

Harborough District Council



Report to Cabinet Meeting of 6 March 2023

Title:	Report 6: Governance Arrangements for Allocation of UK Shared Prosperity and Rural England Prosperity Funding
Status:	Public
Key Decision:	Yes
Report Author:	David Wright – Head of Economy & Business
Portfolio Holder:	Cllr Phil King, Strategy, Leader of the Council
Appendices:	1. UK Shared Prosperity Fund Harborough District Investment Plan 2. DLUHC allocation of funding documentation, dated 5 December 2022

Summary

- i. The report sets out the proposed governance arrangements for allocation of £2,172,095 UK Shared Prosperity (“UKSPF”) and £709,681 Rural England Prosperity Funding (“REPF”), received from government.

Recommendations

- ii. It is recommended Cabinet:
 1. **Note the work that has been done so far to submit the Council’s proposals for UK Shared Prosperity Funding and Rural England Prosperity Funding; and**
 2. **Note the terms attached to the funding as set out at Appendix 2;**
 3. **Delegate to the Chief Executive, in consultation with the Leader of the Council, authority to:**
 - i. **Commission, negotiate, award and enter into and vary such arrangements and legal agreements as may be necessary or appropriate to implement the Investment Plans for UKSPF and REPF funding ; and**
 - ii. **Negotiate such changes to the Investment Plans, as may be necessary or appropriate to secure efficient and effective delivery of the UKSPF and REPF**

Reasons For Recommendations

- iii. The guidelines for spending the funding and recording outputs, outcomes and impacts of the funding are complex and require a detailed understanding of, and regular liaison with the Department of Levelling Up, Housing and Communities to ensure compliance. Officers need the ability to be flexible to respond to changing circumstances and make speedy decisions, within the overall priorities and themes of the Investment Plans, in order to avoid potential delivery failure, having to return funding to central government and ensure that the requirements of the funding are met.

1. Purpose of Report

- 1.1 This report updates Cabinet on the allocation of additional funding by government to Harborough District Council. The council was awarded of £2,172,095 from the UK Shared Prosperity Fund (“UKSPF”) and £702,681 from the Rural England Prosperity Fund (“REPF”). The funding is to be spent by March 2025.
- 1.2 The report also proposes formal governance arrangements for the distribution of this funding in accordance with the terms of the grant award.

2. Background

- 2.1 In May 2022, Harborough District Council was allocated £2,172,095 from the UK Shared Prosperity Fund (UKSPF) to be spent over three financial years between April 2022 and March 2025. This fund was created by government to further the levelling up agenda and provides £2.6 billion of funding for local investment by March 2025. The UKSPF aims to improve pride in place and increase life chances across the UK by investing in communities and place, supporting local business, and people and skills. It is intended to enable local decision making and lead to visible, tangible improvements to the places where people work and live, alongside investment in human capital, giving communities up and down the UK.
- 2.2 Government expects local authorities to identify and build on their own strengths and needs at a local level, focusing on pride in place, increasing life chances, maximising impact and simplifying delivery of improvement projects in their area.
- 2.3 In September 2022, the council was also allocated £709,681 from the Rural England Prosperity Fund (REPF) to be spent over two financial years between April 2023 and March 2025. This fund was created to address the specific challenges faced by rural areas, particularly lower productivity rate, limited connectivity and poorer access to key services. Local authorities are expected to use the funding for capital projects for small businesses and community infrastructure to improve productivity and strengthen the rural economy and rural communities. The REPF tops up UKSPF allocations and complements existing schemes provided by the Department for Environment, Food and Rural Affairs (“DEFRA”).
- 2.4 UKSPF and REPF were created to replace European Union funding post Brexit and promised reduced levels of bureaucracy and funding spent on administration when compared with EU funding. However, to access allocated funding, councils are required to set out measurable outcomes that reflect local needs and opportunities across three investment priorities of communities and place, local business and people and skills.

