

## **Title of report: Herefordshire Community Renewal Fund submission**

**Decision maker: Cabinet member environment, economy and skills**

**Decision date: Friday, 11 June 2021**

**Report by: Economic development manager**

### **Classification**

Open

### **Decision type**

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

This is a key decision because it is likely to be significant having regard to: the strategic nature of the decision; and / or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards) affected.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

### **Wards affected**

(All Wards);

### **Purpose**

To approve the submission to government of a shortlist of projects applying to the UK Community Renewal Fund for a combined maximum amount of £3m, and for the council to agree to be the accountable body for any Community Renewal Funding awarded to those projects shortlisted by the council and approved by government.

### **Recommendations**

**That:**

- a) Subsequent to an independently conducted appraisal process that followed government guidance and appraisal criteria, the council approves the**

**submission of a shortlist of recommended projects to the government's UK Community Renewal Fund by 18 June 2021;**

- b) The council agrees to act as the accountable body for the Community Renewal Fund within Herefordshire and any grant funding award that is agreed with government;**
- c) Authority is delegated to the Director for Economy and Place in consultation with the Cabinet Member Environment and Economy to confirm and submit to government a shortlist of Community Renewal Fund project bids with a combined value of up to £3m;**
- d) Authority is delegated to the Director for Economy and Place and S151 Officer in consultation with the Cabinet Member Environment and Economy to undertake any operational decisions required to implement the Community Renewal Fund within Herefordshire;**
- e) The council accepts the grant of £20k capacity funding to support the promotion and appraisal of the Community Renewal Fund, and any further capacity funding to manage grant fund awards.**

## **Alternative options**

1. Alternative Option 1 - To not make a submission to the UK Community Renewal Fund.
2. Advantages – the council would not be exposed to any risk associated with the delivery of the Community Renewal Fund.
3. Disadvantages – Since the announcement by government of the Community Renewal Fund and inclusion of Herefordshire as one of 100 priority places there has been significant anticipation and interest in making project submissions from a range of public, private and voluntary groups from within Herefordshire. The council are tasked with assessing applications and making a submission to government of a shortlist of bids on behalf of third party organisations. There would be significant reputational impact if the council determined not to make a submission.

## **Key considerations**

4. In March 2021 the government announced the launch of a new funding programme, the UK Community Renewal Fund (CRF). The government intention for the CRF is to support communities to pilot programmes and new approaches, aligning national and local provision, and help prepare for the introduction of the UK Shared Prosperity Fund.
5. The CRF will help inform the design of the UK Shared Prosperity Fund through funding of one-year pilots, but the funds are distinct with regard to design, eligibility and duration. A total of £220m has been allocated by government to fund CRF investment, this is 90% revenue funding and 10% capital funding.

6. The CRF programme is centred around four investment priorities:
  - a. Investment in Skills
  - b. Investment for local business
  - c. Investment in community and place
  - d. Supporting people into employment
7. Herefordshire has been named as one of the 100 priority places for the CRF. The council, as the unitary authority for Herefordshire, has been assigned by government as the lead authority for the CRF within the county.
8. Government has requested that lead authorities undertake the following role:
  - a) Invite bids from a range of Project Applicants, including but not limited to universities, voluntary and community sector organisations, and umbrella business groups.
  - b) Undertake constructive engagement with local partners, including but not limited to lower tier local authorities and elected representatives, and other public, private and third sector organisations.
  - c) Collaborate with other Lead Authorities or partners across the UK where relevant – for example to promote cross-border project opportunities that address needs in common or achieve efficient delivery scale.
  - d) Appraise and prioritise a shortlist of projects up to a maximum of £3m per place.
  - e) Submit a shortlist to UK Government who will assess the proposals and select projects based on the criteria set out in the CRF Prospectus.
  - f) Enter into a funding agreement with government to deliver successful bids.
  - g) Issue agreements to successful bidders once funding has been agreed by the government, and then undertake monitoring and assurance activity.
9. Government requires all Lead Authorities to use a consistent, UK-wide application form. Lead Authorities are also required to submit a statement setting out how they will carry out Lead Authority roles.
10. The Secretary of State will assess the statement and confirm that the proposed systems and controls will provide adequate assurance as to the delivery of the CRF.

