



Report to Finance Committee

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Report of: Kate Martin, Executive Director City Futures

Report to: Strategy and Resources Committee

Date of Decision: 28th June 2023

Subject: Sheffield's Gainshare Programme

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?				
Has appropriate consultation taken place?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
Does the report contain confidential or exempt information?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
<i>The appendix 1 is not for publication because it contains exempt information under Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).</i>				

Purpose of Report:

The Council has, in principle, access to devolved Government funding, known as Gainshare, via the South Yorkshire Mayoral Combined Authority (SYMCA) to deliver inclusive and sustainable economic development in the City. Government has, in total, made £900m available to South Yorkshire over 30 years starting in 20/21.

Gainshare is being made available to the Council to bring forward projects that benefit the City and align with the South Yorkshire Strategic Economic Plan. SYMCA have agreed that in-principle funding will be available on an annual basis in the form of £6m capital and £4m revenue.

A number of strategic projects have been identified that require access to Gainshare that have either started and are facing significant cost inflation or are ready to progress subject to funding being available.

The number of projects and amount of funding required to take them forward means an approach based on annual allocations will significantly delay delivery and/or result in the opportunity to deliver some projects being lost altogether. In

order to address this issue an approach has been developed so that projects are progressed in the form of a programme where beneficial schemes are identified and Gainshare funding brought forward with the agreement of SYMCA to enable earlier delivery.

Recommendations:

That the Strategy and Resources Committee approves:

1. the strategy to explore accelerated Gainshare funding options with SYMCA enabling activity and benefits to be realised as soon as possible, as set out in this report;
2. the strategy to progress the existing pipeline of projects and develop additional projects using year 24/25 Gainshare funding, as set out in this report and subject to Council approval of any future commissioning decisions.

Background Papers:

South Yorkshire Strategic Economic Plan
Project Expressions of Interest

Lead Officer to complete:-		
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: Damian Watkinson
		Legal Richard Marik
		Equalities & Consultation: Ed Sexton
		Climate: Kathryn Warrington
	<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	EMT member who approved submission:	Kate Martin, Executive Director, City Futures
3	Committee Chair consulted:	Tom Hunt
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: Diana Buckley Ben Morley	Job Title: Director Economic Development, Skills and Culture Head of Programmes and Accountable Body
	Date: 20th June 2023	

1. PROPOSAL

Background

- 1.1 In July 2020 South Yorkshire signed into law a Devolution Deal which, amongst many things, established a 'Gainshare' fund for the region. Gainshare funding of up to £900m has been awarded to the region in annual instalments of £30m per year over a 30-year period with 60% being capital and 40% revenue. The funding is provided by Government to the region through SYMCA and is made available in five-year tranches, with each tranche subject to a review.
- 1.2 The main purpose of Gainshare is to enable the delivery of the South Yorkshire Strategic Economic Plan and future iterations of it. Consequently, the focus of activity is to create a stronger, fairer and greener economy for the region.
- 1.3 SYMCA's approach to Gainshare to date can be seen in three phases:

Reactive Phase - In March 2021 funding was released from the first two years' allocation to support the immediate response to the Covid pandemic. Significant investment was directed towards business recovery and investment, skills development and transport. This phase also saw over £20m released for the numerous place based capital schemes across the four SY Local Authorities.

Planning Phase - In March 2022 further funding was released to support the development of longer-term plans together with a continuation of the place based schemes. In addition, as part of this interim step SYMCA released a further £26m to the Council for capital projects.

Delivery Phase - In March 2022 the City Futures Programme Board also made decisions on the longer-term allocations of funding that would be made available for the delivery phase post 2024. Critically this decision determined that future allocations of Gainshare should be made available to SYMCA and the SY Local Authorities on a formula based on population. Having adjusted the allocation to provide 20% of Gainshare to SYMCA for regional activity the Sheffield allocation for the remaining 26 years of was set at 33.15% being equivalent to £155m capital (£5.97m annually) and £103m revenue (£3.98m annually). The South Yorkshire allocations are provided below:

