

D2 JOINT COMMITTEE FOR ECONOMIC PROSPERITY

UPDATE AND NEXT STEPS ON D2 RETAINED BUSINESS RATES PILOT FUND

(1) Purpose of Report

- 1.1 This report provides a comprehensive update on the Retained Business Rates pooled fund that is currently managed by the Joint Committee, including progress against key strands of spend, setting out change requests for previously approved allocations and confirmation of the total funds remaining.
- 1.2 The report also sets out the changing context regarding the development of a new Strategic Leadership Board (SLB) and the proposed transfer of the remaining Retained Business Rates to the new SLB Joint Committee

2.0 Discussion/Decision Required by the Meeting

2.1 The Committee is requested to:

- a) Discuss the current position and strong progress made on all areas of spend supported by the retained business rates fund and note the quantum of available, remaining funds**
- b) Consider and agree the best approach for dealing with the change requests for the Economic Growth Fund**
- c) Make a decision on the proposed transfer of the remainder Retained Business Rates to the new Strategic Leadership Board to support on-going work**

(3) Information and Analysis Update

- 3.1 Members will recall that back in 2018, D2 was successful in its bid to become a retained business rate (RBR) pilot. Through negotiation with Government, the total value of the pilot fund was approximately £27m and s151 officers from across the 10 local authorities agreed the approach for dissemination, with 70% of the monies being retained by the individual authorities and approximately 30% (£7.3 million) being aligned to support economic growth under the strategic direction of the D2 Joint Committee.

3.2 The Committee commissioned economic development leads from across the D2 authorities to develop proposals for the allocation and management of the £7.3m fund. The approach was based primarily on an 'invest to generate' model set within the clear context of helping drive further economic growth across the county; agreed objectives for use of the fund were to:

- Ensure the pilot demonstrates alignment to the original business case – focused on Derbyshire's economic profile and mix of SMEs/ tier 1 industries, employment rate and growth potential.
- Utilise the fund on an 'invest to generate' basis to bring about greater business rate benefit either quicker or to a greater extent..
- Protect, support and retain existing businesses alongside generating/ attracting new business.
- Fund projects that other funding programmes broadly, do not reach – which may include supporting some longer-term projects with potentially indirect benefits.
- Create a methodology that will assess 'what uplift in business rates the project/ proposal will deliver' and endorse Green Book principles.
- Ensure maturity, flexibility and proportionality in the application of any assessment criteria, depending on the size and nature of projects – and is mature and flexible enough to cope with different sorts of projects.
- Ensure a good geographical spread of projects across the county and across the rural/ urban dynamic so that all areas benefit from growth and enhanced business rate returns.
- Make sure the 'right things got done', rather than creating a framework that only promotes/ supports certain types of projects. This includes using the fund to address some elements of current market failure

3.3 Since this time, the economic development leads (led primarily through the Business and Economy Workstream) have developed and delivered a number of proposals, utilising the Retained Business Rates (RBR) fund. This Joint Committee has received a number of intermittent reports regarding such proposals and progress on spend against the RBR.

3.4 This report, and complementary reports on the agenda, provides the most up to date position on these programmes of work and highlights the value of non-ringfenced investment funds in responding to economic conditions and supporting growth. As proposals for the East Midlands County Combined Authority (EMCCA) continue to progress, the Committee may wish to consider whether there is value and scope

for creating a similar investment fund or work programmes as part of any new arrangements.

3.5 In summary, the £7.3m RBR has been used to fund a total of 23 projects. Initially, it was intended the Economic Growth Fund programme would be the sole recipient of the RBR but under-spend against the programme has provided opportunities for other work to be funded.

3.6 The table below provides an overview of the allocations and spend profile to date for each of the programmes and projects funded by the RBR. The remainder of this report deals with the RBR Economic Growth Fund which has provided support to a programme of capital works across the D2 geography; other reports on the Committee's agenda provide similar updates.

