



Report to Finance Committee

Author/Lead Officer of Report: Ben Morley,
Head of Programmes and Accountable Body, City Futures

Tel: 07909898754

Report of: Kate Martin, Executive Director City Futures

Report to: Finance Sub Committee

Date of Decision: 7th November 2022

Subject: UK Shared Prosperity Fund

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? 1270				
Has appropriate consultation taken place?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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:-				
<p><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“The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended).”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></p>				

Purpose of Report:

This report seeks approval from the Sub-Finance Committee for the Council to become the Accountable Body for activity funded by the UK Shared Prosperity Fund (UKSPF) and enter into funding agreements with the South Yorkshire Mayoral Combined Authority (SYMCA) to enable the delivery of the UKSPF programme in Sheffield and, where necessary, South Yorkshire.

Recommendations:

That the Finance Sub-Committee approves the following recommendation(s)

1. Agrees that Sheffield City Council act as Accountable Body for the UK Shared Prosperity Fund for activity within Sheffield and South Yorkshire.
2. Authorises the Council to enter into funding agreements with the South Yorkshire Mayoral Combined Authority to accept grants associated with UKSPF.
3. Approves the use of £500,000 of the UKSPF monies to fund a further grant to the South Yorkshire Community Foundation Cost of Living Fund.
4. Delegate authority to Executive Director, City Futures in consultation with the Director of Finance and Commercial Services, Co-Chairs, Deputy Chair and Spokesperson of the Finance Sub-Committee, to enter into grant agreements of up to £250,000 in value with partners as part of the Community and Place Programme.
5. Delegate authority to Executive Director, City Futures in consultation with the Director of Finance and Commercial Services, Co-Chairs, Deputy Chair and Spokesperson of the Finance Sub-Committee authority to agree immaterial variations to UKPSF and associated funding agreements.

Background Papers:

Lead Officer to complete:-									
1	<table border="1" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;">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.</td> <td style="width: 50%; vertical-align: top;">Finance: Mark Wassell</td> </tr> <tr> <td></td> <td style="vertical-align: top;">Legal Rike Ridings:</td> </tr> <tr> <td></td> <td style="vertical-align: top;">Equalities & Consultation: Ed Sexton</td> </tr> <tr> <td></td> <td style="vertical-align: top;">Climate: Jessica Rick</td> </tr> </table>	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 Rike Ridings:		Equalities & Consultation: Ed Sexton		Climate: Jessica Rick
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	Equalities & Consultation: Ed Sexton								
	Climate: Jessica Rick								
	<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	<table border="1" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;">EMT member who approved submission:</td> <td style="width: 50%; vertical-align: top;">Kate Martin, Executive Director, City Futures</td> </tr> </table>	EMT member who approved submission:	Kate Martin, Executive Director, City Futures						
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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 Committee by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
Lead Officer Name: Ben Morley	Job Title: Head of Programmes and Accountable Body
Date: 27th October 2022	

1. PROPOSAL

1.1.1 This report seeks approval for the Council to act as Accountable Body for the UK Shared Prosperity Fund (UKSPF) and enter into a number of Funding Agreements with the South Yorkshire Mayoral Combined Authority to enable delivery of the UKSPF programme in Sheffield and across South Yorkshire where appropriate.

1.1.2 The UKSPF in South Yorkshire will:

- Contribute to the Council's response to the Cost of Living (Col) crisis, support recovery post pandemic and encourage engagement and participation of some of our most vulnerable communities.
- Support the cultural and visitor economy.
- Replace EU funding to support South Yorkshire regional programmes in respect to Business Support and Skills development

1.2 Background

1.2.1 The UKSPF is the Government's major economic development fund, replacing EU Structural and Investment Funds (ESIF) and aims to contribute to 'Levelling Up' agenda by providing financial assistance (largely revenue) to boost productivity, tackle geographical inequalities and improve life chances, especially in deprived areas.

