discussion has been taking place over a period of time to develop the De-Carbonise proposals and specific consideration has been given to potential alignment with the existing Green Entrepreneurs Fund (GEF), operated and funded directly by the County Council. Previously, the GEF had not offered grants for the installation of energy efficiency measures to buildings as this had been covered by the original, EU funded De-Carbonise scheme. However, this work has drawn to a close, demand from business for support in moving to net zero has increased and the Green Entrepreneurs Fund has changed its criteria to include support for low carbon capital measures such as solar panels, EV charging etc.
- 3.18 In considering how best to bring forward a new De-Carbonise project, two delivery options were considered:

#### Option 1 – New Scheme

- 3.19 This option was to create a stand alone project, separately established and managed from existing activity. A procurement exercise would be taken to secure an organisation to complete energy audits for the applicant business and provide them with a report listing potential interventions. The business would then apply to a separate funding scheme for the capital works - or potentially to the Green Entrepreneurs Fund. The disadvantage of this approach is the duplication in grants scheme which could be confusing to businesses (the GEF grant scheme criteria has been recently amended to cover low carbon capital measures such as solar panels, EV charging and so on) and also the down time it would take to undertake procurement and create new delivery and governance mechanisms.

## Option 2 – Extend the Existing Derbyshire County Council Green Entrepreneurs Fund Scheme

- 3.20 In this option, a procurement exercise would be undertaken to secure an independent organisation to complete energy audits. The business would then apply via the Green Entrepreneurs Fund mechanism to access funding for the capital works required. Those authorities that have provided capital funding to the scheme would have a ring-fenced pot available for the businesses in their area. This approach has the benefit of being much less confusing for businesses, providing a single point of entry for low carbon grants in Derbyshire. Careful consideration would need to be given to marketing and promotional material to ensure eligibility criteria were clear to businesses due to the varying levels of funding on offer.
- 3.21 Following discussion, the preferred option recommended by the Business, Economy and Place workstream is to extend the mechanisms linked to the Green Entrepreneur's Fund Small Grant Scheme (the element of the scheme that funds de-carbonise projects to businesses), rather than to set up a similar, competing scheme. Initial discussion has taken place with members of the GEF Board and there is in principle support for the proposal.
- 3.22 However, to be fully effective, there are a number of issues which require further consideration. These include:
- Procurement of the energy efficiency audits
  - Membership of the GEF Board – to ensure funders are adequately represented
  - Ensuring appropriate financial checks and balances to ring fence SPF monies and ensure it is spent solely within the corresponding district
  - Similar checks and balances to ring fence recording of outputs
  - Ensuring appropriate management and project support resources are in place and costs are covered.
  - Amendments to existing arrangements such as contract with the University of Derby, Board meetings, finance processes etc
- 3.23 However, despite the above, it still is felt that extending the GEF would be less time-consuming and problematic than setting up a new and separate audit and grant scheme. These issues are not insurmountable and through continuing the partnership working that has been demonstrated already, it is considered these issues can be suitably resolved.

- 3.24 If this method of operating the grant scheme is approved, then it would only be the energy audit element of the project that would be tendered for.

### Growth Hub

- 3.25 The D2N2 Growth Hub provides a single point of access to expert advisers offering support to businesses through a dedicated telephone enquiry service and signposting to other initiatives and resources. The Hub ensures economies of scale through a consolidated offer that would be costly and resource intensive if provided by individual authorities
- 3.26 Currently, it is funded by ERDF but this will end on 30th June 2023 and at the time of writing, there is no clarity on whether the Growth Hub will receive its annual allocation of core funding from the Department of Business and Trade (formerly BEIS) for 2023/24; consideration is likely to be given to the level of progress of the proposed Combined Authority. If some core funding *is* provided from Government beyond this date, there could be an opportunity for the Hub to offer low-level, centralised business support activity for the benefit of all districts and boroughs but 'added value' services such as dedicated advisers for localities, tailored workshops and other support would not be deliverable.
- 3.27 However, even if core funding comes forward, it is likely there won't be sufficient money to cover all required services and the Growth Hub has advised that access to SPF is necessary to ensure services can be provided at sufficient scale to serve the demand from local SMEs.
- 3.28 In June 2022, members of the Growth Hub Executive Group coordinated a pitch/offer with transparent costings for each of the 17 local SPF authorities across D2N2. The proposed costs were based on the proportion of the D2N2 business base in their area. The offer was for a centralised, core Growth Hub service based at East Midlands Chamber, to include frontline enquiry service, dedicated adviser resources for localities, events and workshops, tailored support to SMEs for digital, net zero and access to finance priorities.
- 3.29 Recently, Derbyshire authorities requested further cost details to see if there were opportunities for services to be tailored to their own area and fit within available SPF budget. They also requested data showing the level of Growth Hub activity in their area since April 2019. In response to this range of queries – and as a current core delivery partner and future host of the service - East Midlands Chamber is currently revising the Growth Hub cost proposals to provide greater flexibility and clarity.

