



Report to Finance Committee

Author/Lead Officer of Report: Ben Morley,
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Report of: Kate Martin, Executive Director City Futures

Report to: Economic Development and Skills Policy Committee

Date of Decision: 18th January 2023

Subject: UKSPF - Sustainable Cultural and Community Facilities

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“The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended).”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 Economic Development and Skills Policy Committee of the proposals for the use of £2.2m the UK Shared Prosperity Fund (UKSPF) to improve the energy performance of community and cultural buildings within Sheffield.

Recommendations:

That the Economic Development and Skills Policy Committee approves the following recommendations:

1. That £2.2m UKSPF capital funding is used to provide grants to improve the energy efficiency performance of buildings used primarily in the cultural and community sectors.
2. That the draft eligibility criteria and grants levels are progressed as part of the detailed funding application to SYMCA.

Background Papers:

Lead Officer to complete:-									
1	<table border="1" style="width: 100%;"> <tr> <td style="width: 45%; 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: 55%;">Finance: Mark Wassell</td> </tr> <tr> <td></td> <td>Legal</td> </tr> <tr> <td></td> <td>Equalities & Consultation: Ed Sexton</td> </tr> <tr> <td></td> <td>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		Equalities & Consultation: Ed Sexton		Climate: Jessica Rick
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	<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>								
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Date: 5th January 2023									

1. PROPOSAL

1.1 This report seeks approval from the Economic Development and Skills Policy Committee of the proposals for the use of £2.2m the UK Shared Prosperity Fund (UKSPF) to improve the energy performance of community and cultural buildings within Sheffield.

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.

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

1.2.3 The South Yorkshire Mayoral Combined Authority (SYMCA) acting as the lead body the UKSPF in South Yorkshire submitted an Investment Plan to Government in August 2022. The core themes in the Plan were:

- Supporting communities to address cost of living and pandemic recovery
- Promoting the cultural and visitor economy
- Providing a broad and inclusive 'total business support' offer
- Stimulating enterprise and growth
- Accelerating R&D and innovation
- Building pathways to participation and accessing the benefits of being economically active
- Promoting a skills-driven green economy

As such the South Yorkshire UKPSF 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

1.2.4 In total £38.9m SPF has been allocated to South Yorkshire of which £32m is revenue and £7m capital. The notional allocations to Sheffield have been calculated as being £12.8m revenue and £2.7m capital.

Government approved the SY Investment Plan in December 2022 and since

then SYMCA has approved two Year One revenue projects based in Sheffield:

Year 1 – Building Thriving Communities (£1.04m)

Year 1 – High Street Business Information Officer (£245k)

- 1.2.4 In November 2022 Finance Sub-Committee approved that Sheffield City Council should act as Accountable Body for the UK Shared Prosperity Fund for activity within Sheffield and South Yorkshire (where necessary) and authorised the Council to enter into funding agreements with the SYMCA to accept grants associated with UKSPF.

It also agreed to delegate authority to the 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.

1.3 Communities and Place – Capital Project

- 1.3.1 There is £2.2m capital available in Sheffield over the three-year programme to support activity under the Community and Place theme. Working with Officers in Communities, Property, Sustainability the Accountable Body Team have developed a proposal as set out below.
- 1.3.2 The ‘Sustainable Cultural and Community Facilities Programme’ (the ‘Programme’) will provide capital grant funding to improve the energy efficiency and environmental performance of public facing buildings and spaces in Sheffield with an initial focus on buildings used primarily for community and/or cultural purposes.

The primary objective of the Programme is to:

- Reduce the energy costs associated with running community or cultural facilities in Sheffield to contribute to long term sustainability of the organisations and activities taking place within the facility. This objective will help to mitigate the Cost-of-Living Crisis and loss of income following the Covid pandemic.

The secondary objective is to:

- Reduce the carbon emissions from the improved buildings thereby contributing to the mitigation of climate change.

- 1.3.3 Specifically, funding will be made available to improve buildings and spaces that primarily serve a community function and/or support the cultural sector. Examples include Community Hubs, Community Centres, Scout Huts, Museums, Theatres, and Libraries.