- 2.5 A briefing session and briefing note were provided to councillors on 14 July 2022, at which stage the council was engaging with partners and interpreting the Government guidance to understand how UKSPF could best be used to support the delivery of key Council objectives.
- 2.6 In September 2022, the council submitted its UKSPF Harborough District Investment Plan (see Appendix 1) to the Government which took account of feedback from councillors, local stakeholders and the three local Members of Parliament, as required by the Government guidance. The council was originally advised that it would be advised whether its investment plan was accepted around late October / early November, but didn't receive approval of the investment plan until 5 December 2023 – see Appendix 2.
- 2.7 A further briefing note was provided to councillors on 28 October 2022, which confirmed the proposed allocation of the funding to the different fund themes and interventions (as set out in the fund prospectus)
- 2.8 Despite the delayed notification of the approval of the council's investment plan the Department of Levelling Up, Housing and Communities ("DLUHC") expects £263,604, of the UKSPF allocation to be spent or allocated within the current financial year, (i.e. by 31 March 2023). Considerable work is therefore ongoing to identify and implement 'quick wins' and easily deliverable projects, including claiming for some relevant projects and expenditure already carried out in 2022/23.

3. Details

UKSPF Investment Plan

- 3.1 In accordance with the guidance issued by government the council submitted a proposed investment plan which allocated the funding awarded as follows:
 - 3.1.1 **Communities & Place** – Total £1.5 million, including:
 - 3.1.1.1 £1 million – Town Centres – to help to deliver key strands of the town centre masterplans for Lutterworth and Market Harborough, including improving accessibility for disabled people, as well as supporting small scale improvements to the centres in four larger villages (Broughton Astley, Fleckney, Kibworth and Great Glen);
 - 3.1.1.2 £100K – Active Travel - towards active travel improvements, including supporting walking and cycling;
 - 3.1.1.3 £100K – Community Development - to deliver a two-year asset based community development project, building local capacity and identifying future needs and priorities for Section 106 funding;
 - 3.1.1.4 £100K – Feasibility & Corporate Knowledge - to help develop feasibility studies and improve council knowledge and capacity in order to be able to take advantage of future funding and support opportunities, (e.g. Levelling Up Funding);
 - 3.1.1.5 £80K – Volunteering - to support volunteering initiatives and opportunities with local partners;
 - 3.1.1.6 £60K – Events - to support arts, culture and heritage events;
 - 3.1.1.7 £60K – Digital Connectivity - to help support improved digital connectivity across the district.

3.1.2 **Local Business Support** – Total £450K, including:

- 3.1.2.1 £150K – Town Centre & Retail Support - to support town centre and retail businesses, including initiatives to increase town centre footfall and improve shop-fronts etc;
- 3.1.2.2 £75K – Tourism Development - to provide support to develop the tourism in the district, including promotional campaigns and initiatives to strengthen the sector;
- 3.1.2.3 £225K – Business Support & Business Grants - to provide general business support, including continuing and improving business advice services previously funded by EU, and offer small Business Grants.

3.1.3 **People & Skills** – Total £135K, including:

- 3.1.3.1 £50K – Employment Support - to support economically inactive residents finding employment, (building on recent work with job fairs, job clubs etc.), particularly when EU funding stops in 2023.
- 3.1.3.2 £50K – Upskilling Employees - to try to address the disparity between locally-based workplace earning being lower than the national average, through upskilling employees within workplaces;
- 3.1.3.3 £35K – Skills Shortages - to support work with local employers to address skills shortages in key sectors, including hospitality & logistics, (building on recent successes like HGV Driver training).

3.2 The allocation of the funding is phased over three years as follows:

- 3.2.1 Year 1 (2022/23) – £263,604 (12.1%);
- 3.2.2 Year 2 (2023/24) – £527,208 (24.3%);
- 3.2.3 Year 3 (2024/25) –£1,381,283 (63.6%).