### **The CRF in Herefordshire**

11. The council has performed the following actions to support the tasks set out above.

### **Inviting Bids**

12. The council issued an invitation to submit project bids on the 8<sup>th</sup> of April 2021. This invitation is attached at Appendix 1. The invitation was direct circulated to a range of local public, private, and voluntary groups, including:
  - a. All local Members
  - b. The Herefordshire Green Network
  - c. The Talk Community Network.
  - d. Business support providers including the Chamber of Commerce, Federation of Small Business, Hereford Business Improvement District, Rural Hub, and Marches Local Enterprise Partnership.
  - e. Herefordshire Voluntary Organisations Support Service for circulation around their network of community organisations.
  - f. Marches Skills Provider network, local colleges and higher education providers.
13. In addition to the direct targeting this invitation was widely publicised through a council press release and social media outlets.
14. The invitation set out the background to the scheme, the activity that is within scope of the programme, the local priorities and geographical coverage, details of the assessment process and how to submit a bid, and a timeline for the process. In addition linkages are included to all the relevant information and guidance issued by government, and the applications forms and accompanying guidance.

### **Engagement with local partners**

15. Officers have held a number of workshop sessions for potential applicants to promote the invitation to submit projects, to encourage local collaboration, and to undertake Q & A sessions to assist in the bid preparation.
16. These sessions include attendance at a meeting with the Marches Skills Provider Network, the HVOSS Funding Network Event, and a council organised workshop. Over 100 organisations attended at least one of these events.
17. In addition Officers have established, and circulated, opportunities for collaboration between potential bidders, in addition they have proactively responded to queries regarding the process and its criteria.

### **Appraise and Prioritise a Shortlist of Project Bids**

18. Following a compliant procurement process, where officers issued an invitation to quote to five firms experienced in undertaking economic appraisals, Chamberlain Walker Economics were appointed to undertake an independent assessment of the received bids. Chamberlain Walker have extensive experience of appraisal and assessment and recently undertook an assurance role on the submission of the Hereford Town Investment Plan projects for the council, and have extensive

experience of government funding having worked within the Government Economic Service.

19. To support the application and appraisal process government drafted supporting documents for both Lead Authorities and project applicants, this included information on the assessment criteria the government would be using to appraise the projects. Given that government will be undertaking a secondary appraisal of submitted bids Chamberlain Walker devised an assessment of the submitted bids that utilised the government appraisal criteria to ensure prioritised Herefordshire submissions were given the best possible chance of successfully securing funding from government. A copy of the assessment and scoring matrix used by Chamberlain Walker is included at Appendix 2.
20. Bids were assessed against:
  - A. the gateway criteria set out in the CRF Prospectus – bids that fail to meet these criteria are ineligible support and will be rejected;
  - B. the extent to which they meet the objectives of CRF specifically the:
    - i. Strategic fit (both overall contribution to the strategic objectives of the CRF, and how well the proposal contributes to local needs set out in relevant local plans in Herefordshire's case the County Plan);
    - ii. Deliverability;
    - iii. Effectiveness, and;
    - iv. Efficiency
21. The council received back 18 bids within the deadline set out in the invitation to submit project bids.
22. Following the independent appraisal of the bids, Chamberlain Walker submitted to the council a prioritised ranking of the received bids and have made a recommended shortlist of project submissions to return to government. The prioritised list is based on the information contained within the applications against the appraisal criteria set out above.
23. Officers have reviewed the prioritised list and considered whether there is any duplication of activity – either within the bid submissions or against existing local activity, and the spread of bids across the four government priorities.

## **Community impact**

24. The submission is an opportunity to secure up to £3m in external government funding to support revenue activity in support of the County Plan objectives within financial year 2021/22.
25. Submitted bids were assessed again local strategic fit, in Herefordshire's case the County Plan. Contributions towards the objectives of the County Plan have been a factor in the prioritisation process.

