

Bolsover District Council

Executive

24th June 2019

Proposal for a second phase of the Business Growth Fund

Report of the Portfolio Holder - Partnerships and Transformation

This report is public

Purpose of the Report

- To outline the proposed criteria and delivery arrangements for a Bolsover Business Growth Fund Phase 2 programme, following approval from Executive in March 2019 to extend the scheme.

1. Report Details

Background

- 1.1 In March 2015 Bolsover District Council Executive took the decision to establish a Bolsover Business Growth Fund (BGF) and allocated £200,000 from Transformational Reserves to pilot a scheme over 24 months for areas ineligible for BNED LEADER funding.
- 1.2 The BGF was officially launched in 2016 and initially targeted businesses in areas that were not eligible for LEADER funding, i.e. Shirebrook, South Normanton and Bolsover. Following Executive approval in September 2017, however, eligibility for the fund was widened to include businesses from across the whole of the district.
- 1.3 The BGF has provided grants of between £1,000 and £10,000 and funded up to 90% of project costs. Grants have been awarded to businesses based upon their ability to achieve economic growth in terms of job creation and/or increases in turnover, and their overall contribution to the priorities of the Council.
- 1.4 Drivers and rationale for the creation of the BGF included:
 - Alignment with the Council's Growth Strategy as part of the business support offer and business start-up acceleration
 - Economic Development and Housing Strategy priority to maintain and grow the district's business base
 - A need for grant funding with lower match funding thresholds and smaller minimum grant levels to be more accessible to small medium enterprises (SMEs) within the district. The current level of micro businesses (employing up to 9 people) represents 87% of business counts in the

district with a further 10% being small businesses (employing between 10 -49 people)

Impact of the scheme

- 1.5 In March 2019, a report was taken to Executive providing an overview of the progress and impact achieved through the Business Growth Fund. Since the programme was launched in 2016, 24 businesses have been supported to generate 36 additional jobs (70% of target already achieved), and contribute to GVA growth by generating £3.5m increased turnover. The cost per job achieved equated to £7,820 which is significantly lower than the European funded LEADER programme benchmark of £25,000 per job created.
- 1.6 The report also included quotes from beneficiary businesses and an analysis of industry sectors which demonstrated alignment with the LEP priority sectors of the D2N2 and Sheffield City Region. Furthermore, it reported that need and demand for grant funding still exists amongst SMEs within the district with a current waiting list of business enquiries.
- 1.7 The outcome of that meeting was agreement by Executive to a second phase of the Bolsover Business Growth Fund programme and a request for a further report detailing the proposed criteria, cost, forecast outcomes and timescales to ensure continuity from the existing scheme.

Proposed continuation of BGF scheme

- 1.8 The sections below identify the key elements of the proposed scheme which are believed to be important in achieving success and delivering impact to local business growth. This is based on learning from the pilot programme as well as ensuring there is no duplication with other existing grant programmes (which either have much higher minimum thresholds or are over-subscribed and therefore unlikely to be accessible to SMEs within Bolsover district).

1.9 Scheme Overview:

The scheme will provide funding to Small Medium sized Enterprises (SMEs) towards capital or revenue projects. The aim to support existing businesses to:

Expand/grow
Diversify into new markets
Relocate to premises within the district
Attract new investment
Become more carbon efficient
Improve productivity
Develop the local supply chain

Businesses from across the whole of the district will be eligible to apply and bids will be evaluated based upon criteria outlined in 1.10 below

1.10 Scheme Attributes:

- Minimum grant size £2,000
- Maximum grant size £10,000.
- Up to 80% grant of the total eligible project costs.

