

Corporate Policy and Resources



10 October 2022

Title	Shared Prosperity Fund and Business Rates Retention pot
Purpose of the report	To make a decision
Report Author	Heather Morgan, Group Head Regeneration and Growth
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/A
Corporate Priority	Community Recovery Environment Service delivery
Recommendations	Committee is asked to: Agree option 1 - to use the Business Rates Retention pot to 'forward fund' all the projects in the Shared Prosperity Fund (SPF) Investment Plan in advance of the government funds which are not received until 2024/25)
Reason	There is a need to ensure that the Shared Prosperity Fund projects progress in advance of government funding coming forwards, especially in light of the worsening economic situation and the likely adverse impact on businesses and communities

1. Summary of the report

- 1.1 This report sets out the various options which are open to CPRC to address the re-profiling of the Shared Prosperity Fund monies from government which backloads 88% of the £1m fund to 2024 -25. This delays a number of projects which are required to be delivered in a much sooner timeframe.
- 1.2 The economic development team has a ring-fenced Business Rates Retention fund (currently c£600k) which can be used for economic regeneration. It is being recommended that this money is used to fund the projects almost as originally profiled (across years 1, 2 and 3) with the pot being re-plenished in year 3 when the bulk of the money comes from government.

2. Key issues

- 2.1 A report went to CPRC on 11 July 2022 which agreed the projects (and the levels of funding to be allocated to each) to be included within the Councils Shared Prosperity Fund Investment Plan. This assumed a funding split of 15%, 27% and 58% (£1m was allocated to the Council). After submitting the information to DLUHC it transpired that the government had changed the profiling part way through the funding round – amending it to 4%, 8% and 88%.
- 2.2 The Council were asked to resubmit revised information to align with the new profile (which had to be done by 18 August 2022 to meet a government-imposed deadline). An urgent exercise was undertaken to re-profile the monies, and a report was written for audit trail purposes. An Urgent Action was agreed by the Chief Executive, in consultation with the chair and vice chair of CPRC, on 16 August 2022 (and that decision was reported to CPRC on 27 September 2022). The revised information was submitted within the deadline, and is currently being considered by government.
- 2.3 The re-profiling exercise has meant that the vast majority of projects (bar the Incredible Edible Gardens which is a capital project and the business support which is being delivered jointly with Runnymede) now have to be delivered in less than a 12-month period in 2024 -25. This creates a number of challenges:
- (a) Much needed projects aimed at helping younger people into the world of work, older people into new careers, undertaking audits for businesses to reduce energy bills and become more sustainable, giving community groups support to bid for grants and art projects/outreach work linked to the Oast House in Staines cannot be delivered for over 18 months
 - (b) The projects will all have to be set up and delivered at speed and in a much larger quantum than originally anticipated (at least twice the scale in some cases)
 - (c) This will result in added pressure on officers, the project teams and the external providers/voluntary sector who we are working in partnership to deliver
- 2.4 Those schemes which have been affected by the re-profiling are set out below (original profile in black and revised in blue):

Project	2022 - 23	2023 – 24	2024 - 25
Youth Hub (18- 24)	26,000	100,000	100,000
	0,000	0,000	226,000
Bounce Back Street (over 50's)	13,500	54,000	54,000
	0,000	0,000	127,700
Climate Change Audit for business	30,000	35,000	35,000
	10,000	17,000	74,600
Upskill voluntary sector for bids	20,000	20,000	43,000

	7,200	10,500	66,900
Cultural kick starter Oast (community)	20,000	20,000	65,000
	0,00	10,500	96,000

2.5 Officers have been considering ways in which the above pressures can be eased. The Economic Development team have a ring-fenced Business Rates Retention (BRR) fund which can only be used for economic regeneration purposes. This is a fairly broad definition, and it is considered that all of the projects which have had to be pushed back to 2024 -25 comfortably sit within scope. There is currently c£619k in this fund.

2.6 It is therefore being suggested that the BRR pot is used to start the relevant projects within the timeframe which were originally stipulated (i.e. from the latter part of this year) and pay for them until April 2024 when the government will pay out the £880k (assuming the Investment plan is approved). When those funds are received, they can then be used to 'replenish' the BRR pot at that point

2.7 DLUHC have confirmed by email (**Appendix 1**) that in principle this would be acceptable – subject to all the monies being used by end March 2025.

3. Options analysis and proposal

Option 1 - use the BRR pot to allow all projects to start as originally profiled

3.1 This option looks to deliver all the projects put forward in the investment plan as originally intended.

3.2 The table below sets out how the BRR fund will be used with this option (to supplement the funding which is already set out in the re-profiling).

Project	2022 - 23	2023 – 24
Youth Hub	26,000	100,000
Bounce Back Street	13,500	54,000
Climate Change Audit	20,000	18,000
Upskill VS for bids	12,800	9,500
Cultural kick starter Oast (community)	20,000	9,500
Total	92,300	191,000

3.3 It has been assumed that:

- (a) the salaries of the two ED staff continue to be paid out for 2023 – 24
- (b) £10k pa for Spelthorne Business Forum
- (c) £15k pa for the three town centres (£5k each)

So there is £475k in the fund available to be used.

BRR	475,000
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Total 'spend' under option 1	283,300
Total BRR remaining	191,700

3.4 This option is **recommended**.

Option 2 - use the BRR pot to prioritise business focused projects only to start as originally profiled

3.5 This option only looks to deliver the business focused projects early with the upskilling and cultural kick starter being left to 2024 – 25.

3.6 The table below sets out how the BRR fund will be used with this option.

Project	2022 - 23	2023 – 24
Youth Hub	26,000	100,000
Bounce Back Street	13,500	54,000
Climate Change Audit	20,000	18,000
Total	59,500	162,000

3.7 It has been assumed that:

- (a) the salaries of the two ED staff continue to be paid out for 2023 – 24
- (b) £10k pa for Spelthorne Business Forum
- (c) £15k pa for the three town centres (£5k each)

So there is £475k in the fund available to be used.