26. Projects must make a contribution towards the national level outcomes within the CRF programme, these include a range of employment, environmental, social and economic themes. For example:
- a. Estimated carbon dioxide equivalent reductions as a result of support
  - b. Employment increase in supported businesses as a result of support
  - c. People gaining a qualification following support
  - d. Total surface area of green/ blue infrastructure added or improved as a result of support

## **Environmental Impact**

27. In addition to aligning to at least one of the investment priorities mentioned in paragraph 6, the government is requiring that any investment made under the CRF is Fund should be able to demonstrate the extent of contribution to net zero objectives or wider environmental considerations.
28. Projects should be based on low or zero carbon best practice, adopt and support innovative clean tech where possible and support the growing skills and supply chains in support of Net Zero where possible. As a minimum, investment under the CRF should meet the clean growth principle and must not conflict with the UK's legal commitment to cut greenhouse gas emissions to net zero by 2050.
29. To support green growth, bids should also consider how projects can work with the natural environment to achieve project objectives, and – at a minimum – consider the project's impact on our natural assets and nature.
30. This impact has been a part of the assessment process in determining the prioritised list of project bids.

## **Equality duty**

31. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to:

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

35. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. Our providers will be made aware of their contractual requirements in regards to equality legislation.
36. There is a question within the government produced application form that asks the applicants to "Please describe how you have considered the equalities impacts of your proposal, the relevant affected groups based on protected characteristics, and any measures you propose in response to these impacts." The responses to this question has enabled an understanding of the potential impact on the public sector equality duty and to ensure that third party organisations in receipt of CRF funds are aware of their equality duty.
37. Projects that are successful in being awarded funds from the CRF programme will be required to support the equality duty. To ensure that underrepresented groups and people with protected characteristics are able to benefit from the delivery of the CRF within Herefordshire, successful projects will be asked by the council to undertake an Equality Impact Assessment of their project upon commencement. The outcome and implementation of this assessment will be included within the contract documentation and contract monitoring process to ensure compliance.

## **Resource implications**

38. Government has awarded the council, as the Lead Authority for Herefordshire, £20k of capacity funding to fund activity promoting the invitation to submit bids and the appraisal and due diligence of received bids. The Ministry of Housing Communities and Local Government have confirmed that these funds will be released to the council once the successful awards have been announced, currently scheduled for July.
39. The council has a requirement to perform management and monitoring of those bids that are successful in receiving government funding through the programme. The council will need to contract with each project, make and monitor payments to projects including examining claims and supporting evidence, and report on progress to government. This is a common feature of grant schemes and one the council has extensive experience of performing.
40. The CRF will provide Lead Authorities with funding to be used towards the costs incurred in managing grant fund awards. A flat rate of 2% of the value of the CRF spent by each project may be used by Lead Authorities for the costs incurred in managing grant fund awards. This forms part of the £3m maximum available per place.
41. The award that the council will receive for the programme management will be determined by what projects the government supports, however it is considered that £60,000 – 2% of £3m - is likely to be the top end of the award. Officers have considered the requirements of the programme and costed out the required resource. It is considered that a 2% administration cost per project is sufficient to undertake the required management and monitoring duties within the six months of project delivery.

42. The legal lead has confirmed that the council has the capacity and capability to contract with individual projects and will undertake this function once the government has confirmed which projects it will fund and issued a funding agreement to the council. This is in line with a number of other grant schemes the council operates.
43. The Delegated Grants Team have confirmed that they have the capability to perform the claims management, evidence checking and payments to projects. In addition they will undertake the financial element of reporting to government. The Economic Development team will be responsible for the ongoing communication and progress reporting to government.
44. The administration funding will be used to either extend the current working hours of existing staff within the Delegated Grants team or employ new additional resource within the Delegated Grants team to generate capacity to fulfil the requirement to manage the this grant fund. The Delegated Grants team manager has confirmed that an experienced officer will be used to undertake the management of this grant fund and that any additional staff required will be used to backfill existing positions.

<b>Revenue cost of project</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Future Years</b>	<b>Total</b>
	£000	£000	£000	£000	£000
Programme management and monitoring (2% of £3m award)			60	0	60
Project promotion and appraisal			20	0	20
<b>TOTAL</b>			80		80



<b>Funding streams</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Future Years</b>	<b>Total</b>
	£000	£000	£000	£000	£000
Community Renewal Fund administration contribution – external government grant			80	0	80
Community Renewal Fund promotion and appraisal – external government capacity funding			20		20
<b>TOTAL</b>			80		80