Eligible applicants are expected to be Community Organisations, Charities / Charitable Trusts and the Council and in all cases the applicant must have ownership of the property either through a freehold interest or long-term lease

interest with repair and maintenance obligations.

Eligible costs will be those capital costs associated with improving energy efficiency and environmental performance of the facility. Interventions will be required to demonstrate how energy costs will be reduced and how any resulting carbon reductions will be realised. Example interventions include LED lighting, insulation, air/ground source heat pumps and associated works (e.g. replacement radiators), double/triple glazing, solar panels, electric vehicle charging points, recycling facilities.

In addition, the following costs will be considered on a case-by-case basis:

- External landscaping will be considered where it can demonstrate the ability to improve the setting of the facility and provide 'carbon capture'.
- Limited ancillary works where the works can demonstrate additional benefits.
- Project Management Fees, where deemed necessary to oversee the delivery of the main works.

The grants cannot be used for general repairs and maintenance.

Applications will be submitted through an Open Call process which will invite Expressions of Interest. A two-stage process will then follow:

Stage 1 – A panel of SCC Officers will consider the proposal and either reject or approve the EOI. Approved proposals will then benefit from an Energy Audit undertaken through an appointed expert. The bespoke audits will identify the most appropriate interventions for a building and identify cost and carbon savings. A small revenue budget of c£50k will be required and likely funded by SPF revenue, Project Feasibility Fund and Economic Recovery Fund where appropriate.

Stage 2 – Using the completed Energy Audit as a justification a detailed application can then be submitted for full approval.

Successful detailed applications will be awarded a Grant Funding Agreement setting out the terms and conditions of the funding including all monitoring and reporting requirements together with clawback arrangements.

To facilitate the process consideration is being given to using a third party in the Community sector as well as using LAC Officers and other community-based staff.

The proposed level is set out below with no match funding required for the smallest grants. The maximum level of support would be £200,000.

Total Project Costs up to £20k – 0% match funding

Additional Total Project Costs between £20k and £50k – 10% match funding

Additional Total Project Costs between £50k and £100k – 20% match funding

Additional Total Project Costs between £100k and £200k – 40% match funding

Additional Total Project Costs over £200k – 50% match

All activity associated with the funding must be completed no later than 31st March 2025.

The programme would be administered by the Programme and Accountable Body Team within City Growth who have experience of delivering a similar programme through the Low Carbon Business Support project.

2. HOW DOES THIS DECISION CONTRIBUTE?

- 2.1 The activity will directly contribute to the Council's Cost of Living Crisis Strategy and Action Plan. In addition, support to the culture sector aligns with the Covid Business Recovery Plan.
- 2.2 The project will support the Council's low carbon ambitions either directly by funding measures within its own estate that are primarily used for community or cultural activities or support those in other ownership.
- 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.
- 2.4 The Programme is complementary to the Councils recently established £3.5m Renewables Energy Fund that will focus on 'greening' Council owned property.

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 The project has been developed with input from a number of SCC teams including Communities, Facilities Management, Skills and Sustainability.
- 3.2 Initial discussions have taken place with a community-based organisation who might be able to help facilitate the programme. This has been welcomed.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

- 4.1.1 An EIA was undertaken for the wider UKSPF Programme as part of the Finance Sub Committee report in November 2022. The assessment determined that the proposals 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 identified potentially positive impacts in relation to several protected characteristics and equality interests, including Age, Disability, Race, Financial Inclusion and Cohesion.
- 4.1.2 The capital project maintains the position of the EIA by supporting the

sustainability of organisations operating in the community through reduced energy bills.

4.2 Financial and Commercial Implications

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

The draft cost estimates for the project are outlined below:

Item	Capital £k	Revenue £k
Capital Works	1,950	
Programme Management	60	
Small Grants Programme Management	40	
Energy Audits	56	50
Ancillary eg Legal fees	5	
Total	£2,111	£50

The estimated profile is:

	23/24 £'k	24/25 £'k	Total £'k
Capital	£590	£1,521	£2,111
Revenue	£40	£10	£50
Total	£630	£1,531	£2,161

The profile is based upon SYMCA agreeing to carry over £181k from 22/23 to 23/24 which they have provisionally indicated they are supportive of.