Population	Allocation	Adjusted		26 Years		Annual	
		%	%	Capital £m	Revenue £m	Capital £m	Revenue £m
MCA			20.00%	£94	£62	£3.60	£2.40
BMBC	16.11%		12.89%	£60	£40	£2.32	£1.55
DMBC	23.42%		18.74%	£88	£58	£3.37	£2.25
RMBC	19.02%		15.22%	£71	£47	£2.74	£1.83
SCC	41.45%		33.16%	£155	£103	£5.97	£3.98
	100.00%		100.00%	£468	£312	£18.00	£12.00

1.4 Some of the projects in Sheffield that have benefitted from Gainshare funding to date include:

- Flood Alleviation in the Sheaf Valley
- Heart of the City
- Brownfield Housing
- Business Investment
- Active Travel
- Feasibility Fund (pipeline and project development)

Current Position

1.5 The £26m capital allocated in March 2022's Planning Phase was allocated in accordance with the principles set out for March 2022's Delivery Phase (formula based upon population) meaning that £8.66m has been made available to Sheffield immediately, with its annual allocation accruing each year after this.

1.6 In addition, a further £5.97m (annual capital allocation from SYMCA determined in the Delivery Phase in March 2022) can be added to the final year of the first five year tranche resulting in a current total capital 'pot' of **£14.6m capital** (£8.66m + £5.97m) and **£3.97m revenue** for year 24/25.

Year 24/25 Gainshare funding

1.7 With £14.6m capital available, work has been undertaken to assess a current pipeline of projects by the City Futures Directors which indicates a need for Gainshare funding to proceed. These projects include public realm improvements, cultural and leisure infrastructure, transport infrastructure, innovation and inward investment and funding to maintain the delivery of existing programmes that have faced significant inflationary pressure. A full list of projects is provided at Appendix 1.

1.8 All the capital projects put forward by each project's Senior Responsible Officer for Gainshare support have been assessed against a number of key criteria from Government's Green Book appraisal process with a focus on strategic fit, benefit realisation (outputs and outcomes), deliverability and additionality. Analysis of the proposals has been undertaken by the Directors of City Growth and this has determined that all bar one proposal demonstrates a clear need for Gainshare support and deliver significant benefits for the City. However, note that the total Gainshare requirement is least £35m over the next three years which significantly exceeds the £14.6m currently available.

1.9 In respect of revenue activity in year 24/25, an immediate need has been identified to underwrite the final year of UK Shared Prosperity Fund (UKPSF) activity. This underwriting is required due to the Government only making annual UKSPF allocations to multi-year projects. The full £3.97m of Gainshare revenue funding will be required in the first instance but the

underwriting need is expected to fall away in Q4 of 23/24. However, there is considered to be a very low risk associated with UKSPF and as a result, the focus for Gainshare activity is in respect to enhancing our offer for business support, skills development and supporting the culture/visitor economy. In addition, and only if necessary, some of the revenue funding could be used to support the capital programme.

Accelerated programme approach

- 1.10 Based on the profile of the projects identified, an approach that simply applies Gainshare funding on an annual basis would not see all activity completed until year 28/29. Consequently, no new projects could be brought forward until year 28/29 either. Critically, the time to deliver these projects would actually put some at risk through further inflationary pressure over this period and some may lose match funding that has previously been secured.
- 1.11 In order to overcome the issues associated with projects progressing in line with an annual Gainshare allocation, an accelerated programme approach is proposed whereby the annual allocation from SYMCA is used to forward fund a 5-year programme. The next 5-year tranche (year 25/26-year 29/30) of Gainshare capital (£29.95m) will be brought forward and made available as projects require. Such an approach would not only bring forward delivery of the current projects by two to three years – it would also release a further £8.6m to the Council for new activity.
- 1.12 The accelerated programme approach is subject to the Government's approval of the second tranche of Gainshare for the period 25/26 to 29/30. This approval is not expected until some point in later this year or 2024 and as such, the short-term projects can only progress with the current Gainshare allocation of £14.6m.
- 1.13 However, subject to Government approval, second tranche funding would enable SYMCA to advance fund activity themselves from the second tranche funding or the Council to cash flow the second tranche Gainshare income with the certainty the SYMCA will reimburse the expenditure over the five-year period. Without certainty of funding beyond each five-year tranche the ability to accelerate activity is limited to each period.
- 1.14 A programme for revenue activity will be developed once Government has indicated what will replace the UKSPF in 25/26. If no alternative is provided then it is expected that the Gainshare revenue programme will fill the gap in funding for business support, skills and employability activity and supporting the cultural/visitor economy.
- 1.15 The creation of the Programme will not be wholly constrained by access to Gainshare funding.