- Grants available to sole traders, partnerships, limited companies (micro and SME businesses and start-ups i.e. 1-2 years trading) and social enterprises (where sustainable future income is proven).
- Grants available to businesses who are liable to pay business rates (including those eligible for business rates relief), or will be liable to pay business rates as part of the grant funded project.
- Capital and revenue funding subject to State Aid rules to include equipment/machinery, relocation, fit out costs, Research and Development (exclusions subject to officer and panel discretion). Should State Aid legislation be impacted by Brexit, the relevant UK legislation will be followed.
- Available to all sectors subject to State aid rules however, the D2N2 LEP priority sectors will be considered as part of the evaluation process.
- Anticipated to be a two year programme running 2019 to 2021.
- Grant application process starts with the Economic Development Team (EDT) working with businesses to establish fit with the grant scheme and submitting an application form. Applications will not be considered that have not engaged with EDT.
- The Partnership Strategy and Policy Team (PSPT) undertake an appraisal of the application, making recommendations to the BGF approval panel.
- The BGF approval panel consists of the Joint Housing Strategy and Growth Manager, the Partnership Strategy and Policy Team Manager, and the independent Chair of the Bolsover Skills and Employment Partnership. The overarching decision of the approval panel should be obtaining the greatest economic impact for the investment. The decision of the approval panel will be final with no appeals process.
- PSPT oversee the contracting arrangements and EDT responsible for monitoring and evaluation.
- Should applicants have any conflicting interests e.g. Council employees/members, immediate relations to senior officers/members, PSPT will ensure bid evaluation is undertaken by independent third parties and the interest is declared to the approval panel before considering the recommendation.

1.11 Output Measures:

- Turnover, profitability or productivity growth - 'supporting firms to become more productive and competitive' with agreed milestones.
- Job creation
- Value of contracts awarded.
- Diversification into new markets/exporting.
- Carbon reduction for the business operation

1.12 **New Businesses:**

To encourage and support the creation of new businesses, this phase of BGF is proposed to include a small grant element for start-up businesses. The process is proposed to be simplified as follows:

- Small grants of up to £500 to support the establishment of new businesses in any sector.
- Applicants must be working with EDT or a business adviser (for example, through the Doing Good Business Programme or NBV) to be eligible.
- The fund will support start-up costs such as website, marketing materials, business cards, stock, etc.
- Simple application form and will not need to go through the rigorous appraisal process of the larger grants.

1.13 **BGF Fund:**

- A total fund of £200,000
- £190,000 for the main grant element outlined in 1.10 and £10,000 for small grants outlined in 1.12.

It should be noted that £15,000 underspend will be brought forward from the previous BGF scheme.

1.14 **Monitoring and Evaluation:**

Once a grant is awarded the grant agreement monitoring of the project will commence as follows:

- Monitoring/grant claim reports will be submitted by businesses in line with their grant agreement; any grant payments will be authorised by the PSPT.
- EDT officers will visit the business to assess the impact and monitor at key points:
 - a) project inception
 - b) after spend completion
 - c) after an agreed period in which the impact can be measured.
- Businesses will be required to provide accounts for two years after project completion.
- The monitoring process also allows for the gathering of information which may identify successes and be used as case studies which can be promoted on Bolsover TV, in InTouch and via press releases to share good news stories.

2 Conclusions and Reasons for Recommendation

- 2.1 The BGF was designed by the Council to contribute to the Growth Strategy and to meet a gap in the market by providing relatively easy access to small grants for businesses showing potential for growth. Based on outcomes and impact as of March 2019, Executive agreed to extend the BGF scheme and requested

a further report detailing the proposed criteria, cost, forecast outcomes and timescales to ensure continuity from the existing scheme.

- 2.2 There is currently a lack of available funding to support businesses with their growth potential. Grants through Local Enterprise Partnerships are for much larger amounts and higher intervention rates. The only comparable grant scheme is the Derbyshire Business Support Grant Scheme which is now closed to new Expressions of Interest, as applications received to date far outweigh the amount of funding available so there is currently no headroom for new enquiries. This demonstrates, alongside a number of enquiries received by the EDT, that there is need and demand for a BGF Phase 2 scheme.
- 2.3 This reports outlines the parameters of the proposed Phase 2 scheme; this is based on learning from the pilot BGF and research into other funding programmes. The continuation scheme is designed to achieve maximum impact and providing grants to support businesses liable for Business Rates contributes to the Council's Growth Strategy through potential additional revenues, as well as potential contributions to the Council's carbon reduction strategy.