Economic Growth Fund

Programme/ Project Area	Original Allocation	Contracted Spend
• Strand 1: Business support	£1.418m	£1.282m
• Strand 2: Enabling Future Delivery	£0.886m	£0.658
• Strand 3: Impact	£4.9m	£3.2m
Total	£7.386m	£5.14m

Other Workstreams- additional commitments from main allocation

Programme/ Project Area	Allocation	Spend to date
Business Start Up	£1m Additional £0.245m confirmed Sept 2023	£0.753m
Business Festivals	£0.043m	£0.043m
Renewable Energy study	£0.013m	£0.013m
Total	£1.3m	£0.809m

Economic Growth Fund

- 3.8 In May 2018, this Joint Committee agreed to establish an initial £8.2m (figures later confirmed as £7.3m) Economic Growth Fund focused around three strands of work made up of the following:
- **Business support grant – £1.418m scheme** offering grants between £2,000 and £25,000 and managed by Derby City. The scheme has sought to support existing D2 businesses to survive, expand, evolve or relocate, helping create increased investment, job creation and business rates across the county and city. It was considered this area of activity would not duplicate contemporary grant schemes but would provide an alternative source of funding to SMEs where smaller capital and revenue grants are required.
 - **Enabling Future Delivery – £0.886m ‘enabling fund’**, managed by Derbyshire County Council, to grant monies that bring forward well-considered and deliverable projects capable of providing an uplift to business rates in future years. Essentially, focused on pump priming future development, including feasibility studies and other pre compliance work. Importantly, this strand has funded work that other grants streams weren’t able to support i.e. early stages of business case development. No upper or lower limit of grant was set for this strand.
 - **Economic Impact – £4.9m strand**, managed by Derbyshire County Council, focused on supporting direct business rate retention or uplift. Mostly capital projects (assessed around ‘green book’ appraisals) that have an obvious, direct impact on business rate uplift and those which are likely to be equally important but where economic impact is not direct (e.g. improvements to quality of place and ensuring attractiveness to inward investment) and therefore have a more challenging test on return on investment.
- 3.9 An Investment Panel was established made up of senior officers from across the D2 local authorities to consider the grant applications for Strands 2 and 3; this was managed by Derbyshire County Council and supported by an external, independent assessor. In relation to Strand 1, Derby City managed the grant application process and also put in place and independent assessment process. Due to the allocations having been completed, these assessment panels haven’t met for some time.

3.10 The remainder of this report focuses on the achievements of the projects allocated funding through Strands 1, 2 and 3 of the Economic Growth Fund and sets out a number of projects where requests for funding changes/extensions are being put forward by the applicant.

Strand 1: Derbyshire Business Support Grant Scheme

3.11 The objective of this £1.481m Strand was to support existing D2 businesses to survive, expand or relocate. The grant scheme was targeted at helping create increased investment, job creation and business rates across the county and city. The level of grant available to individual businesses was between £2,000 and £50,000.

3.12 The original scheme timeframe was extended in response to business hesitancy either because of Brexit or Covid and therefore ran from 2019 to 2021. The scheme paid out the final grant award in March 2021. When the scheme closed the total amount paid out in grants, plus the management and administration costs for the scheme totalled £1,110,173. The outputs achieved included:

- Number of Business Supported - 47
- Job Creation – 115 FTE
- Private Sector Leverage - £2,031,525
- Turnover Growth - £3,934,524

3.13 The value of grants came to £958,121 with the following value for money metrics confirmed:

- Cost per job - £8,331
- For every £1 spent £2 of private sector money was invested
- Turnover growth increased by £3.9m across the 2+ years of the project. This was constrained as operation of the grant scheme ran at the time of the pandemic therefore many businesses were closed or offered a much-reduced service / sales during this period.

3.14 In January 2020, it was agreed to allocate £171,819 of underspend in this Strand to extend delivery of the D2 Business Starter Programme (D2BSP), delivered by the East Midlands Chamber. The programme extension focused on more deprived areas in D2 that consistently have a lower-than-average level of entrepreneurship and self-employment and aimed to help residents develop their skills and confidence and test their business ideas.

3.15 D2BSP clients had access to the following services delivered in a flexible way to meet the individual needs of the clients, in community-based settings across Derby and Derbyshire:

- A Programme of dedicated workshops
- One-to-one coaching and mentoring
- Events, business surgeries & networking
- Facilitated peer networking support through a private Facebook community

3.16 The cost to fund Phase 2 from 1 September 2020 to 31 March 2022 was £256,446. A contribution of £84,627 was provided by East Midlands Chamber with the remaining £171,819 funded from the allocated retained business rates pot.

3.17 The following outputs were contracted through a Service Level Agreement between Derby City Council and East Midlands Chamber:

- 180 new residents registered and receiving support
- 60 new start-up businesses created
- 80 new jobs created

3.18 The learning and outcomes from these programmes have been taken forward where possible into respective Shared Prosperity Fund programmes across the D2 area.

