



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

CABINET

Thursday, 13 January 2022

Report of the Executive Director - Place

**Funding Profile and Proposed Underwriting of Community Renewal
Fund to Support Project Delivery**
(Cabinet Member for Clean Growth & Regeneration)

1. Divisions Affected

1.1 County-wide, but with impact on the High Peak and Derbyshire Dales.

2. Key Decision

2.1 The decision to accept the Government's Community Renewal Fund of £1,999,157 is a key decision because it is likely to result in the Council incurring expenditure which is, or savings which are significant having regard to the budget for the service or function concerned (this is currently defined as £500,000). Also, the decision is significant in terms of its effect on communities living or working in an area comprising two or more electoral areas in the County.

3. Purpose

3.1 To agree the Council's forward funding profile to ensure the CRF projects can be paid in a timely manner from the Council's reserves with financial reconciliation taking place at the end of the CRF programme delivery.

4. Information and Analysis

- 4.1 In the 2021 Spring Budget, Government announced the introduction of its £220 million UK Community Renewal Fund (CRF) to help the country move smoothly away from the European Union (EU) structural fund programme and prepare for the UK Shared Prosperity Fund by piloting innovative, short term projects over 2021-22.
- 4.2 To ensure the UK CRF funding reaches the areas most in need, Government identified 100 'priority places' based on an index of economic resilience; for Derbyshire, the Derbyshire Dales and High Peak local authority areas were confirmed as priority places. Also, the County Council was confirmed as the 'lead authority' for processing the CRF.
- 4.3 As lead authority, the Council was required to invite project proposals from a range of local applicants, carry out project appraisal and produce a shortlist of proposals up to a maximum of £3 million per priority place for submission and final approval by the Government (£6m in total for Derbyshire).
- 4.4 On confirming approval of any shortlisted applications, Government expects lead authorities to issue funding agreements to project deliverers, make the necessary CRF grant payments and prepare for carrying out project monitoring.
- 4.5 On 3 November 2021, the Council was informed that two of its shortlisted projects had been successful in being allocated CRF monies totalling £1,999,157 (including management fee); it was advised that nationally, the CRF had been massively oversubscribed and a 3-month delay in notification of the outcome resulted. The facilitation of immediate project starts was encouraged by Government given the challenging timescales for delivery of the approved projects (by June 2022).
- 4.6 Details of the two successful projects are set out in Appendix 2 of this report but in summary:
1. Better Futures – project led by Derby Business College that focuses on “Investment in Skills” and “Supporting People into Employment”. It connects those in need of employability support and skills development with local employers offering job opportunities.

2. Derbyshire Accelerator Project - innovative collaboration between the East Midlands Chamber, universities and local authorities to pilot five 'accelerator strands':

- De-Carbonise
- D2 Starter Programme
- FEAST2
- Growing/ Developing Visitor Economy
- Accelerated 'Kickstart'

4.7 To enable the Council to fulfil its role as lead authority for the CRF for the period April 2021 to 30 June 2022, an urgent decision by the Executive Director – Place was taken to accept the grant funding and commence process for implementing the necessary management processes. This decision was taken on 11 November 2021 and was formally noted at Council on 1 December (Minute No. xxx/21 refers); the decisions taken are as follows:

- To enter into a funding agreement with Government to receive up to £1,999,157 of CRF monies to be issued to the two successful projects in the form of a grant, as outlined in Appendix 2. The Council's Constitution requires Cabinet approval for the receipt of any funding above £500,000 that is not set out in the Service Plan. Given the tight timeframes between notification of grant award and project start dates, and given the short delivery timeframe, it was not been possible to secure the timely approval through the usual Cabinet process.
- To establish relevant procedures for the Council to carry out its Lead Authority role in delivering the CRF, as described in Government's Technical Note for Lead Authorities.
- For the Council to accept and utilise £40,000 of Government capacity funding to enable the coordination and appraisal of bids. This funding was paid to the Council in November 2021 and was paid regardless of whether bids are successful.
- For the Council to accept and utilise the £23,623 management fee to manage the projects.
- To agree to the Council operating as lead authority for the CRF programme as appropriate, with approved processes in place to avoid conflicts of interest.

4.8 Subsequent to the Executive Decision being made on 11 November 2021, the Department for Levelling Up, Housing and Communities (DLUHC) advised that payment of the CRF monies to the Council would be in two payments of £1,249,473 (62.5%) at the start and £749,684 (37.5%) after the project end. The first instalment would be received 30

days from the signing of the agreement at the start of the programme (payment likely to be in December 2021) and the second at the completion of the projects at the end of June 2022 (with payment likely in August 2022). This requires finance to be authorised to pay project deliverers from the Council's own resources until such time as the funds are received to re-imburse the Council.

- 4.9 As the two projects are due to receive monthly grant payments based on an activity/delivery schedule, the Council is essentially required to 'forward fund' the projects once the initial £1,249,473 has been expended and in advance of the second payment being received. This will need to be supported from the Council's own resources until such time as the second grant payment is received.
- 4.10 This report is therefore seeking approval for £749,684 to be allocated by the Council to support payment of CRF monies to the above-named projects in advance of the second payment from Government being received. Appropriate monitoring and evaluation processes have been set up to check project progress and ensure the contracted outputs are being achieved. Any continued grant payment to the projects is predicated on the profiled outputs and actions being achieved.
- 4.11 Further details on the financial implication are laid out in Appendix 1.