<b>Revenue budget implications</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Future Years</b>	<b>Total</b>
	£000	£000	£000	£000	£000
<i>note any impact on revenue budget, good or bad</i>			Nil cost		Nil cost
<b>TOTAL</b>			Nil cost		Nil cost

## Legal implications

45. The council has the power to act as the accountable body and deliver the CRF under Section 1 of the Localism Act 2011. It is understood that the costs of administering the scheme will be met from the CRF and this will be included in the agreement between the government and the council, which will be entered into once the council's CRF allocation is determined.
46. The criteria used to determine which projects are put forward to government for the CRF allocation are in line with those set out in the CRF prospectus. The proposed projects have been assessed by an independent third party.
47. Where necessary legal services will responsible for drafting and negotiating suitable grant funding agreements with the individual projects to ensure that all grant monies are applied to the project and that any and all obligations place on the council as accountable body are passed on to the grant recipients.

## Risk management

- 48.

## Risk / opportunity

Lead Authorities will be liable for any expenditure the Secretary of State determines to be ineligible for UK Community Renewal Fund support. Ineligible expenditure will be recovered from the Local Authority. The Secretary of State will have no contractual relationship with the project deliverer and will not seek to recover funds from them.

## Mitigation

The government has indicated that awards will be made in late July / early August 2021. Delivery needs to be undertaken and completed by the end of March 2022. All project activity will need to take place within this time period, funds will not be paid for delivery outside of this time period.

The council delegated grants team is experienced in the administration of grant funding to third party organisations and the verification of eligible expenditure.

All successful project applicants will receive a project inception meeting to set out expectations for the claims process including eligible and ineligible activity, financial records keeping, project liabilities, required processes and reports.

Legal agreement between council and project will set out eligible expenditure, reporting requirements, and project deliverer default including clawback proceedings.

Projects will be required to complete a progress report to accompany each financial claim. This should detail progress towards delivery of outputs and other milestones as set out in the funding agreement. Unsatisfactory progress towards project milestones and output delivery which will be reported with each claim made (usually on a monthly basis) will result in project suspension and potential closure depending on mitigating action taken by the project deliverer.

It should be noted government acknowledges the innovation requirements of the CRF as a pilot for the wider Shared Prosperity Fund.

<p>Risk of challenge to the process determining the prioritised list of projects and project submissions made by the council to government.</p>	<p>The council have appointed experienced, independent, assessors to undertake the appraisal of all submitted bids. They will be using the government assessment criteria as the basis for their appraisal.</p> <p>All applicants have had access to the same information in preparing their bid.</p> <p>The government guidance states that: The UK Community Renewal Fund is a competitive process and Lead Authorities and the UK Government will not enter into discussions with bidders.</p>
<p>Project Applicant fails to deliver their project to the stated terms and conditions, or underperforms in delivering the stated outputs.</p>	<p>The assessment process undertakes due diligence on project applicants to determine their experience, organisational capacity, and financial stability.</p> <p>All successful project applicants will receive a project inception meeting to set out expectations for the claims process including eligible and ineligible activity, financial records keeping, project liabilities, required processes and reports.</p> <p>Legal agreement between council and project will set out eligible expenditure, reporting requirements, and project deliverer default including clawback proceedings made by the council against the applicant.</p> <p>Projects will be required to complete a progress report to accompany each financial claim. This should detail progress towards delivery of outputs and other milestones as set out in the funding agreement. Unsatisfactory progress towards project milestones and output delivery will result in project suspension and potential closure depending on mitigating action taken by the project deliverer.</p> <p>It should be noted there is no mention of government clawback for non delivery of outputs and government acknowledges the innovation requirements of the CRF as a pilot for the wider Shared Prosperity Fund</p>

## Consultees

49. Comments were received back from Councillors Milln and Stark. Both Members expressed support for the principle of the submission of bids to the CRF programme,

however both Members also expressed a wish to understand the details of th bids before submission in order to be able to provide more detailed commentary.

50. The support for the principle of making a submission to the CRF programme is welcomed and has been noted, however for the reasons expressed within this report the assessment and appraisal of project bids has been taken by independent third party appraisers.

## **Appendices**

Appendix 1 – Invitation to submit project bids

Appendix 2 – Herefordshire CRF Assessment and Scoring Matrix

## **Background papers**

None identified

**Please include a glossary of terms, abbreviations and acronyms used in this report.**