BRR	475,000
Total 'spend' under option 2	221,500
Total BRR remaining	253,500

3.8 This has the benefit of limiting the risk of the DLUHC not paying the investment monies in 2024 -25 and ensuring that there is more left in the BRR pot to cover what might be a couple of very difficult years for the business community (recession and cost of living/energy bills) where government financial support may not be as forthcoming as during the COVID-19 pandemic. There is a judgement to be made, and on balance it is considered that the £61.8k should go to also helping the voluntary sector access funding (as this will be increasingly tight) and to help with wellbeing (cultural kick starter) in what may be difficult times.

3.9 On balance, this option is not recommended.

Option 3 – not use the BRR pot and deliver projects in 2024 -25

3.10 This would mean that the projects could not deliver until the summer of 2024 at the earliest (after being set up). In a number of instances this would have a damaging impact on those businesses and communities who we know will be hardest hit by the recession and cost of living crisis. It would also prevent voluntary groups gaining expertise in bidding for funding when this avenue to

gain money will become increasingly important (but also more scarce). The Council may be viewed by the community and businesses as ‘sitting on our hands’ which will have an adverse impact on the reputation of the council. This option is not recommended.

4. Financial implications

- 4.1 The BRR fund had £619k available at the end of March 2022– though the salary of two ED staff comes out of this (c£100k pa from April 2022), as well as £25k annually towards the Spelthorne Business Forum and the three town centres. Any Incubator expenditure in excess of income received is also paid for from this pot. There were a number of initial one-off set up costs for the Incubator in its first financial year (2021- 22) which will not be incurred on an on-going basis. Shepperton Studios have also committed to providing funding of £100k over 5 years for the facility – it is anticipated that this will be in 5 equal tranches of £20k pa from the end of 2022).
- 4.2 The table below sets out how the fund could be used to ‘fill the gap’ left by the re-profiling of the SPF Investment Plan until end March 2024. It assumes that the Incubator is cost neutral (or any overheads are covered by the monies from Shepperton Studios or the £216k remaining).

BRR	475,000
Total ‘spend’ under option 1	283,300
Total BRR remaining	191,700

- 4.3 The ED team will still put in for separate funding for the Youth Hub and Bounce Back Streets for a further year from the Department for Work and Pensions (from November 2022 – November 2023). However, they have been advised that there is a high likelihood that this will not be successful (no longer a priority area for DWP who have been given other new priorities, and our contact has been moved onto other projects and not been replaced).

5. Risk considerations

- 5.1 There is a risk that the government review the delivery of the Shared Prosperity Fund (in light of the likely recession and cost of living crisis) and divert monies elsewhere. This would mean that the BRR pot would not be replenished. This is deemed a relatively low risk as it would be difficult for the government to ‘row back’ for this part of its levelling up agenda. Even if there were the case, the Council will at least have committed to spending a large portion of the BRR pot to projects which is considered worthy of inclusion in the SPF Investment Plan.
- 5.2 It is recognised however that taking this route this would limit our ability to use the BRR pot for more reactive, emergency measures in the short term to address the impact of the recession on businesses (though it is hoped that the government will intervene if the national economic situation becomes very serious).
- 5.3 The economic development team have always looked to help businesses to thrive and grow (though through COVID-19 the team did need to help businesses survive by giving out government support grants). Short term measures which ‘prop up’ business are less likely to help the local economy in

the medium to long term, and it is considered more appropriate to use the BRR funding in a positive manner.

5.4 The risk of government not agreeing to such an approach (i.e. using our own funds to start projects 'early') has been mitigated as they have confirmed they have no objection to this approach. However, it has to be accepted that this is an 'in principle' view only, and as a Council we would need to work with the right officers within DLUHC to ensure that we can accurately monitor our activity, as it will not be in line with their expected profile. We will continue to work with DLUHC on this matter.

5.5 Such an approach will require careful budget management to ensure there is no overspend as the BRR pot will have to absorb this if that situation arises. However, all the projects will go through the Council's corporate project management system, and regular reporting of spend to DLUHC will ensure financial rigour is maintained throughout the spending period,

6. Procurement considerations

6.1 There are none in relation to this report However some of the individual projects within the Investment Plan will require procurement advice and input. All the projects will be expected to go through the Councils project management system. This will automatically ensure that procurement are involved at the early stage of project development and throughout the delivery phase.

7. Legal considerations

7.1 There are no specific legal considerations as a result of this report. Any scheme specific issues will be picked up at project development stage.

8. Other considerations

8.1 There are none.

9. Equality and Diversity

9.1 Specific assessments will be undertaken for each of the projects to ensure that equality and diversity are fully considered and addressed (e.g. lower level/accessible incredible edible gardens, ensuring that business support is targeted on the basis of need and is equality and diversity neutral).

10. Sustainability/Climate Change Implications

10.1 There are two projects within the Investment Plan which are targeted towards (1) incredible edible gardens (2) climate change audits for business.

11. Timetable for implementation

11.1 Any decision should not be implemented until the Council is advised by the DLUHC that the Investment Plan (and the projects contained within it) has been agreed. It is anticipated that this will happen in October 2022 (the governments timeline)

11.2 In respect of the Youth Hub, any decision should not be implemented until the decision on the bid for a further year's funding from DWP is known (anticipated to be December 2022) – though we understand that the prospects of this are not that positive.

12. Contact

12.1 Heather Morgan h.morgan@spelthorne.gov.uk

Background papers: There are none.

Appendices:

Appendix A Email from DLUHC