

D2 JOINT COMMITTEE FOR ECONOMIC PROSPERITY

Business Start-Up Scheme: Progress Report

1.0 Purpose of Report

- 1.1 To provide an update on the Business Start-Up Scheme, including commentary on the scheme's progress compared to pertinent national statistics and client testimonials.
- 1.2 To provide an overview of the costs associated with the assessment, approval, issue and monitoring of Start-Up grants and to set out the need for an administration fee to be charged to cover the administration costs for work on behalf of some local authorities.

2.0 Decision Required by the Derby & Derbyshire Joint Economic Prosperity Committee (D2JC)

2.1 The Joint Committee is requested to:

- a) **Discuss the strong and continued progress of the Start-Up scheme and consider the value of the scheme as a potential area of future activity in the proposed East Midlands County Combined Authority.**
- b) **Make a decision on the commissioning of further analysis to understand applicant type and potential implications/opportunities of the scheme in addressing wider economic challenges**
- c) **Consider and decide that further work be undertaken to assess the amount of administration fee to be applied to work undertaken on behalf of Bolsover DC, Erewash BC and Derby CC.**

3.0 Progress Update

- 3.1 This programme of work continues to go from strength to strength and remains one of the most successful projects run by the Joint Committee.
- 3.2 Over **1000** potential new entrepreneurs have now been enrolled which has surpassed our early expectations and targets set at the outset of the programme. The table below sets out the number of registered clients to

date and clearly demonstrates the continuing high level of interest in the scheme, despite the challenging economic environment.

AREA	TOTAL	Amber Valley	South Derbyshire	Derbyshire Dales	Bolsover	Derby	High Peak	Erewash	Chesterfield	North East Derbyshire	Out of Area
Live	440	48	46	50	56	35	54	9	41	99	0
Dormant	204	40	50	4	15	51	10	11	19	3	1
Closed - Dead	150	4	35	33	0	16	48	2	11	1	0
Closed - Success	263	25	26	46	1	42	16	18	83	4	2
TOTAL	1057	117	157	133	72	144	128	40	154	107	3

3.3 As of 10 November 2023, the following outputs had been achieved:

- **1057** clients have received advice from a Business Adviser
- **440** of those are “live” or actively being supported with advice and being guided through the grant application process.
- **204** are “dormant” where the client has received some initial advice and then opted to take time to further research and develop their business ideas and plans. *It is anticipated many of these will progress and become live again.*

3.4 The remaining enquiries have now been either closed (often having successfully concluded the advice process) or referred to other schemes/organisations such as the Green Entrepreneurs Fund or D2N2 for further support.

3.5 The table also shows the level of activity across each geographical area. Members will recall the project is working slightly differently with the Erewash Partnership who is working with clients to get them grant-ready, as the district already has support in place for start-ups.

Financial Position

3.6 The original allocation of funding from the retained business rates (RBR) monies was £1m; an additional sum of £245,000 was approved by the D2 Joint Committee at its meeting on 8th June 2023, creating a total available pot of £1.245m

3.7 The spend to date (as of 10th November 2023) is **£752,993.17**, leaving **£247,006.83** of the original £1m fund available; the planned spend date for all monies was end of December 2023, however, due to the on-going success and demand, an extension has been agreed until the end of UKSPF (March 2025).

- 3.8 Forecast spend to the end of the calendar year, including staff costs, appraiser costs, evaluation and allocated grant funds yet to be claimed is a further **£192,580.38**. The total grant applications currently in appraisal have a value of **£99,328.92**. If all of these are approved, the scheme will need to allocate **£44,902.47** from the £245,000 D2 RBR funds, leaving **£200,097.53** in the business start up grant; this sits alongside the additional **£435,899** that has been committed by six local authorities from their individual SPF allocations to support the extension of the scheme.

Grant Applications

- 3.9 The project has awarded 100 grants with a combined value of **£349,767.78**; as noted above, applications totalling a further **£99,328.92** are currently in the process of appraisal. The level of client (private sector) investment released by the grants awarded is **£485,668.47** with a client project investment total of **£835,456.25**.
- 3.10 The type of applications coming forward have always includes proposals for businesses such as florists, personal trainers, cafes, bakeries, dog groomers etc. However, in recent months more novel and innovative start up proposals have emerged such as holiday lodges, artisan makers (such craft chocolate maker, fleeces for horses).

Testimonials

- 3.11 The scheme continues to receive exceptionally positive feedback and referrals from the clients. A selection of these is included for reference in the attached Appendix 1.

