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**Report of:** *Michael Crofts, Executive Director of Place*

**Report to:** *Cllr Paul Turpin, Cabinet Member for Inclusive Economy, Jobs and Skills*

**Date of Decision:** *3<sup>rd</sup> June 2021*

**Subject:** *SCR – Low Carbon Business Support Grant*

Is this a Key Decision? If Yes, reason Key Decision:-	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
- Expenditure and/or savings over £500,000	<input checked="" type="checkbox"/>	
- Affects 2 or more Wards	<input checked="" type="checkbox"/>	
Which Cabinet Member Portfolio does this relate to? <i>Inclusive Economy, Jobs and Skills</i>		
Which Scrutiny and Policy Development Committee does this relate to? <i>Overview and Scrutiny Management Committee</i>		
Has an Equality Impact Assessment (EIA) been undertaken?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If YES, what EIA reference number has it been given? <i>932</i>		
Does the report contain confidential or exempt information?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-		
<i>"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."</i>		

**Purpose of Report:**

Sheffield City Council has received approval from the Ministry for Housing, Communities and Local Government (MHCLG) to European Structural and Investment Funds, and to act as Accountable Body for the SCR Low Carbon Business Support project.

This report seeks the approval for the Programmes and Accountable Body Team within City Growth to act as Accountable Body and to enter into the Funding Agreement with MHCLG for the above project and for the project to be delivered as outlined in this report.

**Recommendations:**

It is recommended that the Cabinet Member for Inclusive Economy, Jobs and Skills:

- Agrees that Sheffield City Council through the Programmes and Accountable Body Team will act as Accountable Body for the Sheffield City Region (SCR) Low Carbon Business Support project.
- Authorises the Council to enter into a funding agreement with the Ministry of Housing, Communities and Local Government (MHCLG) and to accept a grant of £1.383 million. Note that this will require delivery partners and the private sector to provide match funding of up to £0.922 million, giving a total project spend of up to £2.305 million from May 2021 to September 2023.
- Authorises Sheffield City Council to pay the relevant levels of grant to SME's.
- To the extent not already delegated to them by the Leader's Scheme of Delegation, delegates Authority to the Director of City Growth in consultation with the Director of Legal and Governance to:
  - agree the terms of and provide approval to enter into the Service Level Agreements with the Delivery Partners of the project.
  - to agree the terms of the offer letter that will be entered into with all successful business applicants of the grant scheme.
- To the extent not already delegated to them by the Leader's Scheme of Delegation, delegates Authority to the Director of City Growth in consultation with the Director of Finance and Resources and Director of Legal and Governance to:
  - agree the terms of and approve any variations to the ERDF funding agreement.
  - agree the terms of and approve any additional match funding that is secured to deliver the project.
  - take any further decisions necessary in order to meet the aims, objectives and outcomes of this report.

**Background Papers:***(Insert details of any background papers used in the compilation of the report.)*

<b>Lead Officer to complete:-</b>	
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.
	Finance: Mark Wassell
	Legal: Gemma Day
Equalities: Annemarie Johnson	
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	
2	<b>EMT member who approved submission:</b> <i>Michael Crofts</i>
3	<b>Cabinet Member consulted:</b> <i>Cllr Paul Turpin</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.
	<b>Lead Officer Name:</b> Ben Morley
	<b>Job Title:</b> <i>Head Programmes and Accountable Body</i>
<b>Date:</b> 25 <sup>th</sup> May 2021	