Government's primary goal for SPF is to build pride in place and increase life chances across the UK. This aligns with Levelling Up White Paper 'missions', particularly: '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.'

1.2.2 The SPF has three Investment Priorities and will operate over the next three years. The Investment Priorities and their objectives are:

- Communities and Place
- Local Business Support
- People and Skills

SYMCA is the Lead Authority for the South Yorkshire region and has been allocated £38.9m of which £32m is revenue and £6.9m capital.

The funding increases annually over a three-year programme period reflecting that EU funds will fall away during 23/24 and no longer be available in 24/25.

SYMCA submitted an SPF Investment Plan for South Yorkshire on 1st August 2022 which utilises the three Investment Priorities listed to establish seven core themes:

Communities and Place

1. Supporting communities to address cost of living and pandemic recovery
2. Promoting the cultural and visitor economy

Supporting Local Businesses

3. Providing a broad and inclusive 'total business support' offer
4. Stimulating enterprise and growth
5. Accelerating R&D and innovation

People and Skills

6. Building pathways to participation and accessing the benefits of being economically active
7. Promoting a skills-driven green economy

1.2.3 Whilst UKSPF has been awarded at a South Yorkshire level it is possible to determine the amount that relates to Sheffield based on information published by Government. A summary of the overall financial position is provided in the tables below:

Total - South Yorkshire

Investment Priority	22/23	23/24	24/25	Total
Community & Place	£ 4,084,200	£ 3,470,389	£ 6,927,596	£ 14,482,184
Local Business Support	£ 637,418	£ 4,367,496	£ 9,896,626	£ 14,901,540
People and Skills	£ -	£ 1,605,350	£ 7,917,311	£ 9,522,661
Total	£ 4,721,618	£ 9,443,235	£ 24,741,532	£ 38,906,385

Total - Sheffield

Investment Priority	22/23	23/24	24/25	Total
Community & Place	£ 1,634,905	£ 1,389,197	£ 2,773,116	£ 5,797,218
Local Business Support	£ 255,159	£ 1,748,309	£ 3,961,619	£ 5,965,087
People and Skills	£ -	£ 642,622	£ 3,169,300	£ 3,811,921
Total	£ 1,890,064	£ 3,780,127	£ 9,904,035	£ 15,574,226

1.3 UKSPF Delivery

1.3.1 SYMCA appear prepared to provide UKSPF to Local Authorities on a 'Direct Award' basis wherein the Council would become the Accountable Body for the funding and the oversight of the use of the funding. This will require the Council undertake several functions including:

- Develop and submit proposals that would be the basis for a Funding Agreements with SYMCA. There is an expectation that such proposals will be developed with key partners.
- Deliver the proposals in line with the submission and terms and conditions of the Funding Agreement.
- Commission activity either through 'in house' delivery, procurement of services or the provision of grants to third parties.
- Programme manage the activity and report progress (outputs and outcomes) to SYMCA.

1.3.2 Working with SYMCA it has been determined that Direct Award provides

certainty at a time when there is an urgency to see SPF proposals to developed and implemented quickly so that it can:

- Contribute to addressing the Cost-of-Living crisis as soon as possible.
- Ensure some continuity at a time when EU funding ceases to be available.
- Enables expenditure within year, with no certainty that Government will allow any underspend to be carried over.

1.3.3 In light of the above it is expected that UKSPF will be released in three phases:

Phase 1: Years 1 to 3 Communities and Place and Year 1 Business Support

Given the local nature of this activity the Council would become Accountable Body for expenditure in Sheffield only and oversee four programmes of work:

- CoL Response in Year 1 transitioning to community engagement and participation programmes developed in consultation with appropriate VCF representative organisations. This will include a £500,000 top up to the Cost-of-Living Crisis grant fund established by South Yorkshire Community Foundation and supported by the Council. The Fund provides small grants to community groups across the City to enable them to support their own communities over the winter and into next year.
- A small three-year capital grants programme looking to improve the energy efficiency and environmental performance of public facing buildings and spaces in the community and culture sectors. This could include buildings in ownership of the Council or in private ownership but with a public purpose..
- A three-year Culture and Visitor economy activity programme.
- A one-year support programme to support High Street businesses across the city with the potential to extend into a second year.