Proposed strategies

- 1.16 The main proposal of this report is therefore for the Council to implement a programme approach to the delivery of capital and revenue projects funded

by Gainshare.

- 1.17 In order for the Programme to deliver the greatest level of benefits in the shortest time period, the option of bringing forward Gainshare ahead of an annual allocation will be explored with the SYMCA. Options to be explored will include SYMCA directly forward funding capital activity from the second tranche of Gainshare funding and/or Council advance funding projects on the back of the future annual Gainshare allocation.
- 1.18 The initial capital programme will draw upon the £14.6m Gainshare capital funding for year 24/25 and will consist of existing or known pipeline projects that have a strong local and regional strategic impact, deliver significant benefits in terms of outputs and outcomes and are deliverable when provided access to Gainshare support.
- 1.19 The projects identified in Annex 1 represent the initial Programme and are in a position to be progressed immediately with SYMCA or advance quickly to a detailed business case using the existing Feasibility Fund.
- 1.20 The revenue programme will initially underwrite the final year of the UK Shared Prosperity Fund (UKSPF) but will primarily be used to fund business support, skills and culture. The use of Gainshare revenue to enable capital delivery will be kept to a minimum.
- 1.21 The programme approach has the ability to access Gainshare funding over and above the current list of potential projects. Furthermore whilst Gainshare will support the capital and revenue programmes it is to be expected that other alternative funding opportunities will continue to arise and further increase the size of the programme and the resulting outcomes for the City. In this respect the development of a City Investment Plan and the completion of the City Goals strategy will influence future programme activity. Should alternative funding sources become available such as a future round of Levelling Up Fund then the Council will look to secure funding from these sources too. Critically with access to the Gainshare funded Feasibility Fund projects can be developed in advance so that they are ready to access future Gainshare or can respond to as yet unknown funding opportunities.

Governance

- 1.22 All individual projects that are financed through or delivered directly by the Council will require approval through the appropriate capital or revenue process, with projects assigned to the most appropriate and relevant committee. In addition all projects will require separate approval from SYMCA through their assurance process.
- 1.23 The Economic Development and Skills Policy Committee, taking into account feedback from the members of any other Policy Committee whose remit covers the programme. will provide oversight of the Programme and also consider further additions to the Programme as new projects and concepts are developed. In particular the Feasibility Fund will be available to develop projects that flow from the development of the City Investment Plan and the

City Goals strategy. Regular updates will be provided from the City Futures Programme Board.

2. HOW DOES THIS DECISION CONTRIBUTE?

- 2.1 The Programme of activity to be progressed with Gainshare is expected to deliver a range of strategically important projects for the City and wider region. The broad nature of activity will contribute to many of the strategic goals outlined in the Council's Delivery Plan, in particular Clean Economic Growth and Strong and Connected Neighbourhoods. It is also expected, in due course, that the Gainshare Programme will be a significant means to deliver key elements 'City Goals' and accompanying City Investment Plan.
- 2.2 All projects within the Programme will need approval from SYMCA to access Gainshare funding. As a result all business cases will need to demonstrate a strong alignment with the SY Strategic Economic Plan by contributing to a stronger, greener and fairer economy.
- 2.3 An assessment has been undertaken of the benefits associated with the initial Programme of activity and the expected outcomes from the projects include:
- Match Funding: +£100m
 - Increased Land Values
 - Improved public realm
 - Reduced crime
 - Active travel
 - Increased Events programmes
 - Increased visitors
 - Job creation
 - New floorspace
 - Country Park with new access
 - Improved site infrastructure for major tourism facility
 - Site acquisitions
 - Completion of comprehensive Town regeneration programme
 - Creation of development plots
 - Public Art
 - De-culverting of Sheaf
 - Improved journey times on ring road
 - Improved public transport arrangements