4.2.2 All capital funding will be secured via UKSPF. Revenue funding will likely be secured from a combination of UKSPF (revenue), Project Feasibility Fund or Economic Recovery Fund. There will be no call on SCC revenue General Fund.

4.2.2 Third Party Grants

Acting as Accountable Body the Council will be required to enter into grant funding agreements with third parties. 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.

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.

4.2.4 Finance Sub-Committee have already approved the ability for the Council to enter into a grant agreement with SYMCA and award grants up to £250,000. However, 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.

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 £2.2m funding by SYMCA for the UKSPF for the delivery of the capital 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.
- 4.3.3 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.
- 4.3.7
 - Subsidy Control

It is anticipated that most grants to support community-based buildings will not represent a subsidy under the terms of the Subsidy Control Act 2022. However support to cultural buildings and organisations may represent a subsidy where the activity is deemed to be economic in nature and the four criteria for a subsidy are met. This will need to be considered on a case-by-case basis.

Where grants are considered to be Subsidy the Council may consider following options available to them set out in the Act:

- Award funding under the Minimal Financial Assistance scheme that allows subsidy awards up to £315k in a three-year period.
- Set up a streamlined route.
- Award an ad hoc support and with notification following written justification considered by the Executive Director of City Growth.

4.4 Climate Implications

- 4.4.1 Whilst the project is not specifically designed to reduce carbon emissions it has direct benefits through the proposed activity. The international and national positional in respect to climate change is well established and in 2019 the UK became the first major economy to pass laws to end its contribution to global warming by getting to Net Zero by 2050.

In the same year the Council declared a Climate Emergency and subsequently set a target for city wide emissions to be net zero by 2030. Following the production of the Zero Carbon Mitigation Pathways for reducing both city wide emissions and emissions from the Council's own estate and operations by 2030, the Council adopted its 10 Point Plan for climate action in March 2022. Within which was a commitment to use the Council's land and properties to meet net zero ambitions, including through the identification of opportunities for renewable energy generation on its buildings.

The project will support the Council's low carbon ambitions either directly by funding measures within its own estate that are primarily used for community or cultural activities or support those in other ownership.

The delivery of the funded projects will have significant positive impacts in terms of improving energy performance of buildings.

Buildings and Infrastructure

There will be short term negative impacts in the works required to complete energy efficiency improvements.

Energy

The grants will fund measures that will address all aspects of building energy performance including fabric first approaches to reduce demand (insulation, glazing etc), alternative heat sources including heat pumps and installation of additional renewables capacity where appropriate.

Economy

The delivery of building improvements has the potential to support local low carbon businesses delivering these projects and provide training opportunities on new technologies.

Influence

The funded projects will provide opportunities to develop case studies of works completed and demonstrate how improving the energy performance of buildings can reduce both costs and carbon emissions.

Resource Use and Waste

Procurement of delivery partners will take into account the sustainability performance of those organisations to ensure all partners share a responsible and sustainable approach to delivering the works.

Land Use/Nature

Inclusion of opportunities to increase carbon storage provided by habitat creation and planting will be considered as part of the grant scheme.

Adaptation

Improving the energy performance of community buildings will help to protect these vital community assets from energy price shocks in an increasingly volatile fossil fuel market.

- 4.4.2 With the requirement of an Energy Audit to be undertaken for each grant award the Council will be to accurately determine the carbon savings for each intervention. This information will be useful for identifying activity in the future and establishing a cost per CO2e benchmark.

5. **ALTERNATIVE OPTIONS CONSIDERED**

- 5.1 A do-nothing option would require an alternative capital project to be developed. The proposal as developed specifically looks to address immediate financial pressures faced by organisations in the community and culture sectors as well as having carbon benefits.

Alternative proposals for capital investments in the community sector would bring benefits but would have less alignment with the themes developed in the SY SPF Investment Plan and might not be supported by SYMCA.

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 crisis
 - Support the community sector
 - Support to the cultural and visitor economy
 - Improvements to the built environment and reduce carbon emissions.
- 6.2 The estimated value of support from SPF to Sheffield is a minimum £2.2m over two years with an expectation of additional private and public match funding.

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