

Rural England Prosperity Fund

Meeting: Cabinet

Meeting date: Thursday 24 November 2022

Report by: Cabinet member environment and economy;

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 seek cabinet approval to submit the Rural England Prosperity Fund (RPF) Addendum (Appendix A) to the UK Shared Prosperity Fund (UKSPF) Investment Plan to government on 30 November 2022. Government has allocated Herefordshire £1,705,669 of RPF, subject to the submission, and approval, of an Addendum.

Recommendation(s)

That:

- a) **Cabinet approve the submission of the Herefordshire Rural England Prosperity Fund Addendum to government, in order to secure up to £1,705,669 of funding for the county;**
- b) **Authority to make any final technical amendments to the Addendum submission is delegated to the Corporate Director for Economy and Environment following consultation with the Cabinet Member for Economy and Environment;**
- c) **Should the Addendum be approved, the Council agrees to be the accountable body for the implementation of the RPF allocation and the resulting projects; and**
- d) **Authority is delegated to the Chief Executive Officer and the Section 151 Officer to formally submit the bids by the 30 November 2022 deadline.**

Alternative options

1. Do nothing – The council could choose not to submit the RPF Addendum to Government by 30 November 2022 deadline. However, this would result in the council being unable to access the £1.7m of capital funding allocated to the county, which is critical to supporting the rural economy of Herefordshire. This option is not recommended.
2. Alternative priorities in the Addendum – the council could choose to submit an alternative range of projects to those in the Addendum (as set out in Appendix 2), identifying different priorities for the county. As required by the national guidance, the Addendum has been developed against a clear evidence base, in consultation with rural partners and agreement with the Herefordshire Sustainable Growth Strategy Board (HSGSB). Alternative options may not meet Herefordshire’s rural needs and priorities and are unlikely to meet the Government’s requirements for approval. This option is not recommended.
3. The council could choose not to be the accountable body for the funding. There is no other suitable organisation in the county to fulfil this role, so it is likely that Herefordshire would not be able to access the funding. This option is not recommended.

Key considerations

4. On 5 September 2022, the Government launched the RPF, seen as a replacement for the previous ‘LEADER’ and national ‘Growth Programme’ grant schemes, delivered through the Rural Development Programme for England. Herefordshire has been allocated £1,705,669 capital funding to be spent between April 2023 and end of March 2025. The RPF national prospectus can be found here: [Rural England Prosperity Fund: prospectus - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/1144242/rural-england-prosperity-fund-prospectus.pdf)
5. To access the funds the council needs to submit an Addendum to the UK Shared Prosperity Fund (UKSPF) Investment Plan by 30 November 2022. The previous cabinet decision to submit the UKSPF Investment Plan can be found here: [Decision - UK Shared Prosperity Plan Submission to Government - Herefordshire Council](#)
6. The RPF objectives sit within two of the UKSPF investment priorities which include ‘supporting local business’ and ‘community and place’. The RPF Fund provides capital funding to:
 - support new and existing rural businesses to develop new products and facilities that will be of wider benefit to the local economy. This includes farm businesses looking to diversify income streams; and