Phase 2: Years 2 and 3 Local Business Support

It is expected that this activity will be progressed at a regional level and developed with partner organisations. As such it is expected that the activity will look to maximise efficiencies across South Yorkshire partners and encourage collaborative working and the submission of programmes of activity rather than seeking multiple projects delivering small individual components.

SYMCA have expressed a willingness to make funding available through a Direct Award to a lead Local Authority(ies) who will be expected to deliver a South Yorkshire programme. The Council is well placed to act as an Accountable Body for this function.

Phase 3 (Years 2 and 3 People and Skills)

The People and Skills funding is also expected to operate a regional level and as with Phase 2 the Council is well placed at act as an Accountable Body for this activity, working in collaboration with South Yorkshire partners.

Further details in respect to Phase 2 and 3 will be reported to the Finance

Committee once known.

2. HOW DOES THIS DECISION CONTRIBUTE?

- 2.1 Part of the Communities and Place element of the UKSPF is expected to directly contribute to the Council's Cost of Living Crisis Strategy and Action Plan. In addition, Year One Business Support activity aligns with the Covid Business Recovery Plan.
- 2.2 Years Two and Three of UKSPF activity will see a transition to looking at creating opportunities for residents to access skills and employment opportunities and for businesses to stabilise and grow. It is expected that these will be form key elements of the recently commissioned 'City Goals' and accompanying City Investment Plan.
- 2.3 The activity will directly support the delivery of the South Yorkshire UKSPF Investment Plan that has been designed to wholly align with the SY Strategic Economic Plan by promoting a stronger, greener and fairer growth.

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 SYMCA has undertaken consultation in respect to the UKSPF which has demonstrated a need for support across a range of activities potentially supported by the funding. This consultation helped inform the South Yorkshire Investment Plan. Acting as Accountable Body for UKSPF the Council will be able to make funding available to address several the issues raised a through this consultation process.
- 3.2 Consultation with key groups such as VAS will take place for the development of the Communities and Place activity and the other SY LA's and both universities will be engaged in respect to Business Support and Skills development.
- 3.3 Consultation in respect to the proposal has been undertaken with the Leader of the Council and the Chair, Vice Chair and Spokesperson of the Economy, Culture and Skills Committee. No objections have been raised.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

- 4.1.1 The initial assessment has determined that this proposal should have a positive impact as the purpose of UKSPF is to Government's ambition to 'level up'. The South Yorkshire Investment Plan for UKSPF had further developed this to a series of themes that directly relate to the local economy and social needs and should see positive interventions across a range of vulnerable sections of our community.
- 4.1.2 The initial EIA has identified potentially positive impacts in relation to several

protected characteristics and equality interests, including Age, Disability, Race, Financial Inclusion and Cohesion.

4.1.2 Individual projects will be further developed and will need to further set out the Equality impacts of the activity.

4.2 Financial and Commercial Implications

4.2.1 **Estimated Budgets (2022/23 to 2024/25)**

The table in Para 1.2.3 identifies provisional UKSPF budgets for South Yorkshire (£38.9m) and which £15.5m is nominally allocated to activity in Sheffield. There remains the potential for SYMCA to ‘top’ these up in due course.