## **1. PROPOSAL**

- 1.1 The report seeks the approval for Sheffield City Council to enter into a funding agreement with MHCLG for the delivery of the Low Carbon Business Support project. The project will provide targeted intensive business support to Small and Medium Sized Enterprises (SME's) across the Sheffield City Region (SCR) to help them reduce their carbon emissions.
- 1.2 The £2.3m Low Carbon Business Support project will operate until 30<sup>th</sup> June 2023 and is part European Structural Investment Funds (ESIF) funded and will be delivered by four key delivery partners; Sheffield City Council, Doncaster Metropolitan Borough Council, Rotherham Metropolitan Borough Council (RMBC) and Barnsley Metropolitan Borough Council.
- 1.3 Each delivery partner will enter into a Service Level Agreement with Sheffield City Council (as Accountable Body) to deliver their element of the project. Match funding will be provided by the private sector and a contribution from RMBC. Additional public sector funding will be secured where possible to contribute towards the match finding for the European funding should it assist delivery.
- 1.4 The Delivery partners will each contribute towards the overall outcomes for the scheme which are outline in section 1.7.2 below
- 1.5 The project includes an Intensive Business Support element, to be operated as a grant scheme, which will offer specific and tailored specialist support provided by the private sector. All SME Businesses will be able to engage with the Business Advisors and they will bring proposals to a local Panel was which Business should progress to receiving an Energy Audit and thereafter the potential to access a grant. The client business will contribute up to 60% of the cost of this intervention therefore providing private sector matching funding to the project.

## **1.6 Background**

- 1.6.1 The Council is not legally bound to deliver this project. This is a Sheffield City Region project developed in partnership with Sheffield City Council to respond to the climate change and economic issues set out in the Strategic Economic Plan.
- 1.6.2 The project responds to the European Regional Development Fund (ERDF) Investment Priority 4b - "Promoting energy efficiency and renewable energy use in enterprises". Within this, the project will tackle ESIF local priorities by focusing on SME businesses, providing expert advice on energy and resource opportunities as well as encouraging investment in low carbon, energy and resource efficiency measures

through a financial incentive.

The SCR Strategic Economic Plan (SEP) and Energy Strategy discuss the importance of energy efficiency of businesses as a way to reduce costs and make businesses more profitable and sustainable. Early work on the Energy Strategy was supported by the Carbon Trust and included a 'Technology Appraisal' which concluded that energy efficiency in non-domestic buildings was the third-most effective route (across the bidding Local Authorities) to decarbonisation and has a high average IRR of 40-50% (Carbon Trust 2017).

- 1.6.3 Accordingly, Officers across the SCR have developed a proposal to turn the principles set out in the SEP into a deliverable project. The work of this group resulted in an application and approval for ESIF funding and additional public funding will look to be secured where possible should this be of benefit to the delivery of the outputs and outcomes.

## 1.7 **SCR Low Carbon Business Support Project**

- 1.7.1 As outlined in the summary section of this report the objectives of this project are to support business adapt to climate change through improvements to their premises and processes which in turn should also improve productivity.

- 1.7.2 The funding agreement will be over a 33-month period commencing 1 January 2021 (retrospective date agreed with MHCLG) and ending on 30<sup>th</sup> September 2023.

In total the project will cost £2.305m funded as follows:

ERDF	£1.383m
Public Sector Match	£0.028m
Private Sector Match	£0.893m

- 1.7.3 The following outputs will be achieved across the lifetime of the scheme:

- 140 Low Carbon grants provided to enable actions identified in the Low Carbon audits by 31/03/23
- 260 3 Hour Business Assists by 31/03/23
- Over £600k private sector match funding secured to support over £1.5m of direct actions to reduce carbon footprints of SMEs by 31/03/23
- Reduction in Greenhouse Gases (GHG) equivalent to 843 tonnes CO<sub>2</sub> by 31/03/23

- 1.7.4 The project has four key strands of activity as follows:

Intensive Business Support – Provision of 1-2-1 intensive business support to SMEs.

Low Carbon/Energy Audits - An audit of the SME operation establishing the carbon emissions of the current operation and interventions to reduce these. A report will be produced outlining multiple measures with estimated GHG saving, cost and Return on Investment.

Low Carbon Grants – Provision of grants to implement some of the recommendations identified through the Low Carbon Audit. Grants will be provided at 50% of the cost with a maximum value of £30,000.

Marketing and Publicity – promotion of the project activities across the City Region and will include PR, case studies, campaign work, marketing collateral, and press and publicity materials.