Strand 2: Enabling Future Delivery

3.19 The table below provides an overview of the total amount of activity against this strand of funding, followed by a position statement in respect of the individual projects.

Number of Projects	Funding Contracted	Funding Expenditure	Funding remaining for projects not yet complete	Underspend
13	£658,150	£448,145.81*	£25,444*	£154,561**

**Currently no update from Connecting Growth Derby project
£25k of approval waiting from JC*

In relation to the underspend amount, all money has been previously allocated but not yet spent or needed to be spent (project has come in under allocation)

3.20 Project Updates are provided in the table below:

Lead Authority	Allocated	Spend	Comments
Eckington and Killamarsh Locality Reviews			
<u>NEDDC</u>	<u>40,000</u>	<u>35,587</u>	Completed. Locality Reviews completed for Eckington and Killamarsh. Led to Council funding further works on both town centres to create full Masterplans. Eckington Masterplan was used as the basis for a LUF Round 2 bid.
Dales Central Area Workspace			
<u>DDDC</u>	<u>18,000</u>	<u>7,740</u>	Not complete. Consultancy work on Feasibility Study remains on hold. Landholder engagement restarted August 2023 and progressing. Development appraisal reflecting abnormal costs still to be agreed between applicant and DV
Coalite Innovation Park Feasibility Study			
<u>BDC</u>	<u>31,500</u>	<u>30,688</u>	Completed. Feasibility Study completed. Study to be used to help ongoing marketing and development of the Coalite site and will help deliver on the identified objectives: Accelerate delivery of an Innovation Park; Create circa 1,500 new jobs; Address matters relating to phasing, deliverability and funding of Innovation Park.
Glossop Gateway			
<u>HPBC</u>	<u>40,000</u>	<u>34,597.78</u>	Not complete. Masterplan element of the project was completed by Aecom in December 2020. However, the Local Impact Report for Highways England element has not been fully completed and is still in draft (done in January 2022). This is on hold until the DCO application is resolved. This has been challenged with a court hearing in October 2023.
Creswell Station			
<u>BDC</u>	<u>13,500</u>	<u>13.351</u>	Completed. Final study completed. Study was to examine the possibility of using the disused Creswell Station as a Business Centre. Public funding is required to bring the project forward. The completed study will be used to help inform future funding applications.
South Normanton			

<u>BDC</u>	<u>13,500</u>	<u>0</u>	<p>Not complete. Original Feasibility Study to create a public space in the Market Square. Concerns were raised about traffic. In March 2022 approval given to use money to fund shopfront improvements in South Normanton, which would deliver approximately 7 shops improved. In October 2023 BDC received approximately £20k of Arts Council funding for a feasibility study to create a Creative Hub. This would need an assessment of the current state of the creative industry sector in the district. A consultant for this has been identified.</p> <p>Change request: BDC request to use the funding for this piece of work</p>
<u>DRIVE</u>			
<u>CBC</u>	<u>45,000</u>	<u>45,000</u>	Completed. Feasibility Study completed. Project has progressed and now forms part of the Staveley Town Deal delivery plan. Project is currently at RIBA stage 4, with an expected completion date of October 2025.
<u>Development of Land for incubation and start up</u>			
<u>AVBC</u>	<u>30,000</u>	<u>30,000</u>	Completed. Feasibility Study Concluded in September 2020. Study looked at 2 sites for potential incubation units. Site A - the developer moved forward with a different scheme. Site B had protracted legal and environmental factors that meant it could not be brought forward. Therefore, the Feasibility Study could not recommend a site
Lead Authority	Allocated	Spent	Update
<u>Visit, sleep, cycle, repeat</u>			
<u>DCC</u>	<u>27,000</u>	<u>17,219</u>	Not complete. A consultant has been procured to undertake study. Study delayed due to Covid-19 pandemic. Study re-started in June 2022 with marketing workshops related to the creation of green triangle. Consultees provided a mixed response and some partners have begun to market on their own. Marketing work to be completed by March 2024
<u>South Derby Growth Zone</u>			
<u>Derby City</u>	<u>150,000</u>	<u>150,000</u>	Completed. Funding part contributed to the development of a Housing Infrastructure Fund