5. Consultation

- 5.1 No public consultation has been required in relation to the specific proposal of this report.

6. Alternative Options Considered

Options for Payment of Projects

- 6.1 In relation to the funding of the projects from the Council's own resources, the options that were considered were to withhold payment until receipt of the funds from DLUHC, or to pay from the Council's own resources and reconcile payments upon receipt of the funds.
- 6.2 In discussions with Finance and Legal, it was considered that the risk to the Council and the project deliverers at the inception of the project was limited, as payment would be received by the Council within 30 days of the grant agreement being signed. This could be mitigated through a clause in the agreement to only pay once the Council had received its funding. In all probability, the delay to projects receiving payment will be minimal once they have completed and submitted their claims and evidence.

6.3 In respect of the final instalment, it was considered that if the Council was to delay payments until the final instalment was received from Government, there is a high risk that project deliverers will face cash flow issues that could impinge on the success of the delivery of their projects was considered much higher, since this would equate to 37.5% of project funding. It is therefore it be proposed that that the Council funds the projects from its own resources to mitigate the cashflow and delivery risks. To reduce the risk to the Council there will be in place agreed regular monitoring of the projects and their spend, with a Project Board, chaired by the Executive Director - Place, to ensure strong governance and oversight.

7. Implications

7.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

8. Background Papers

8.1 [UK Community Renewal Fund: prospectus - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

8.2 [Forms overview: UK Community Renewal Fund: grant funding agreement - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

8.3 [UK Community Renewal Fund: successful bids - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

9. Appendices

9.1 Appendix 1 – Implications

9.2 Appendix 2 – Overview of Successful Projects (Exempt).

10. Recommendations

10.1 That Cabinet:

- a) Agrees to the Council underwriting the second half of the Government grant (£749,684) and making payments to projects in line with agreed profiles, from the Council's own resources with reconciliation taking place on receipt of the second Community Renewal Fund payment from Government.

11. Reasons for Recommendations

- 11.1 To ensure grant payments to the project deliverers is maintained throughout the period November 2021 to June 2022 to minimise the risk of cashflow preventing project completion.

12. Is it necessary to waive the call in period?

- 12.1 It is not necessary to waive the call-in period for the Council to underwrite the payment of grants to the two successful projects.

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Implications

Financial

- 1.1 Finance colleagues have been engaged throughout the programme and that will continue through membership of the Community Renewal Fund (CRF) Programme Board.
- 1.2 The main financial risks to the Council result from the payment of the Grant by Government in two equal instalments, one at the commencement of the programme and the other at the end of the programme.
- 1.3 To ensure regular payments are maintained to the projects throughout the delivery period up to June 2022, it is necessary for the Council to bank roll (underwrite) the payments once the first grant sum of £749,684 has been expended and prior to receipt of the second payment from Government.
- 1.4 The risk at project inception will be negated through an agreement clause that states the Council will not make any payments to deliverers until such time as the Council has received the first payment from DLUHC. Realistically, DLUHC has committed to pay the first instalment within 30 days of the Council signing its agreement with DLUHC, so unless there is any unforeseen delay from DLUHC, the delay in payment to the providers would be minimal.
- 1.5 In respect of payments to be made towards the end of the project, there is an expectation from DLUHC that the Council would continue to make payments on profile to the end of the projects, subject to satisfactory performance. This will require the Finance Service having approval to continue to pay projects when there is no funding within the budget, with this money being reimbursed at the end of the programme when the Council receives the second and final instalment.
- 1.6 The risk to the Council will be managed through close contract monitoring, ensuring that payments were only made where satisfactory performance has been achieved, and payments withheld where this is not the case.
- 1.7 Any clawback imposed by DLUHC will be passed on to each project through contracting arrangements.

- 1.8 The established Programme Board will oversee the project and the financials with variances being closely interrogated.

Legal

- 2.1 Legal Services has been involved in the process since its inception in April 2021 and any appropriate legal considerations have been applied at each stage of the process. Grant funding agreements will be in place to ensure risks to the Council are minimised, ensuring all conditions imposed on the authority by DLUHC are passed on to the project deliverers.
- 2.2 The Council's Constitution provides that "*notwithstanding any other provision of the Constitution Executive Directors shall have the power, after discussion, if practicable, with the Leader of the Council or the relevant Cabinet Member or Chair, to take such actions deemed to be necessary and expedient in matters requiring urgent consideration and which, because of the timescale involved, or the need to safeguard the interests of the County Council, cannot be dealt with by submission to the next following meeting of the Council, Cabinet, Cabinet Member or Committee.*"

Human Resources

- 3.1 The funding received to support the management of the programme is sufficient to cover any additional costs of the staffing of the project.

Information Technology

- 4.1 None.

Equalities Impact

- 5.1 A Community Renewal Fund: Public Sector Equality Duty Statement is published on the Council's website <https://www.derbyshire.gov.uk/site-elements/documents/pdf/business/economic/equality-duty-statement.pdf> .
- 5.2 The assessment indicated that the basis of the support from CRF would facilitate reductions in inequality.

Corporate objectives and priorities for change

- 6.1 The projects being funded through the CRF are key priorities set out within the Employment and Skills Recovery Strategy and the Council

Plan priorities, specifically in relation to support a 'green and prosperous economy'.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None.