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 Consultation in respect to the proposal has been undertaken with the Leader of the Council and the Leaders of the other main Parties. No objections have been raised.
- 3.2 It is expected that as individual projects from within the Programme are developed, they will undertake the appropriate consultation for the nature and scale of that project.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

- 4.1.1 An assessment has determined that this proposal should have a positive impact. The range of projects identified in the initial Programme will see projects that create conditions for sustainable and inclusive economic growth.
- 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 within the Programme will be expected to carry out their own Equality Impact Assessment and consider appropriate measures to maximise the positive benefits and mitigate the negative.

4.2 Financial and Commercial Implications

- 4.2.1 This proposal itself does not present any immediate financial implications but rather sets out a potential approach to accelerating a funded programme of activity.
- 4.2.2 Acceleration of the Programme as set out in the report is wholly contingent on SYMCA confirming that funding exists and will be contractually committed. In order for this to happen SYMCA will need Government approval of the next 5-year tranche of Gainshare. This position would allow either SYMCA or the Council to cashflow the Gainshare over that period with certainty that expenditure will eventually be paid for. The preferred option would be for SYMCA to provide this cash flow however the Council would have the ability to do so through taking a debtor position against the future income.
- 4.2.3 It is noted that Gainshare also provides a revenue budget. This might be suitable to fund commuted sums and other costs associated with capital projects should budgets allow.
- 4.2.4 The approach to accelerate delivery of projects at a time of high inflation is welcome as is the opportunity to potentially combine the delivery of several projects to achieve economies of scale.

4.3 Legal Implications

- 4.3.1 The Council has no specific powers or duties with regard to delivering economic regeneration. The final proposals may fall under other functions and where not is the Council is able to undertake this activity by virtue of Section 1 of the Localism Act 2011. This provides Local Authorities with a “general power of competence” and allows them to “do anything that individuals generally may do”. This power is subject to any other obligations or limitations in law that might be relevant and that is likely to include procurement or subsidy control restrictions and any restrictions contained in grant agreements. Those implications will be considered at the appropriate time based on actual proposals

4.4 Climate Implications

- 4.4.1 With future Gainshare likely to come forward over the next 25 years the funding source will become a potential funding source for environmental and climate change-based projects.
- 4.4.2 All projects progressed through the Programme will be expected to undertake their own Climate Impact Assessment and it will also be a requirement of applications to SYMCA.
- 4.4.3 Given the high level nature of this report, a Climate Impact Assessment (CIA) is not required at this stage.

5. ALTERNATIVE OPTIONS CONSIDERED

- 5.1 A do-nothing option would see the current Programme of projects progress at a slower rate being reliant on annual Gainshare allocations. This approach could potentially see a number of projects not progress because they can no longer access match funding or meet other funders requirements, or the projects could be reduced in scale as cost pressures mean some elements are no longer affordable. The consequence is that a number of the benefits outline in section 2 will either be reduced or not realised at all.
- 5.2 These benefits are seen as critical to improve the economic situation for many residents and businesses located in the City and failure to deliver may have reputational damage with other local, regional and national partners.

6. REASONS FOR RECOMMENDATIONS

- 6.1 The underlying benefits of this proposal are:
 - 6.1.1 The creation of a Programme approach to Gainshare that enables the Council to significantly contribute to the outcomes of the South Yorkshire Strategic Economic Plan and deliver critical benefits for the residents and businesses of the City.
 - 6.1.2 It enables the Council to accelerate a strategic capital programme and ensure the delivery of projects that are at risk of not progressing or progressing in a reduced form and/or at a slower rate.
 - 6.1.3 It secures the delivery of the final year of UKSPF in 24/25 and establishes a secure funding stream for economic focussed revenue funding for the future.
 - 6.1.4 The proposal also sets out a governance regime for Gainshare so that Economic Development and Skills Committee maintains oversight of programme performance and future activity.