- 1.7.5 The Accountable Body function will be undertaken by a small Programme Management Team based in City Growth. The team will be responsible for overseeing project delivery, contract management and compliance. The team is built on direct experience of running previous European funded programmes.
- 1.7.6 Sheffield City Council will enter into service level agreements with each of the delivery partners, these agreements will outline the activity that each partner will be required to deliver as well as the budget and outputs allocated to each.
- 1.7.7 Where appropriate Partners will make a project claim to Programme Management Team on a monthly basis which will include costs incurred, outputs achieved and an update on project progress

## **2. HOW DOES THIS DECISION CONTRIBUTE ?**

- 2.1 Through this, the project will deliver the following outcomes:
- Increased awareness and understanding of low carbon opportunities in SMEs;
  - Reduced carbon emissions, contributing to UK obligations and the Department for Business, Energy & Industrial Strategy (BEIS) priorities in the Clean Growth Strategy.
  - Reduced energy consumption, contributing to targets in the SCR Energy Strategy
  - A reduction in SME costs, improving competitiveness, resilience and productivity
  - Potential job safeguarding and creation through improved profitability and re-investment of savings.
- 2.2 The project and its activity directly support the delivery of the Green City Strategy specifically:

Priority 3 – Working together to help our communities, residents, public sector and businesses to become more resilient to climate change.

Priority 9 – Working with businesses to improve their environmental performance and ensure they are ‘climate-resilient’ and transitioning to a low carbon economy.

Priority 10 – Supporting Sheffield’s businesses to become more energy efficient, to harness low carbon, locally generated energy sources, potentially unlocking competitive advantage and reliable sustainable energy to support their growth.

Priority 12 – Supporting with the development and growth of our low carbon economy, enabling cleaner and sustainable growth. Developing and growing our ‘low carbon and clean growth’ sector.

- 2.3 The activity supports the Climate Emergency motions agreed at Full Council in 2019 in particular supporting innovation and good practice amongst SMEs.

### **3. HAS THERE BEEN ANY CONSULTATION?**

- 3.1 The Council is not required to consult on the development of this proposal but through the Business Support teams in the four South Yorkshire Local Authorities there has been some initial engagement with the local business communities. This activity has demonstrated support for the project and demand from local SMEs to access both the low carbon advice and grant support.

### **4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION**

#### **4.1 Equality of Opportunity Implications**

- 4.1.1 An Equalities Impact Assessment has been carried as part of the development of the proposal.
- 4.1.2 Overall there are no significant differential, positive or negative, equality impacts from this proposal. It is likely to be positive for financial inclusion as it will create investment in the local economy and the potential for job creation.

Support and grants will be available to all eligible applicants and is targeting smaller businesses and organisations (SME’s) to implement low carbon measures to and adapt to climate change.

#### **4.2 Financial and Commercial Implications**

##### **4.2.1 MHCLG Grant Funding Agreement (£1.383m)**

Key features (not exclusive) of the MHCLG (ERDF) Funding Agreement are summarised below.

<b>Table 1: Low Carbon Project Funding</b>	<b><u>£m</u></b>
MHCLG (ERDF) Grant (60%)	1.383
Match Funding (40%)	0.922
<b>Total Funding:</b>	<b>2.305</b>

- SCC is the Accountable Body for the delivery of the Low Carbon project for South Yorkshire Councils (as identified at para 1.2+1.3)
- Grant subject to clawback if conditions are not complied with
- Grant paid for Eligible Expenditure defrayed on/after Start Date
- Grant is for Project Activities (as per Application) and must achieve Targets/time limits (as per Funding Agreement/Key Milestone Dates – see 4.2.8).
- SCC is liable for the acts of its Delivery Partners
- Comply with monitoring, reporting and grant claim requirements
- Grant is outside scope of VAT but if VAT is chargeable all payments include VAT.
- If in a Financial Year a shortfall in Eligible Expenditure arises compared to Profile, the funder cannot guarantee funding is carried forward.
- If in a Financial Year an overspend in Eligible Expenditure arises compared to Profile, the funder cannot guarantee payment of grant in the following year.
- No use of Assets for other than Approved Use over Asset life.
- All project changes must be approved by funder.

#### 4.2.2 **Match Funding Arrangements**

<b>Table 2: Match Funding Sources</b>	<b>£</b>
RMBC	27,908
SME Contributions	893,967
<b>Total: Match Funding</b>	<b>921,875</b>

- SCC must ensure Match Funding is Committed / evidenced
- Match Funding must be compliant with the Eligibility Rules.
- Notify funder on issues around payment / availability of match funding
- SCC to notify the funder if claims do not fit the Expenditure Profile.