3 Consultation and Equality Impact

- 3.1 This BGF scheme has been designed by PSPT in consultation with EDT.
- 3.2 The BGF is designed to meet the needs of businesses within the district by providing accessible funding for SMEs to support with their business growth. The focus for the continuation scheme is based on learning from the pilot scheme and an understanding of business grants/finance currently available to SMEs.
- 3.3 Bolsover district has one of the highest rates of disability across the district and self-employment is often a viable option for people to generate an income to suit their health condition. £5,000 of the proposed £200,000 BGF Phase 2 fund has therefore been ring-fenced for business start-ups requiring relatively small amounts of funding to kick-start their business.

4 Alternative Options and Reasons for Rejection

- 4.1 Do nothing – the PSPT and EDT Team would continue to monitor existing projects within the pilot scheme but would not be able to offer any new financial support for businesses with growth potential. The majority of other grants either have a high minimum grant, or high match funding requirement (usually min 50% contribution). The most closely aligned alternative funding stream is the Derbyshire Business Support Grant Scheme, but this has a 50% intervention rate and is currently over-subscribed and unlikely to re-open any time soon. The impact is that it is unlikely that small grants will be available to assist businesses in the district.
- 4.2 Reduce the scale of the fund. The fund has been designed to be £200k which matched the demand for the previous BGF scheme. Reducing the overall funding available will reduce the overall economic impact of the scheme but will give businesses in the district access to small grants.

5 Implications

5.1 Finance and Risk Implications

- 5.1.1 The identification and allocation of additional resources to the BGF scheme needs to be balanced with the overall financial position of the Council, especially competing demands for the Transformation Reserve.

There are risks with providing grant funding direct to businesses to support business growth mainly around two key risk areas:

1. Is the money being spent on the intended project and is best value being achieved? – This is an area of focus during the application process, in the funding agreement and in the monitoring of the project. Whilst this remains a risk, the process and monitoring significantly mitigates this risk.
2. The business or the business idea fails. The EDT work alongside the businesses to develop their projects to ensure the project is well considered and sustainable. However, as with any investment, there is a risk of project/business failure during the life of the project.
3. Businesses could have funded the investment without grant support through their own funds or borrowing. Whilst every effort is made to ensure that grant funding is a last resort to unlock growth, it is difficult to determine the full picture on finance available to a business or the owner.

5.2 Legal Implications including Data Protection

- 5.2.1 This is taken account of during the administrative process of managing the BGF.

5.3 Human Resources Implications

- 5.3.1 The allocation of staff time from both the PSPT and the EDT to enable effective governance and processing arrangements.

6 Recommendations

- 6.1 That Executive agree to launch a new Business Growth Fund scheme based upon parameters outlined in the report.
- 6.2 That £185,000 is allocated from Transformation Reserves to support Business Growth Fund Phase 2 alongside the £15,000 underspend carried over from the previous Business Growth Fund programme.
- 6.3 That a review of the scheme setting out its impact and outputs be provided to Executive after 12 months.

7 Decision Information

<p>Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC: Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i></p>	<p>Yes</p> <p>£185,000</p>
<p>Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)</p>	<p>Yes</p>
<p>Has the relevant Portfolio Holder been informed</p>	<p>Yes</p>
<p>District Wards Affected</p>	<p>All</p>
<p>Links to Corporate Plan priorities or Policy Framework</p>	<p>Growth</p>

8 Document Information

Appendix No	Title
None	
<p>Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)</p>	
Report Author	Contact Number
Pam Brown, Partnership Strategy and Policy Manager	01246 242499