- support new and improved community infrastructure, providing essential community services and assets for local people and businesses to benefit the local economy.
7. Grants must be for business or community purposes. The council cannot use grants to fund domestic property improvements or to buy private vehicles. The council cannot spend grants on revenue costs such as running costs or promotional activities, although it is expected that the RPF capital and the UKSPF revenue funds will be aligned. Projects must be in a rural area. For RPF purposes, rural areas include:
 - towns, villages and hamlets with populations below 10,000 and the wider countryside
 - market or 'hub towns' with populations of up to 30,000 that serve their surrounding rural areas as centres of employment and in providing services (all of Herefordshire's market towns are below 30,000 population)
 8. Any organisation with legal status can get funding to deliver a RPF intervention. This may include local authorities, public sector organisations, higher and further education institutions, private sector companies, voluntary organisations, registered charities and arms-length bodies of government.
 9. The following link to the national intervention framework shows the interventions that can be supported through the RPF:
[Rural England Prosperity Fund interventions objectives outputs and outcomes list.pdf \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/798112/Rural_England_Prosperty_Fund_interventions_objectives_outputs_and_outcomes_list.pdf)
 10. Circa 90% of the county's business base are micro enterprises (less than 10 employees), and a further 8% are small businesses (less than 50 employees)¹. Smaller businesses with lower levels of turnover and access to finance often need access to grant funding to enable growth. There has been a high take up of the previous LEADER and Rural Development Programme for England grants across the county.
 11. Around 10,200 people work directly on farms across the county and around 3,700 of these are casual workers. Herefordshire has the third highest number of people working in agriculture in England, behind Cornwall and Shropshire. Defra statistics for Herefordshire show that there are around 300 cereal farms in the county, covering nearly 30,000 hectares, while general cropping accounts for nearly 430 farms, covering 34,000 hectares. There are around 240 horticulture farms in Herefordshire, the highest number across the West Midlands' counties. These cover an area of nearly 13,000 hectares, which is more than the combined area of all other West Midlands' counties (NFU Home Grown Heartland report June 2019).
 12. Overall the rural areas of the county are predominately a low skilled, low wage economy with a high proportion of employment in low value sectors such as tourism and agriculture. Average earnings are below the national average. There is a significant lack of available skilled workforce. Existing sectors are also more restricted in terms of the potential to innovate/add value, and significantly enhance productivity. The high numbers of micro businesses need access to advice and finance in order to grow.
 13. Agriculture is facing an uncertain future as direct payments are phased out and with the introduction of the Environmental Land Management Scheme (ELMS), which will not be a full substitute for the EU Basic Payment Scheme. The reduction in support for farm businesses, and the end of the wider Rural Development Programme for England, is likely to have an impact across the whole of the rural economy.

¹ [Nomis - Official Census and Labour Market Statistics \(nomisweb.co.uk\)](https://www.nomisweb.co.uk/)

14. The Herefordshire Sustainable Growth and Strategy Board (HSGSB) was formed as the local partnership group to oversee the development of the UK Shared Prosperity Fund Investment Plan, and now the RPF Addendum. The HSGSB includes representation from businesses, partners and stakeholder from across the county, including a range of rural businesses such as farms, tourism, food production, and housing construction (Appendix B HSGSB representation). In developing the Addendum the council has also consulted a range of rural partners, including the National Farmers Union (NLA), Country Land and Business Association (CLA), and Herefordshire Rural Hub.
15. In response to consultation with rural partners and the HSGSB, and to overcome some of the challenges presented in the evidence base, the following four activities are proposed (two within 'supporting local business' and two within 'communities and place' priority areas):
 - I. Capital grants for micro and small businesses (equipment, premises and improved facilities) to catalyse growth and support innovation as well as energy efficiency/decarbonisation.
 - II. Capital grants for development and promotion (both trade and consumer) of the visitor economy. This could include trails, event infrastructure, information boards etc.
 - III. Capital grants for provision of net zero infrastructure for rural communities and to support rural tourism activity, for example EV charging points or community energy schemes such as scaled up biomass, heat pumps or solar. This could also include resilience infrastructure.
 - IV. Capital grants for active travel enhancements in the local area. This could include community transport schemes, as well as footpaths and cycle ways.
16. Subject to the government approval of the Addendum, alongside the UK Shared Prosperity Fund, the council will be the accountable body for the RPF. The council has significant experience of successfully delivering similar grant fund activity, such as two previous LEADER schemes offering small grants to rural businesses. The council will utilise this experience and previous tried and tested systems and processes for establishing calls for grant applications, establishing clear selection/ appraisal criteria, and for managing project contracts and claims processes. Whilst the council will remain the ultimate decision-maker related to grant awards, it is anticipated that a panel of relevant independent stakeholders will consider and advise on applications/ appraisals in a similar role that the LEADER Action Group performed for previous rural grant programmes.