4.2.2 It is expected that UKSPF will be made available to the Council through several direct award funding agreements. Estimated values are listed below but these:

Sheffield Only	22/23	23/24	24/25	Total
CoL and Pandemic Recovery (Cap)	£ 189,006	£ 425,264	£ 1,584,629	£ 2,198,900
CoL and Pandemic Recovery (Rev)	£ 1,084,424	£ 722,949	£ 891,365	£ 2,698,739
Cultural and visitor economy	£ 361,475	£ 240,983	£ 297,122	£ 899,580
Total business support offer	£ 255,159	£ -	£ -	£ 255,159
Total	£ 1,890,064	£ 1,389,197	£ 2,773,116	£ 6,052,377

South Yorkshire	22/23	23/24	24/25	Total
Business Support (Up to)		£ 4,367,496	£ 9,896,626	£ 14,264,122
Skills Development (Up to)		£ 1,605,350	£ 7,917,311	£ 9,522,661
Total	£ -	£ 5,972,846	£ 17,813,936	£ 23,786,783

Based on the above the maximum amount of UKPSF funding the Council will be responsible for over the three-year programme will be £29.8m excluding any additional funding provided directly by SYMCA.

The values attributed to South Yorkshire represent the maximum levels of UKPSF and may be less should Sheffield not take on the Accountable Body role or share with other Local Authorities.

4.2.2 **Third Party Grants**

- Acting as Accountable Body the Council may be required to enter into grant funding agreements with third parties as the best means to achieve the ambitions of UKPSF. Where this is required the relevant terms and conditions of the Funding Agreement with SYMCA will be transferred across to the third party to mitigate any risk of clawback.
- In the first instance grant support is likely to be in the form of revenue and capital community and culture grants under the Community and Place programme. Phase 2 and 3 could lead to large grants under Business Support and People and.

4.2.3 **Grant Terms and Conditions**

SYMCA has provided an example of the Grant Funding Agreement expected to be used for UKSPF funding and the key features (not exclusive) of the likely Grant Agreements are summarised as follows:

- Grant used to achieve Project Outputs/Outcomes
- Grant for Qualifying Expenditure defrayed for the Project
- Grant subject to clawback if Project does not achieve Outputs/Outcomes
- Commencement/Completion Dates as per Schedule 2 (details tbd)
- Closure Date/Funding Cessation Date as set out in Schedule 2 (tbd)
- Grant for 2022/23 to 2024/25 and includes non-recoverable VAT.
- Subject to acceptable subsidies Article 3.4 of UK-EU TCA Rules / WTO-ASCM Rules together.
- Grant only for Eligible Costs subject to Special Conditions (see details).
- Grant shall not be used for any other purpose without SYMCA permission.
- Only claim Qualifying Expenditure defrayed from Commencement to Completion Date. Qualifying Expenditure outside these dates is ineligible.
- Notify SYMCA in advance of intention to apply for third party funding,
- Grant payment is conditional upon match funding letters provided to SYMCA and match funding will need to be eligible, available to use and evidenced.
- SCC shall neither apply for/ accept duplicate funding re: any part of the Project/related administration costs funded by SYMCA.
- SCC cannot recover more than 15% overheads for staff costs
- Inform SYMCA if grant claims profile changes.
- SCC is responsible for any match funding shortfalls etc (see details)
- No Project changes (see details) without SYMCA approval
- Grant release subject to closure of Special Conditions (see details) Failure to provide evidence of Special Conditions may result in Default/termination of agreement.
- SCC to ensure VFM in procurement of goods/services funded by the Grant.
- SCC to procure activity commencement within 30 days of Agreement date
- Project Outputs/Project Outcomes are achieved by the Completion Date.
- SCC shall certify the full Project costs (see details) defrayed (by S151 Officer)
- SYMCA may clawback Grant in a no of circumstances (see details):
- Grant subject to Subsidy Rules and SCC warrants/represents that Grant is not prohibited by the Subsidy Rules (see details).
- SCC shall not breach the Subsidy Rules.
- SCC to inform SYMCA of other public funding used against the Eligible Costs
- Records to be kept for 10 years following granting of the aid.
- Comply with monitoring / reporting requirements (see details)
- Grant maybe subject to External Audit.
- Grant is subject up to 100% total Clawback (see details) to the extent that the Project Outputs/Outcomes are not achieved in full by the Completion Date
- On Completion Date SYMCA, may take account of the extent to which the Project Outputs/Outcomes have been achieved.