Setting the Approach within the Broader Economy and Demographics

- 3.12 As the business start up scheme has now been operating for two years, it was felt timely to understand some of the key factors/ impacts of the programme within the context of the wider economic environment. This will provide the Committee with a view of effectiveness and value which should be considered within the context of the proposed EMCCA and the potential for a similar programme to be developed.
- 3.13 Nationally, the self-employed population as at the 2nd quarter of 2023 (Statista 2023) identified as 36% female and 64% male: for the D2 start up scheme, 52% of enquiries have come from individuals who identify as female entrepreneurs and 48% male. Whilst for some of these entrepreneurs, setting up a new business has been seen as a necessity having been made redundant post COVID, others have been seeking

greater control over working hours, more choice of where to work and a better work-life balance. This ties into the headlines of the economic assessment presented to the Joint Committee in September this year which confirmed that the numbers of economically inactive people across D2 is a major risk to growth; encouraging a return to work is seen a key element in driving productivity and GVA uplift. Although start ups are typically solo operators, the positive message here is that we do have a work force that is entrepreneurial and willing to be actively engaged.

- 3.14 Also, over 23% of enquiries received have been from residents over the age of 50 - the age bracket reported to be most economically inactive post COVID. These clients have either wanted to explore setting up a new business which enables them to pursue an unfulfilled passion or to utilise their skill set to generate revenue whilst having greater control over their working conditions.
- 3.15 There have been consistent attempts to ensure that people from all ethnicities have been reached through promotional activity and this has had measurably positive outcomes. For example, in the county area, 10% of enquiries have come from people who identify as being Non-White British, whereas these residents represent only 6% of county's population (Census 2021, ONS). In Derby City, the percentage of enquiries received from Non-White British is much higher at 38% which compares favourably with the 34% of the City's residents who identify themselves as such.
- 3.16 The scheme has clearly been successful in reaching some of the more under-represented groups and based on the table at paragraph 2, is providing opportunities across the whole D2 area. Further exploration of applicant post codes would be an interesting area to test to assess whether rurality is key factor in start up, along with greater understanding around demand for premises – whether these are predominantly home-based/ 'location agnostic' or whether the start ups are generating demand in high streets and town centres. This further analysis will have import in helping understand the longer-term value of the start up addressing some of our other challenges around market town renewal and rural deprivation.

4.0 Understanding Administrative Costs: Overview

- 4.1 As the start up scheme has continued to evolve over recent months, with six of the local authorities asking to align Shared Prosperity Funding (SPF) to the programme, it is important that the full costs of support, advice and administration are understood, particularly as three of the authorities (Bolsover, Erewash and Derby City are not aligning SPF to the grant scheme). This allows for more accurate recording of value for

money activity – and ensures that each local authority is able to understand the costs of its elements of the scheme.

4.2 A breakdown of the actual grant process is provided below. To ensure each grant application submitted through the Business Start Up application portal is rigorously reviewed it is subject to several checks as part of the assessment and approval process. These are:

- The Business Adviser checks and supports submission of the application - average 5 hours.
- The Assessor evaluates the application and prepares a recommendation report for the Approval Panel to consider – average of 8 hours per application.
- The Members of the Approval Panel review the application and approve/reject the application - average of 1 hour per panel member- total 5 hours.
- The Project Officer (DCC) liaises with the applicant and raises the Grant Funding Agreement – 1 hour.
- The (DCC) Assistant Director approves Grant Funding Agreement and subsequent claim payments – 0.33 hour.
- The (DCC) Project Officer processes claim(s) – between 1 and 2 hours depending on number and complexity of claims.
- The (DCC) Project Administrator processes payments – 1 hour.
- Business Adviser/Project Officer issues, collates and reviews monitoring reports – 1 hour.

All the above activity has a cost attributable to it and depending on which bit of the scheme local authorities are engaging in (through alignment of SPF), will impact on their 'draw' on the administrative process.

4.3 The Joint Committee will recall that six local authorities (Amber Valley, Chesterfield, Derbyshire Dales, High Peak, North East Derbyshire, and South Derbyshire) have advised they wish to extend the Business Start-Up scheme and have confirmed their financial contributions to the running of the scheme using their allocated UKSPF funding and will have 0.5 FTE of a Business Adviser supporting pre-start and start-up businesses in their areas from January 2024 to March 2025. These authorities are also using UKSPF monies to provide Start-Up grants in their areas which will be ringfenced and only be available to approved applications from the relevant geography.

4.4 Bolsover, Erewash and Derby City have decided not to participate in the extension of Start-Up scheme but have requested continued access to the element of the Grant funded through the retained business rates.

4.5 To ensure all administration costs are covered across the whole grant and business support process, a piece of work is being undertaken by the County Council's Economy and Regeneration Service (which hosts the scheme) to understand what charges may need to be apportioned to this activity. It is likely that a small administration fee will be required – applicable to the three non-SPF authorities.

6.0 Recommendations

6.1 It is recommended that the D2 Joint Committee:

- a) **Notes the strong and continued progress of the Start-Up scheme, considers and confirms the value of the scheme as a potential area of future activity in the proposed East Midlands County Combined Authority.**
- b) **Commissions further analysis of the demographic and economic context of applicants to understand the potential benefits/opportunities of the scheme in addressing wider economic challenges**
- c) **Agrees that further work be undertaken to complete the assessment of administrative costs to be applied to work undertaken on behalf of Bolsover DC, Erewash BC and Derby CC and delegates sign off of the fee to the project sponsor, Cllr Gilby.**