#### 4.2.3 **Grant Retentions (10%)**

Until (not exclusive) :

- Completion of Project Activities
- Satisfactory final monitoring report/visit
- All audit issues outstanding are resolved.

#### 4.2.4 **Procurement and State Aid Law**

- Comply with the Structural and Investment Funds Regulations
- SCC to ensure Project complies with applicable EU law /national law
- SCC to assess Project compatibility with State Aid Law.
- SCC to maintain appropriate records of compliance with State Aid Law
- State Aid non-compliance may lead to grant repayment.
- SCC to ensure compliance with all applicable Procurement Law.
- If contract awards do not have a sufficient connection with the functioning of the Internal Market, SCC warrants that it has/shall comply with criteria (see details in Funding Agreement).

#### 4.2.5 **Events of Default (not exclusive)**

- Failure to comply with the Conditions
- Project Activities not commenced by 3 months after the Start Date.
- Expenditure not claimed in line with Profile.
- Project Activities not completed by the Agreed Activity End Date
- Project changes made without prior approval.
- Grant Recipient is a Small - Medium sized Enterprise, but ceases to be and State Aid Law requires that the Grant Recipient remains so.

#### 4.2.6 **Records**

- Comply with audit requirements in Structural/Investment Funds Regulations
- Keep records of all Eligible Expenditure, quotes, tenders/procurement practices, financial contributions to / income generated by the Project.
- Comply with record keeping requirements (see funder Website).
- SCC to ensure all Project documents – implementation, financing etc are retained for a two year period from 31 December following accounts submission to the EU in which the final expenditure for the Completed Project is included.
- Funder to notify Grant Recipient of the start date of the two year period.
- Comply with National European Development Fund Document Retention Guidance)
- Documents to be kept as originals or certified true copies of originals

#### 4.2.7 **SCC to ensure that Delivery Partner**

Not exclusive (see full details):

- Maintains full/accurate accounts/evidence (subject to funder audits).
- Maintains either a separate accounting system/accounting code
- Complies with the funders audit monitoring/reporting requirements.
- Comply with Audit requirements (see details)

#### 4.2.8 **Key Milestone Tables (not exclusive)**

Start Date: 01 January 2021

Agreed Financial Completion Date: 30 June 2023

Agreed Activity End Date: 31 March 2023

Agreed Project Practical Completion Date: 30 September 2023

Match Funding Longstop Date: 30 June 2023

#### 4.2.9 **Other.**

The Grant Recipient:

- To provide evidence to confirm Match Funding is fully Committed by the Match Funding Longstop Date included in the Key Milestones/Project Specific Conditions.
- Acknowledges if the level of Match Funding is not secured from SMEs, it will provide Match Funding from its own resources, failure to achieve Match Funding is a default
- Is solely responsible for ensuring successful project implementation/achievement of the Targets.
- Acknowledges indirect costs are 15% of eligible direct staff costs
- Has assessed/approved the State Aid compliance of the Project and Delivery Partners and will collect evidence to demonstrate this
- Confirms that all staff /Delivery Partner staff delivering aid will read the De Minimis Regulations 1407/2013
- To ensure that SME grants are used on energy saving measures that reduce carbon footprint of the SME.
- To obtain a signed SME declaration (circa 6 months) to confirm SME energy savings activities/measures

The Grant Manager will need to:

- Read, understand and comply with all of the grant terms and conditions
- Develop a viable exit strategy for when the grant funding ends to ensure that there are no unfunded ongoing costs as currently there are no identified funding sources available.

#### 4.3 **Legal Implications**

4.3.1 The Council has been awarded £1,382,808 of funding by the Ministry of Housing, Communities and Local Government (MHCLG) for the Low Carbon and Business Support project.

4.3.2 The Council has a general power under Section 1 of the Localism Act 2011 to do anything that an individual may generally do provided it is not prohibited by other legislation and the power is exercised in

accordance with the limitations specified in the Act which enables the Council to accept the funding.