			(HIF) business case to deliver SDGZ/IGV including a new A50 junction connecting Infinity Park with IGV housing. Unfortunately, the HIF app was unsuccessful, but the project has since gone on to secure £49.6m of Levelling Up funding subject to completion of a further business case. A slight change to the project has seen Celanese Urban Village being repurposed to become Smartparc food manufacturing, distribution and logistics.
Connecting Growth, Derby			
<u>Derby City</u>	<u>30,000</u>	<u>TBC</u>	<u>TBC</u>
Infinity Park, Derby			
<u>Derby City</u>	<u>185,000</u>	<u>49,462</u>	Completed. All work on the Nuclear Advanced Manufacturing Research Centre (NAMRC) is completed with the Centre now completed and occupied. In lieu of a skills needs assessment, and in response to a massive growth in skills demand for the nuclear sector, the iHub has been repurposed as the Nuclear Skills Academy. Derby CC have begun work on iHub Phase II and are in the process of acquiring a site for the building. They propose that the remaining BRRP money is used to fund a feasibility study for this.
Ilkeston Gateway and Flood Risk Mitigation Assessment			
<u>EBC</u>	<u>34,650</u>	<u>34,500</u>	Completed. The final report was completed and delivered in March 2020. The study analysed flood risks in an enlarged study area and was successfully able to identify a preferred option for a flood mitigation scheme. The ultimate aim of the study was to unlock potential employment land in the Ilkeston Gateway Area.

Strand 3 – Delivering Economic Impact (nominal allocation of £5.6m)

3.21 The table below provides an overview of the current financial position

Number of Projects	Funding Contracted	Funding Expenditure	Funding remaining for projects not yet complete	Underspend
8	£3,203,424	£2,198,296	£683,491	£321,637

3.22 Project Updates are provided in the table below:

Lead Authority	Allocated	Spent	Update
Buxton Crescent			
HPBC	750,000	750,000	Completed. Hotel opened May 2021 comprising accommodation, spa, venue for events and a visitor information point and visitor attraction, 6 small boutique shop units. The University of Derby was providing Spa Management courses at the Hotel, but these have been stopped since 2022, due to a change in how the industry recognises qualifications. Construction of the site recorded 1,954 inducted to work on site and 1.2m person hours on site. The project has developed strong links with Chatsworth House.
Shirebrook shop front grant			
BDC	375,000	60,000	Not completed. By December 2022, a total of 4 businesses had received grants. In Jan 2023, BDC revisited the application process and streamlined it. Further 7 shops are in the process of having new frontages installed, with a combined spend between the 7 of £140,000, which will be claimed by end of March 2024. Change request: BDC proposing the scheme is extended to December 2024, and the underspend of £174,383 is used to fund the extension. Originally, the project aimed to undertake 50 shop front improvements. To date, 11 either have been completed or are in progress.
Chesterfield RHOC			
CBC	1,050,000	841,179	Not completed. Project aims to bring significant improvements to the Market Place in town centre. Since receiving the BRRP

			grant, CBC has made a successful Levelling Up bid, which has provided an additional £10m to the project and significantly expanded its scope and timeframes. The project is still being delivered and is currently at RIBA stage 4. CBC expects to go out to tender for contractors in December 2023, with work to start on site June 2024 and completed July 2025. The second element of the BRRP project included improvements to Elderway, Knifemithgate and Packers Row - all completed by September 2023. Current total combined project spend is £841,178.77 Change request: CBC is requesting an extension to the project to October 2025.
Swadlincote Depot			
SDDC	63,750	63,750	Completed. Original project was for the demolition works on the Swadlincote Depot site. This was amended to also include clearance works of redundant buildings on the Civic Hub site. Both sets of activity were completed in March 2020. Changes made to the end user. Originally, to be a mixed use development site, but changed to become 3 storey care home which opened in May 2022 and 8 x 2 bed retirement buildings. Most of the food and drink proposals met elsewhere in town.
De-carbonise			
County and City	224,904	224,904	Completed, Project was a partnership between Derby City and Derbyshire County Councils to provide a scheme that would provide both energy audits and de-carbonise funding to businesses in the area. Scheme has now closed and has achieved/ over achieved on all outputs. Outputs= providing 326 Energy Audits, saving 986 tonnes of carbon, awarding 125 grants to SMEs, saving SMEs £523k in energy costs and providing 2,049kWh of approved energy generating capacity. Scheme ended 31st March 2022.
Cathedral Green			
Derby City	319,770	319,770	Not started. Original project was to support development of office space within city centre. The project was delayed by Covid