Rural England Prosperity Funding

3.3 Harborough District Council's submission for the REPF has not yet been approved by government, but included:

- 3.3.1 Support for Rural Electric Vehicle Charging – £155,000;
- 3.3.2 Support for Roll-out of Digital Leicestershire Strategy in rural areas – £100,000;
- 3.3.3 Grants to rural businesses to innovate & grow– £350,000;
- 3.3.4 Grants for community facilities (Year 2 only) – £104,681

3.4 The nature of the district means that Market Harborough and Lutterworth could be included within this funding as towns serving the rural area. However, a significant proportion of the UKSPF funding is likely to be spent in Market Harborough and Lutterworth. To ensure that the funding addresses truly rural issues, and contributes to the delivery of the council's Rural Strategy, it is proposed that the REPF allocation is restricted to all areas of the district other than Market Harborough and Lutterworth. An exception to this may be made if a project specifically demonstrates how it directly benefits the rural areas of the district, rural residents or businesses.

3.5 Unlike the UKSPF allocation, the REPF funding allocation is only phased over two years:

- 3.5.2 Year 1 (2023/24) – £185,000 (26%);

3.5.3 Year 2 (2024/25) – £524,681 (74%).

Delivery of UKSPF and REPF proposals

3.6 DLUHC allow a maximum of 4% of the total value of the UKSPF funding allocation to be used for administration, which it defines as project assessment, contracting, monitoring and evaluation and ongoing stakeholder engagement. DLUHC recognise that the administration requirement may need to be greater earlier in the funding cycle therefore they will assess the costs across the whole funding period. Any underspend on administration can be used to deliver the fund interventions. The council's submitted investment plan (Appendix 1) confirmed that, as a small lead local authority, the council may need to exceed the 4% administrative cost ceiling. This was accepted by DLUHC in the allocation of grant funding documentation (Appendix 4). and the Council was invited to confirm the sum it intended to spend and whether this impacted upon any outputs or outcomes.

3.7 Officers calculate that 4% of the total awarded funding will equate to between 0.6 to 0.8 FTE of an economic development officer over the funding period. This is not considered adequate to administer the funding. Accordingly, consideration has been given as to how the council can most efficiently secure the staff needed to administer the funding allocated. To ensure maximum benefit is gained from the administrative cost ceiling, the council has explored collaboration with other local authorities in the region. Both Melton Borough Council and Rutland County Council have indicated they would welcome an arrangement to share resources and achieve economies of scale by pooling the funding each can dedicate to administrative costs, thus delivering the administration of the funding more efficiently. The councils would also use this administrative resource to support work on the REPF, which has no provision for the council to recover administrative costs.

3.8 The implementation and delivery of UKSPF and REPF allocations will, due to the nature of the various projects and interventions proposed, require a wide range of different delivery methods and partners, including:

3.8.1 Direct procurement of goods and services, ranging from small scale purchase of equipment (e.g. bunting for Coronation celebrations) to larger scale town centre public realm works;

3.8.2 Procurement of consultancy and professional support, ranging from feasibility studies, design and architectural work;

3.8.3 Partnership procurement with neighbouring councils to deliver a county-wide business support service and a contract for employment support contract with two other councils;

3.8.4 Support for existing and new partners to deliver individual projects, (e.g. Canals and Rivers Trust, Sustrans and various voluntary sector agencies);

3.8.5 Provision of grant aid to businesses and community groups via an open application process, similar to those carried out during the Covid recovery.

As a lead local authority for delivery of the fund, the council is responsible for determining the nature of competition, procurement, commissioning or in house delivery for each proposed intervention included in its investment plan.

3.9 Given the complexity of these schemes, a robust project management methodology will be applied, in order to ensure that the council:

- 3.9.1 Delivers the component activities of UKSPF and REPF;
- 3.9.2 Ensures that government monitoring and evaluation requirements are met;
- 3.9.3 Ensures that the allocated funding is spent to avoid it being returned to government

in accordance with the terms of the grant funding agreement.