- 4.3.4 The Council will be required to enter into a grant agreement with MHCLG, key clauses and requirements are outlined above in paragraph 4.2, officers working on this project must be aware of these requirements and ensure they are complied with.
- 4.3.5 There are a number of preconditions which the Council must satisfy prior to the first or subsequent grant payments being made. These include for example making the grant claim on the online facility, satisfying the MHCLG that sufficient match funding has been committed amongst other.
- 4.3.6 The grant claim procedure is quite specific, and officers involved in the administration of this grant funding must ensure they are aware of and comply with all requirements.
- 4.3.7 MHCLG are under no obligation to pay an overspend, this includes any overspend against the amount planned in the expenditure profile for any financial year.
- 4.3.8 All changes to the project must be approved by the MHCLG prior to the change taking place.
- 4.3.9 The Council is satisfied that the project as detailed above will be delivered in compliance with state aid law. Confirmation of this will need to be provided to MHCLG.
- 4.3.10 The Council are the lead beneficiary for a consortium, Rotherham Metropolitan Borough Council will be a delivery partner. The Council and RMBC will be required to enter into a contract on materially similar terms.
- 4.3.11 The Council must comply with, and ensure all delivery partners comply with, all applicable procurement law including the Public Contracts Regulations 2015.
- 4.3.12 The Council must ensure that any applicable obligations are flowed down to all delivery partners and sub-contractors to ensure that the Council is able to satisfy the requirements in their contract and not be put into breach of contract.
- 4.3.13 Officers must ensure that they are aware of and comply with the monitoring and reporting requirements and the retention of records.
- 4.3.14 If the Council fails to secure the amount of match funding detailed in the grant agreement from the SME's then it shall be required to provide the match funding from its own resources. Failure to do so is an event of default.

- 4.3.15 A grant offer letter will be issued to each third-party grant recipient which will detail as a minimum the ESIF and state aid compliance requirements. This will include a state aid declaration.
- 4.3.16 The Council must comply with all applicable legislation and regulations including but not limited to the Structural and Investment Fund Regulations, UK GDPR, Data Protection Regulations 2018, State Aid and the Councils Contracts Standing Orders.

#### 4.4 Other Implications

- 4.4.1 No other risks have been identified with the delivery of the project.

### 5. **ALTERNATIVE OPTIONS CONSIDERED**

- 5.1 An initial proposal to develop and deliver the project was led by the Sheffield City Region Executive. However, this was not progressed given the SCR did not feel they had sufficient experience of European funding to deliver it on behalf of the South Yorkshire Local Authorities. In order to progress the bid Sheffield City Council offered to step in and act as Accountable Body to ensure the ERDF funding was not lost.
- 5.2 Consideration was given to running the proposal with business support only and without additional grant funding. Whilst of some benefit it would not assist SME's implementing low carbon technology where the initial capital cost can often act as a deterrent to invest.
- 5.3 A 'do-nothing option' was considered but this would mean that no activity would be taking place with local businesses to deliver a number of Priorities within the Green City Strategy. It would also risk the ability to access more than £1m ERDF to support the local climate change policy.

### 6. **REASONS FOR RECOMMENDATIONS**

- 6.1 Approval of the recommendations will allow:

Entering into the Funding Agreement:

- Allow the provision of additional and specialist business support services in respect to low carbon across the region building upon the wider business support service already offered to SME's across region. This additional support will address the climate change agenda and contribute to business productivity.
- Project delivery to commence immediately meaning that businesses can access support from this programme from as early as June 2021.
- Assist 260 SME businesses across the City Region to deliver low carbon interventions and improve their productivity between June 2021 and the end of June 2023.

- Provide 140 grants to SMEs that will secure nearly £1m of Private Sector Match funding.
- Generate an estimated 843 Tonnes reduction in Green House Gas emissions.

SCC acting as Accountable Body:

- Efficiencies to be gained from utilisation of the existing Programme and Accountable Body Team using existing systems, processes and people are already in place.
- The potential for SCC to act as Accountable Body / Managing Agent for other SCR-wide schemes.
- Ensures that the project is delivered in South Yorkshire securing over £1.3m ERDF and delivering the low carbon and economic benefits.