In the unlikely event that the grant terms from SYMCA significantly differ from the draft example received then further approval will be sought prior to entering into the Agreement.

4.2.4 **Procurement**

- All public sector procurement is governed by and must be compliant with UK National Law and the Grant Agreement. In addition, all procurement in SCC must comply with its own Procurement Policy, and internal regulations known as 'Contracts Standing Orders' (CSOs).
- Contracts Standing Orders requirements will apply in full to the procurement of services, goods or works utilising grants. All grant monies must be treated in the same way as any other Council monies and any requirement to purchase/acquire services, goods or works must go via a competitive process.
- Procurements with a value of greater than £250,000 may be required, especially given the regional activity proposed under Phase 2 and Phase 3
- Procurement requirements will also be passed on to grant beneficiaries where the Council provides UKSPF to a third party via a grant agreement

4.3 **Legal Implications**

- 4.3.1 The Council is expected to be awarded up to £29.8m funding by SYMCA for the UKSPF of which £15.5m (see section 1.2.3 above) might be expected to be used in Sheffield and the balance to support activity across South Yorkshire. In addition, there is the potential for SYMCA to 'top up' UKSPF in due course for associated activity.
- 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.
- 4.3.3 The Council will be required to enter into grant agreements with SYMCA, 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. Any subsequent onward grant agreements with key delivery partners will mirror down the grant terms between the Council and SYMCA.
- 4.3.4 SYMCA are under no obligation to pay any in year underspend or overspend, this includes any overspend against the amount planned in the expenditure profile for any financial year
- 4.3.5 All significant changes to the project must be approved by the SYMCA prior to the change taking place.

4.3.6 The Council must comply with all applicable legislation and regulations.

4.4 Climate Implications

4.4.1 Given the nature of the proposal as Climate Impact Assessment (CIA) is not considered appropriate.

4.4.2 Within the People and Skills element of the UKSPF programme a specific intervention to develop green skills has been identified and as a result this activity will likely be developed in Year 3. In addition, it is likely that the Local Business Support programme will see an extension of the EU funded Low Carbon Business Support project in Years 2 and 3.

4.4.3 There is a relatively small capital budget associated with UKSPF however some interventions using the Communities and Place theme might see improvements to community buildings. This could see the introduction of energy efficiency measures that have the dual benefit of lowering carbon emissions and reducing running costs.

5. **ALTERNATIVE OPTIONS CONSIDERED**

5.1 A do-nothing option would see SYMCA make UKSPF available through open Calls for Proposals. Whilst this would still make UKSPF available to invest in the region there could be a number of negative implications:

- The time to undertake the process would not deliver activity in time to address the CoL crisis this winter and could lead to underspend in Year 1 that might not be carried over.
- There could be many separate projects supported that could lead to duplication, inefficiencies and activity that does not target identified priorities.
- SYMCA would likely need to utilise the full 4% of the UKSPF budget to oversee a large number of projects and funding agreements.
- The process does not necessarily encourage a collaborative approach, particularly at a regional level.

6. **REASONS FOR RECOMMENDATIONS**

6.1 The underlying benefit that this proposal brings to secure external funding to deliver a programme of activity in Sheffield that will cover:

- Addressing the Cost of Living crises
- Community engagement and participation.
- Improvements to the built environment
- Support to the cultural and visitor economy
- Business support including start up and growth programmes.
- Skills development

- 6.2 The estimated value of support from SPF to Sheffield is a minimum £15.5m over three years with an expectation of additional private and public match funding.
- 6.3 The Council is expected to take the lead for activity in Sheffield together with the potential to provide an Accountable Body role for activity that takes at regional level. Programmes of activity will be developed with partners as appropriate and where necessary additional services will be competitively procured or grants made available to third parties.
- 6.4 It is expected that the Council will be required to enter a number of procurements and funding agreements over the next 24 months to ensure delivery of the full range of activity envisaged with SPF.