3.10 The tight timescales and challenges attached to allocating funding and delivering projects require governance arrangements which are efficient and flexible while providing suitable transparency and accountability. As a lead local authority, the council is accountable to government for current or emerging operational or financial risks or issues, and any contingency measures put in place. In the event that government is not satisfied with the oversight and delivery of the investment plan, it could impose additional support and or enhanced monitoring, and reduce delegation of the funding to the district. The grant funding agreement requires the council to:

3.10.1 have governance and assurance arrangements in place and ensure all legal and other statutory obligations and consents are adhered to will be adhered to;

3.10.2 confirm the checks carried out by the Chief Finance Officer to ensure appropriate processes are in place to deliver ensure proper administration of financial affairs relating to the UKSPF allocation;

3.10.3 confirm the council has applied management controls that:

3.10.3.1 mitigate the risk of fraud;

3.10.3.2 ensure funding has been used in accordance with UK subsidy control legislation;

3.10.3.3 ensure that any procurement complies with public procurement rules;

3.10.3.4 ensure compliance with statutory obligations under the Public Sector Equality Duty; and

3.10.3.5 ensure that any personal data obtained in connection with UKSPF activities is handled in compliance with the Data Protection Act 2018.

3.10.4 cooperate with the Secretary of State in any inquiries regarding delivery of the UKSPF; and

3.10.5 complete and return the templated Statement of Grant Usage letter on an annual basis.

Governance proposals

3.11 The council was required to provide substantial detail to government when submitting its investment plan for approval. It therefore ensured that existing or proposed projects from existing council documents such as the Economic Development Strategy, Corporate Plan 2022 – 2031, Tourism Growth Plan and masterplans for Market Harborough and Lutterworth were promoted over new proposals. The council is not able to unilaterally alter that investment plan at this stage – any variation to it must be agreed with government. Given the limited provision for additional administrative support, and the timescales in which the funding must be allocated and spent, there will be limited scope for variations to the investment plan to be negotiated with government. Consequently, there is limited scope for members to influence the distribution of the funding allocated.

Rather, the focus of the governance arrangements is to ensure that there is democratic accountability for the delivery of the UKSPF and REPF allocations.

- 3.12 It is proposed that authority is delegated to the Chief Executive, in consultation with the Leader of the Council, to ensure delivery of the UKSPF and REPF funded investment plan approved by government. This delegation should include:
- 3.12.1 commissioning, negotiating, awarding, executing and varying any documentation or agreement as may be necessary or appropriate to implement the investment plan set out at Appendix 4;
 - 3.12.2 identifying, negotiating and agreeing changes to the investment plans as necessary or appropriate with DLUHC;
- 3.13 Communications with councillors on progress will be outcome focused and provide updates relevant to delivery milestones as appropriate. The council will comply with the terms of its constitution in respect of the delivery of the investment plan.

4. Implications

Corporate Priorities

- 4.1 The UKSPF and REPF have the potential to deliver across all four objectives within the Corporate Plan, particularly in relation to place and community, and economy. However, there are also significant crossovers with the Healthy Lives and Environment and sustainability objectives.

Financial

- 4.2 The total financial allocation to Harborough District Council is £2,881,776, being £2,172,095 from the UK Shared Prosperity Fund and £709,681 from the Rural England Prosperity Fund. Payment will be made to the council annually in advance. The council may allocate additional funding from alternative resources to augment the funding allocation where appropriate.
- 4.3 The council is only entitled to spend 4% of the UK Shared Prosperity Funding, (i.e. £86,883.80), on administration, monitoring, reporting and management, for both schemes, hence the proposal to share resources with Melton Borough Council and Rutland County Council, in order to achieve economies of scale.
- 4.4 The Chief Finance Officer will be responsible for ensuring that appropriate financial reports are provided to DLUHC and DEFRA as and when required and the Financial Procedure Rules and procurement rules are complied with.

Legal

- 4.5 The council has already entered into a Memorandum of Understanding with DLUHC which sets out what is expected of it in relation to the allocated funding – signature of this agreement by the Chief Executive was required to access the Year 1 funding allocation. The agreement is not legally binding but acts as a framework for the council to work with DLUHC to deliver the UKSPF and REPF allocations.
- 4.6 Legal work will be required to deliver some of the projects, such as purchase of land and negotiation of agreements with businesses and property owners in the district. It is hoped that this can be provided by the Legal Services team. In the event of a lack of capacity or expertise, the council will need to secure additional external legal resources.