			<p>which also presented challenges to the demand for such space. Led to Derby City cancelling the project in its original form. Change request: Council is now looking to spend the project on 2 alternative projects. The first is to find and develop the relationship with a development partner for the regeneration of key flagship areas. The second is the Market Hall Transformation Project.</p>
Retail diversification Project Make and Trade Zone			
Derby City	350,000	49,713	<p>Not completed. Feasibility Study was completed in September 2021, aligned to a D2N2 call for pipeline projects. Unfortunately, D2N2 did not receive expected capital funding. Delays due to the Covid and staffing changes have impacted the launch of the grant scheme aimed at creative tenants who are leaseholders to renovate/refurbish premises for their needs. This launched in October 2023 and has so far approved one grant of £30,000. The scheme aims to create 10 new artist studio spaces and support 30 creatives annually. Change request: Derby City is requesting an extension to the funding for this grant scheme.</p>
Visit, Sleep, Cycle Repeat 2			
DCC	70,000	68,133.04	<p>Completed. A total of four consultants were appointed to undertake four separate feasibility studies - Pleasley Hub Study, Accessibility Audit, Trails Audit and Camping Pod Study. The last was delayed slightly but all four were completed by the end of 2022. All 4 support the ongoing development of the Visit, Sleep, Cycle, Repeat programme, and are an important part of the emerging Business Case.</p>

Change Requests

3.23 Based on the above update, a number of projects are proposing change requests – either to timescales, outputs or funding. In summary, these are:

- Dales Central Area Workspace – request that remaining expenditure of £10,260 is extended to the end of quarter 2 in 2024/25 (September 2024).
- Shirebrook Shopfront Grant Scheme – request that the project is extended to the end of December 2024, and that the remaining underspend of £174,383 is used to fund the extension. Request that outputs are altered to allow 9 shop front schemes to be undertaken during the extension.
- Chesterfield RHOC – request that the project underspend and timeframe for expenditure is extended to October 2025, to align with the timeframes for Levelling Up.
- Retail Diversification Project Make and Trade Zone – requesting that the project underspend and timeframe for expenditure is extended to December 2024. Project will create 10 artist studios and support 30 creatives.
- South Normanton – request the project is allowed to be changed to fund a creative sector assessment study to assist an Arts Council project to undertake a feasibility study for a Creative Hub. Request for timescale extension - allocation still £13,500.
- Infinity Park Derby – request that the underspend from the project of £135,538 is used to fund a feasibility study for the iHub Phase 2 project. Request for timescale extension.
- Cathedral Green – request the project is changed to fund 2 alternative projects instead – obtaining a strategic development partner for key regeneration sites in the city (approximately £280,000) with the remaining funding being put towards a launch fund for a Market Hall Transformation Project. Requested that the project is extended to March 2025.

3.24 In total, the above requests represent a significant change to the funding allocations, timescales and scope of work originally approved so it is proposed the assessment panel be reconvened to undertake the assessment and provide recommendations back the Joint Committee (or new Strategic Leadership Board) in the new year. The panel is usually made up of senior officers so a chief executive representative is sought

to chair the panel, along with a number of other colleagues. Independent assessment will also be re-commissioned.

- 3.25 Having regard to the current level of flux in the delivery of some projects and requests for change, the current financial position of the RBR pool is as follows:

Activity	Value
Remaining Balance	£687,289
Underspends strand 2	£154,561
Underspends strand 3	£321,637
Sub total:	£1,163,487
Request for change request for projects	-£429,038
Total	£734,449

NB: This is assuming the timescales are extended for the projects listed above and they retain the allocation that was given to them.

4.0 Recommendations

4.1 It is recommended that the Joint Committee:

- Notes the current position and strong progress made on all areas of spend supported by the retained business rates fund.
- Notes the total spend and quantum of remaining funds currently estimated to be available across Strands 1, 2 and 3.
- Agrees the Assessment Panel be reconvened to consider the change requests for Strands 2 and 3 as set out in section 3 of the report and receive recommendations from the Panel at the next appropriate Committee meeting.
- Agrees to nominate a chief executive to chair the assessment panel and up to three other senior officers to support Derbyshire County Council in completing the assessment process.
- Agrees that an independent assessor be procured to assist the assessment process.
- Agree that any remaining funds from the Retained Business Rates pool be transferred to the new Strategic Leadership Board to support forward work, subject to such work being aligned to the original objectives of the RBR.