Community impact

17. Through the RPF there are wide range of opportunities to address some of the above challenges impacting on our rural communities:
 - Business growth/ added value – capital grants to rural micro and SME businesses providing the finance required to catalyse growth. 98% of county's business base is micro (90%) or small (8%), often requiring access to grant funds to enable growth through for example accessing new equipment, extending premises, improving customer/ visitor facilities. The previous Leader and Rural Development Programme for England 'Growth' schemes had a high take up and impact across the rural economy.
 - Improving productivity and energy efficiency – capital grants to support businesses to improve productivity through automation and innovation, and to address spiralling energy costs through decarbonisation. The Herefordshire UKSPF Investment Plan prioritises revenue support for energy audits, this will be complemented through RPF capital grants

helping rural businesses to implement the measures that will make the biggest impact to them and the environment. Grants could also help farm businesses consider new opportunities such as using lower grade lands for possible energy generation either directly by them or by community owned energy projects.

- Place shaping/ improved connectivity – as a large rural county, transport is a significant barrier for many accessing work, public/ community services, and training. Capital grants will improve mobility through building on best practice community transport initiatives, as well as cycling and walking networks; building on our current network of community hubs will enable people to access employment, training/ education and critical services.

18. The RPF will support the delivery of the following Herefordshire Council Delivery Plan 2022-23 priorities:
- I. Address the climate and ecological emergency in the county (supporting objectives EN3 EN4, EN6 & EN7)
 - II. Further develop the Talk Community approach (supporting objective CO6)
 - III. Support economic opportunity through business support (supporting objectives EC2 & EC6)
 - IV. Support tourism and the cultural sector in the county (supporting objective EC5).
19. Through a focus on community and place-shaping, the council will also ensure that the UKSPF and RPF funds are utilised to create a welcoming and thriving environment for children. Through the provision of targeted business start-up services we will also help support those school and/ or care leavers who would like to develop their own enterprise.

Environmental Impact

20. As part of the RPF Addendum development, we are asked to consider how investments contribute to net zero and nature recovery objectives. These include:
- the UK's commitment to cut greenhouse gas emissions to net zero by 2050
 - wider environmental considerations, such as resilience to natural hazards
 - the [25 Year Environment Plan](#) commitment.
21. The RPF Addendum will build on a key focus of the UKSPF Investment Plan to support the decarbonising of the county, through:
- Capital grants for active travel enhancements in the local area. These could be community transport schemes, as well as improved footpaths and cycle ways which encourage the modal shift to active travel.
 - Capital grants for business growth (equipment, premises and improved facilities) and energy efficiency/decarbonisation. Suggested grants to be no more than £50,000 per business.
 - Capital grants for the provision of net zero infrastructure for rural communities and to support rural tourism activity, for example EV charging points, or community energy schemes such as scaled up biomass, heat pumps or solar. These could also include resilience infrastructure.

Equality duty

22. 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.

21. The Equality Act 2010 established a positive obligation on local authorities to promote equality and to reduce discrimination in relation to any of the nine 'protected characteristics' (age; disability; gender reassignment; pregnancy and maternity; marriage and civil partnership; race; religion or belief; sex; and sexual orientation). In particular, the council must have 'due regard' to the public sector equality duty when taking any decisions on service changes.

22. As the accountable body for the fund, the council will ensure that any available grant funding or commissioning of services is open to any, and all, who wish to be considered for support, that the criteria and selection process are transparent and fair.

Resource implications

23. Government have allocated £1,705,669 of capital funding to the council as the accountable body on behalf of the county. This is 100% funding from government and requires no council match. These will be grants awarded to small businesses and community organisations and therefore there are no ongoing revenue implications to the council.

24. Government has not provided any additional administration funding to deliver the RPF, and have asked that this is met through the 4% administrative contribution to the UKSPF implementation.

