

Record of Officer Decision

Decision title:	REPF Rural Enterprise Fund
Date of decision:	June 2023
Decision maker:	Corporate Director of Economy and Environment
Authority delegated decision:	<p>Key Decision Cabinet - 15 December 2022 to 'to accept and spend any approved UK Shared Prosperity Plan and Rural England Prosperity Funds approved by Government'</p> <p>https://councillors.herefordshire.gov.uk/ieDecisionDetails.aspx?ID=9216</p> <p>To delegate to the Corporate Director for Economy and Environment, in consultation with the Cabinet Member for Environment and Economy and the Section 151 Officer, all operational decisions in implementing the funding in accordance with the Herefordshire UKSPF Investment Plan and REPF Addendum.</p>
Wards:	All – except College Ward and part of wards excluded by Fund provider
Consultation:	<p>The UKSPF Investment Plan and REPF Addendum included extensive engagement with a wide range of stakeholders across a diverse range of groups, organisations and sectors including Herefordshire Sustainable Growth Strategy Board, NFU, CLA and Herefordshire Rural Hub.</p> <p>Funding for small scale investments in micro and small enterprises in rural areas was included as a key part of the REPF addendum under the 'rural business' investment priority.</p>
Decision made:	<ul style="list-style-type: none"> • To administer a capital grant to Herefordshire micro and small businesses to 31 March 2025, as part of REPF Addendum. • To delegate authority to the Service Director- Economy and Growth to issue grant contracts up to £50,000 per business and to take day to day operational decisions, including variation to business grant agreements.
Reasons for decision:	<p>In April 2022, government launched the UK Shared Prosperity Fund (UKSPF), to replace the European Union funded structural funds.</p> <p>The primary goal of the UKSPF is to build pride in place and increase life chances across the UK. This aligns with the Levelling Up White Paper missions. Funding is targeted where it is needed most: building pride in place, supporting high quality skills training, supporting pay, employment and productivity growth and increasing life chances.</p> <p>The council has been allocated £7,545,330 to be spent between 2022 and 2025, of which, £903,194 is for 'Multiply' adult numeracy support which is subject to a separate decision. Government announced approval of the Investment Plan on the 5 December 2022, and Cabinet took the decision to accept and spend these funds on 15th December, 2022</p> <p>https://councillors.herefordshire.gov.uk/ieDecisionDetails.aspx?ID=9216</p> <p>Herefordshire Council was notified by Defra that Herefordshire has also been allocated REPF funding in line with the Rural addendum to the UK SPF Investment Plan, a value of £1,705,669. These funds have been accepted on 31.5.23, the decision to accept these funds was included in the decision taken on 15th December 2022.</p> <p>As a result of this additional funding for rural areas within Herefordshire, a grant scheme for micro and small businesses has been devised with a minimum capital budget of £1m to address the REPF addendum Investment Plan key objective of supporting rural businesses.</p>

The investment plan aim is to address local challenges by supporting micro and small enterprises which have a more limited turnover and therefore reduced access to finance for innovation, investment and growth.

This new grant scheme will support these businesses by:

- Providing capital grants to micro and small businesses to purchase equipment and build/renovate/convert buildings to enable these businesses to grow, generate new income streams and become more resilient.

All projects must be able to satisfy/ create some of the outputs listed in the Rural Addendum approved by DEFRA. These are:

- Jobs created
- Jobs safeguarded
- Number of new businesses created
- Number of businesses adopting new to the firm technologies or processes
- Number of businesses with improved productivity
- Number of businesses experiencing growth
- Number of businesses reducing carbon emissions
- Number of businesses increasing their turnover
- Increased visitor numbers

All projects must also be able to show how they have considered the projects impact on our natural assets and nature. The maximum grant to be awarded per business will be £50,000 and the minimum grant award will be £5,000. The grant will contribute a maximum of 50% towards the cost of the project, capped at £50,000.

Defra has stipulated that funding is not available to Herefordshire business in specific urban areas. A local decision has been made that the first grant call will restrict these areas further and prioritise businesses that are in very rural areas i.e. not in market towns.

The grant scheme will be administered by Herefordshire Council staff utilising existing staff that have successfully delivered ERDF grants to businesses and UKSPF Business Enterprise Fund. The cost of these posts has been accounted for in RoOD SPF Business Enterprise Fund [Record of officer decision \(herefordshire.gov.uk\)](https://www.herefordshire.gov.uk/record-of-officer-decision)

Assessment Process: Businesses will complete an expression of interest form to enable the grant team to assess eligibility. If the information provided meets the basic eligibility criteria the business will then be invited to complete a full application:

- Application form
- Compliance with subsidy control measure
- Relevant number of quotes/ tender
- Financial - evidence of funding/ cash flow/ accounts/ management accounts
- Micro/ Small business status confirmed

At Assessment:

- The Programme Manager of the grant scheme will present the application for review.
- An Appraisal Panel will review applications to include at least 4 panel members (with 2 External members)
- An independent financial assessment will be completed on higher value grant applications
- Due Diligence checks will be completed as part of the appraisal process

The final decision on all applications will be made by Herefordshire Council. If approved a grant contract will be issued and signed by the Officer with Delegated Authority, Service

Director – Economy and Growth.