Policy

- 4.7 In addition to the Corporate Plan, the UKSPF funding will have a positive impact on the Economic Development Strategy, Town Centre Masterplans for Lutterworth and Market Harborough, Climate Emergency Action Plan and Health and Wellbeing Strategy.
- 4.8 The REPF funding will build on these policies and also have a major impact on delivery of the recently approved Rural Strategy for the district.

Environment

- 4.9 Both UKSPF and REPF funding will significantly contribute towards the delivery of the Council's Climate Emergency Action Plan, through initiatives such as funding towards rural Electric Vehicle charging points, Go Green Business Grants, which have already supported 10 businesses in 2022/23, and the Go Green Business Convention on Tuesday 21 March 2023, which is being funded from UKSPF.

Risk Management

- 4.10 Each project addressed within the investment plan will be separately assessed to review potential risks and mitigations. Corporately, the council will ensure that it complies with the terms of the funding documentation to ensure compliance with the terms of the funding allocation and is not required to return any underspend of the allocation.
- 4.11 As a lead local authority, the council is accountable to government for current or emerging operational or financial risks or issues, as well as any contingency measures put in place to address the identified risks. Failure to address these risks appropriately will result in government requiring enhanced oversight of the delivery of the investment plan, or withdrawal of the office or a grant.

Equalities Impact

- 4.12 The council is cognizant of its public sector equality duty and anticipates that the interventions it has proposed will promote this duty. Equality impact assessments will be undertaken as appropriate in respect of projects to ensure that there is no inadvertent adverse impact on this duty. Where appropriate, mitigations will be introduced to ensure that those from communities or those with specific protected characteristics are not negatively impacted, and ideally, are better supported as a result of the investment.

Data Protection

- 4.13 The council is aware of its obligations under the Data Protection Act 2018 and has adopted policies and training to ensure those obligations are met. It has identified that the main data protection risk in the delivery of the UKSPF and REPF grant allocation is likely to arise from the administration of grants. All grants will be managed via the Ascendant Grant Approval online grants system, which was used extensively to manage Covid related funding. This is a restricted password protected system, which has already proved very effective, not only for data protection, but also for fraud prevention purposes.

Consultation and Outcome

- 4.14 The Council consulted widely, in line with government guidance, in advance of submitting its proposals for both UKSPF and REPF funding. Furthermore, both programmes are based significantly on existing Council strategies, including the Corporate Plan, Rural Strategy and Town Centre Masterplans, all of which involved significant consultation and engagement within the district.

5. Alternative Options

- 5.1 The UKSPF and REPF are funding opportunities which the council has successfully submitted investment plans for. They represent the best opportunity for the council to deliver the objectives set out in the various strategies and plans already adopted by the council. Failing to take advantage of the allocated funding would be irresponsible and detrimental to the interests of the district.
- 5.2 Alternative options could be explored in respect of the proposed governance of the administration of the funding, however the funding is time limited and prescribed, therefore more extensive governance oversight could be considered disproportionate in the circumstances. Whatever arrangements are ultimately agreed, the council will need to have regard to the requirements of the memorandum of understanding entered into with DLUHC, and not “gold plate” the arrangements or hinder delivery of the allocated funding to appropriate projects as set out within the implementation plan.

6. Background papers

- 6.1 UK Share Prosperity Fund: Prospectus¹
- 6.2 Master plans for Lutterworth² and Market Harborough³
- 6.3 Economic Development Strategy⁴
- 6.4 Leicester and Leicestershire Tourism Growth Plan
- 6.5 14 July 2022 briefing note for members
- 6.6 28 October 2022 briefing note for members



¹ <https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/uk-shared-prosperity-fund-prospectus#how-the-fund-will-be-delivered>

² https://www.harborough.gov.uk/downloads/file/7241/lutterworth_town_centre_masterplan_final

³

https://www.harborough.gov.uk/downloads/download/1491/market_harborough_town_centre_masterplan_june_2022

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https://www.harborough.gov.uk/downloads/file/4868/harnessing_harborough_district_economic_development_strategy