Capital cost of project	2022/23	2023/24	2024/25	Future Years	Total
Capital Grants to Businesses	£850,000	£855,669	0	0	£1,705,669
TOTAL					

Funding streams (indicate whether base budget / external / grant / capital borrowing)	2022/23	2023/24	2024/25	Future Years	Total
RPF Grant Allocation	£850,000	£855,669	£000	£000	£1,705,669
TOTAL					

Legal implications

25. The council has the power to act as the Accountable Body for the Rural England Prosperity Fund under s 1 -4 of the Localism Act 2011 and although there is no statutory requirement for the council to act as Accountable Body there are no other bodies that could fulfil this role for Herefordshire.
26. Any funding awarded to the council following the submission and approval of the Rural England Prosperity Fund submission will be provide by way of a Section 31 ring-fenced grant under the Local Government Act 2003. The grant determination letter is expected to be accompanied by a Memorandum of Understanding/variation to the Memorandum of Understanding signed for the UK Shared Prosperity Fund and this will set out the fund requirements and obligations. These requirements and obligations will be included in any onward grant agreements with those delivering the interventions to mitigate any risk to the council.

Risk management

Risk / opportunity	Mitigation
The Herefordshire Rural England Prosperity Fund Addendum is not approved by government.	The Addendum builds on the work of the previously submitted UKSPF, which was written by Metro Dynamics. In addition, the council has consulted with key rural organisations who have insight into the priorities and challenges facing rural sectors. The Addendum has been circulated and endorsed by key stakeholders.
Partners do not agree with the priorities identified in the Addendum, given the reduced availability of public funding compared to previous EU programmes.	The Rural England Prosperity Fund Addendum has been developed in accordance with the national guidance, overseen by the HSGSB and via consultation with a wide range of rural partners. Priorities have been identified to address the challenges raised via the consultation and aligned to other local strategies, such as the County Plan 2020 to 2024.
If the Rural England Prosperity Fund Addendum is approved, no-one applies for the grant schemes/ responds to the commissioning of activity.	The county has significant experience of successfully delivering previous EU funded schemes. Since the RPF announcement was made, the ED Team and Growth Hub have already started to receive enquiries about potential grant support. In the previous Leader and Rural Development Programme for England (RDPE) predecessor schemes, Herefordshire had a higher proportionate take up than the three counties in the Marches LEP area and we anticipate a similar high take up of grants. We can also use multiple communication routes to publicise the schemes.
The council fails to deliver its role of accountable body.	The council has significant experience of being the accountable body for a wide range of similar grant funds. For example the council is currently the accountable body for the £22.4m of Stronger Towns funding allocated to Hereford.
There is no funding to administer the grant elements of the scheme	The council will use some of the revenue funds available to UKSPF for the Management and Admin of any grant schemes. If no funding is made available, the council will lose £1.7m funding.

27. Risks will be managed at a corporate level, via the representative Project Board.

Consultees

- HSGSB – Appendix 2
- Rural Partners including Rural Hub, CLA, NFU
- All members Political Group Consultation was held on 2 November 2022. A range of helpful comments made in relation to the targeting and focus of the rural grant funds once government has signed off the addendum. In particular the need to support community infrastructure, and the need to support small rural businesses with energy efficiency measures to address the unprecedented rise in related costs threatening business viability.

Appendices

Appendix 1 – Rural Prosperity Fund Addendum

Appendix 2 – HSGSB Members

Background papers

UKSPF Investment Plan

<https://councillors.herefordshire.gov.uk/documents/s50102786/Appendix%20%20UKSPF%20Investment%20Plan.pdf>

Report Reviewers Used for appraising this report:

Please note this section must be completed before the report can be published		
Governance	Sarah Buffrey, Democratic Services Officer	Date 26/10/2022
Finance	Karen Morris	Date 26/10/2022
Legal	Alice McAlpine	Date 31/10/2022
Communications	Luenne Featherstone	Date 26/10/2022
Equality Duty	Harriett Yellin	Date 02/11/2022
Procurement	Carrie Deeley	Date 31/10/2022
Risk	Kevin Lloyd	Date 27/10/2022
Approved by	Ross Cook	Date 04/11/2022

[Note: Please remember to overwrite or delete the guidance highlighted in grey]

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