Highlight any associated risks / finance / legal / equality considerations:

Finance

REPF Capital Allocation £1,705,669:

	3/2023	3/2024	Total
REPF	£852,834.50	£852,834.50	£1,705,669
Rural Enterprise Fund allocation of REPF	£502,834.50	£502,834.50	£1,005,669
Visitor Economy	125,000	125,000	250,000
Active travel	125,000	125,000	250,000
Capacity Building	100,000	100,000	200,000

Legal

UKSPF Rural addendum grant terms (including grant award/ output/outcome definitions) will be written into the grant funding agreement to all approved businesses. Businesses will be required to deliver these conditions by the specified time frame and before March 2025 to ensure appropriate evidence can be provided to DLUHC.

All supported businesses will need to comply with subsidy control measures, this will be contained within the grant funding agreement. Advice will be sought from the Legal Department and Delegated Grants Team to ensure the suite of grant application forms to be issued complies with these measures and provides a compliant audit trail. It is proposed that Minimum Financial Assistance procedures will be adopted for this scheme subject to advice from Legal.

Procurement

This scheme will operate as a delegate grant scheme where businesses obtain quotes for the items that they wish to purchase. There is limited guidance within the Shared Prosperity Funding with regard to the procurement process that Herefordshire Council must adopt.

The guidance states minimum process of :

£0-£2,499 direct award

£2500 – £24,999 3 quotes

Over £25,000 formal tender process

Or, as a L.A we can agree different thresholds subject to these being approved internally via L.A appropriate governance process.

Herefordshire Council Internal procurement policy is as follows:

- Below £25,0000 – evidence best value to be obtained and identify at least 3 suppliers to obtain a simple quotation
- £25,001 to £75,000 - 4 quote process or advertise if suppliers cannot be identified

In light of this, it is recommended that we following procedures already approved under SPF Business Enterprise Fund RoOD to show consistency of approach:

Individual Capital Items

Items below £25,000 - 2 quotes

Items £25,000 + - 3 quotes

This grant scheme will however, also fund building projects and recommends the following process:

Building works contract below £25,000 – 2 quotes

Building works contract £25,000 or above – formal tender process

This will ensure that the approach that is adopted is proportional and transparent, whilst ensuring value for money is obtained for public funding allocated to businesses. The businesses will need to provide a rationale/ reasoned justification with regard to the chosen quote, if the cheapest supplier is not selected. A single supplier declaration form will be provided in rare occurrences where only one supplier can be found. The above process was also adopted for ERDF grant schemes

Equality :

Grants will be offered to Herefordshire businesses based solely on their compliance with the publicised scheme criteria and needs identified in the SPF Investment Plan regardless of their sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation.

Will ensure that all documentation, including application information, can be made available in a number of languages and formats, if requested.

Risks

Reputational Risk: There is a reputational risk if the council chooses not to deliver this activity. This grant scheme is contained within UKSPF Investment Programme Rural Addendum, to meet the needs of local businesses and help to deliver 2050 Economic Plan.

Capital Funding Budget is not fully allocated:

Application call deadlines will be published on the Council's dedicated SPF/ REPF webpage and also promoted on the Marches Growth hub website and directly by the Council's Economic Development Team. New call deadlines will be issued if funding remains unallocated at the end of the first call. It is anticipated this will occur every 6 weeks until all funding is allocated. The Marches Growth Hub has a pipeline of businesses requesting business finance along with local business advisors. The scheme will be promoted through various networks including Chamber of Commerce, Federation of Small Businesses, CLA, NFU and Rural Hub. The scheme will be managed by a team within Economic Development who have experience of delivering a range of externally funded business support programmes. In March 2023, an independent summative assessment concluded that the MBIP scheme which was ERDF funded 'had been well-managed and delivered by a dedicated team' and future schemes should 'continue with the same overall programme management approach as this has been successful on a number of programmes,'

Not meeting the required outputs: The council has committed to providing business support grants as part of the Investment Plan and is required to meet outputs and outcomes as a result of this support. This will be written into the business grant contracts. Independent Financial Appraisals will also be undertaken on higher value grant awards to reduce the risk to the council and public funding. Should the business not satisfy the output requirements or other contractual requirements, the grant funding agreement will contain a clawback clause which can be activated to enable funding to be repaid and then reallocated to ensure outputs can be achieved by another business.

External Factors: Economic downturn/ resurgence of pandemic lockdown conditions. This would impact on the council ability to deliver the grant scheme contractual requirements. Seek to extend delivery timescale with DLUHC.

<p>Details of any alternative options considered and rejected:</p>	<p>Do nothing: The council does not have to deliver this activity and does not have to receive the allocation given to Herefordshire.</p> <p>With the closure of EU funding/ EU grant schemes across Herefordshire there is a gap in provision for businesses to access capital funding that can assist with productivity, technology improvements which will enable the local business population to become more resilient. If this grant scheme does not proceed Herefordshire businesses growth may be inhibited by a reduction / delay in investment decisions which would affect the wider local economy and environment. The scheme will also lever in private sector investment to the value of £1m which will benefit local supply chains.</p> <p>Third party delivery of this grant scheme: The management of this grant scheme could be delivered by a third party organisation via an open procurement process to recruit a preferred supplier of this service.</p> <p>The costs of delivery however, is expected to be higher if this was adopted reducing the level of grant funding available to businesses. There is also considerable level of experience and expertise within the council to deliver this service as seen by the latest independent summative assessment produced by Amion Consulting Ltd. This approach would require monitoring from officers within the council to ensure the provider is compliant with SPF/ REPF contractual requirement and subsidy control regulations which could expose the Council to greater risks with future audits.</p>
<p>Details of any declarations of interest made:</p>	<p>None.</p>

Signed:

Date: June 2023

Ross Cook, Director for Economy and Environment