- 3.30 Nottinghamshire authorities have agreed jointly commissioning some Growth Hub activity where there is benefit of delivering at scale and this could involve a call-off framework approach - although details are to be defined.
- 3.31 Local authorities in Derbyshire have expressed an interest in having similar discussions with the Growth Hub focused on a 'Derbyshire only' approach. Currently though, Derbyshire authorities are awaiting the updated cost plan from D2N2 Growth Hub which it is hoped will explain what services would be provided at what cost as per the interventions listed in 3.26. Until this work is completed, there is no confirmed position on the use of SPF to fund the Growth Hub from Derbyshire authorities.

#### Visit Peak District and Derbyshire (VPDD)

- 3.32 None of the local authorities have explicitly identified VPDD as a recipient of UKSPF in their Investment Plans, although a few have identified the visitor economy as a priority sector for some targeted funding.
- 3.33 VPDD has previously secured ERDF monies to deliver visitor economy projects through targeted business support schemes including: *Growing and Developing the Visitor Economy within Derbyshire*.
- 3.34 This programme ran from Sept 2017 to March 2023 with a contract value of £2.6m and focused on supporting businesses in sector-specific initiatives and identified growth areas (aligning with national policy – and national objectives highlighted in the Visit England's Tourism Plan). These included:
- Digital skills/ improving websites - (real time book ability)
  - Net Zero best practice – sustainable tourism (extending the season, improving business efficiency and bottom-line savings, green tourism business accreditations to market your business with etc.)
  - Accessibility – best practice – accessible champions – marketing to this audience (this sector has an annual tourism value of £12bn)
  - International – encouraging businesses to work with the international travel trade (the overseas value to England is £29bn – and is our 3rd most successful service sector export)
  - Pedal Peak – encouraging cycle friendly best practice
  - Market Towns – connecting local people with high streets – supported the food and drink sector with a dedicated food and drink campaign in 2018/19. Also supported local artisans/makers and we have taken 50 makers to Chatsworth County Fair in 2018,



2019 and again in 2022 (a handful are now permanent suppliers of the Chatsworth gift shop/farm shop).

3.35 As the European funding is now at an end, the programme will not be able to be delivered by VPDD without additional funding – e.g. from SPF.

#### **4. Recommendations**

4.1 That the D2 Joint Committee:

- a) Agrees the approach set out in paragraphs 3.6 to 3.12 to further extend the Business Start Up programme over the period 1 January 2024 to 31 March 2025 through the use of allocated SPF to fund business advisers, management costs and project support, and notes the submission of a tender to support delivery in Derby City.
- b) Approves the allocation of £245,000 from the shared Retained Business Rate pot to extend the Business Start Up grant for the period 1<sup>st</sup> January 2024 to 31 March 2025.
- c) Supports DCC to continue leadership and management of the extended business start-up scheme for the period to the end of March 2025.
- d) Notes the discussions and progress that have been made to develop an extended De-Carbonise UKSPF project.
- e) Approves Option 2 as the preferred approach to delivering a De-Carbonise scheme and commissions officers to undertake the work required to finalise arrangements, including addressing the issues set out at paragraph 3.22.
- f) Agrees that update reports for Business Start Up and De-Carbonise be brought back to Committee as appropriate.
- g) Notes the current position of Growth Hub and Visit Peak District and Derbyshire in relation to UKSPF and considers if any further work is required.