

**16<sup>th</sup> November 2020**

**Gainshare: Emergency Recovery Funding**

**Purpose of Report**

This report seeks authority for the award of grant totalling £5.75m to the South Yorkshire local authorities in support of Covid economic recovery efforts. It is proposed that this grant be funded from gainshare resource. The paper further notes the proposal to release a further £0.74m of gainshare funding to resource MCA pressures. Finally, the report seeks approval to progress the development of a Project Feasibility Fund and an Investment Framework.

**Thematic Priority**

All

**Freedom of Information and Schedule 12A of the Local Government Act 1972**

This paper will be available under the Combined Authority Publication Scheme

**Recommendations**

1. The MCA approves the award of grant totalling £5.75m to the four South Yorkshire authorities to support local Covid economic recovery efforts;
2. The MCA approves the release of £0.74m of gainshare resource to support MCA financial pressures related to Covid;
3. The MCA approves the creation of a revenue 'Project Feasibility Fund' to enable pipeline development;
4. The MCA approves the continuing development of an 'Investment Framework';
5. The MCA delegates authority to the Chief Executive and the Section 73 Officer to transact the grant awards to the South Yorkshire authorities in the most efficient means possible.

**1. Introduction**

- 1.1** The Covid-19 pandemic and resultant economic disruption have placed significant financial pressure on all MCA partners. Left unmitigated these financial pressures will result in significant lasting harm to the financial health of partners and the wider South Yorkshire economy.
- 1.2** In mitigation of some of these pressures, this report proposes the release of resource totalling £5.75m to the South Yorkshire local authorities in support of local recovery efforts. It is proposed that grant is awarded on a per-capita basis and resourced from gainshare funding.

- 1.3** This report further proposes the release of £0.74m of gainshare resource to the MCA Executive. Finance reports previously received by the Board have outlined the financial challenges faced by the MCA arising from Covid related expenditure pressures and income shortfalls. This resource will allow for the targeted release of priority staffing positions that have been held vacant to support that position. This will provide much needed capacity to allow the MCA to properly play its role in the recovery effort.
- 1.4** Following discussions in Member workshops, the report also requests approval to continue the development of an 'Investment Framework' which will help set the rules, tools, and parameters under which future investments will be made, and the creation of a revenue 'Project Feasibility Fund' which will allow for the creation of a sustainable pipeline of investable schemes.
- 1.4** This report proposes that the criteria and contracting required to facilitate the grant award be delegated to the Chief Executive in consultation with the Section 73 Officer.

## **2. Proposal and justification**

- 2.1** The pandemic has created unprecedented financial challenges for South Yorkshire communities, businesses, and the public sector partners. Left unmitigated these challenges could have profound consequences for years to come.
- 2.2** Following discussions between the Mayor and Board members, this report proposes the release of £5.75m of resource via grant award to the four South Yorkshire local authorities in support of priority economic recovery efforts.
- 2.3** Recognising the alignment between this proposal and the MCA's purpose in supporting the local economy, it is proposed that this grant be funded from the first tranche of gainshare resource received in September 2020.
- 2.4** This report proposes that resource is released to partners on a per-capita basis, with grant awards as follows:

<b>Authority</b>	<b>Grant £m</b>	<b>Share %</b>
Barnsley	£1.00	17%
Doncaster	£1.27	22%
Rotherham	£1.08	19%
Sheffield	£2.39	42%
	<b>£5.75</b>	

- 2.5** In recognition of the fluidity of the challenge, particularly as South Yorkshire moves into Tier 3, it is proposed that in the first instance that the grant be offered as revenue funding, but noting that wherever possible it would be beneficial to broader investment plans for the grant to be drawn down as capital funding.
- 2.6** Reflecting the breadth of challenges, a limited and flexible criterion is recommended to facilitate the award of resource within the parameters of funding frameworks. This criterion is centred on previously agreed principles, notably alignment to the Renewal Action Plan with three questions asked:
1. How is proposed expenditure aligned to the Renewal Action Plan?
  2. Can the impact of the intervention be sustained beyond the initial investment?
  3. Can resource be used at pace to support immediate challenges?

- 2.7** This criterion seeks to ensure that resource is used quickly, effectively, and in support of the region's anchor recovery plan. It is proposed that monitoring is limited to a Section 151 Officer self-certification.
- 2.8** This report also proposes the release of £0.74m gainshare revenue resource to support MCA pressures. A finance report received by the Board in September outlined £1.8m of pressures arising from income shortfalls and expenditure pressures due to Covid. This figure was arrived at after a vacancy freeze was implemented to hold down expenditure.
- 2.9** The proposed gainshare investment would, amongst other things, unlock priority posts currently held vacant across the Business Growth and Skills and Employment teams where capacity has fallen below 50% in some instances. This capacity is essential to ensuring the MCA is equipped to play its role in supporting South Yorkshire's businesses and communities.
- 2.10** Whilst this paper recommends the release of immediate resource to support public sector partners, it should be noted that work is underway at pace to develop investment plans in support of the wider economy, deploying our gainshare resource in support of the Renewal Action Plan.
- 2.11** This report also requests Member approval to implement a revenue 'Project Feasibility Fund'. The creation of such a Fund has been discussed with Members at Gainshare workshops and seeks to address a recognised problem in the paucity of revenue resource available across South Yorkshire for the early-stage development of investment propositions.
- 2.12** The creation of this Fund will support the sustainable development of pipeline propositions and allow the region to be more prepared to react to funding opportunities with developed, quality schemes.
- 2.13** Finally, this report further requests approval to continue the development of an 'Investment Framework'. Such a framework would provide the basis through which the MCA could enter into more complex investment transactions, with a view to sharing in the value its investments create and seeking to use its resource in the most efficient means available.
- 2.14** Proposals on this Investment Framework will be brought back to Members for consideration as they are developed.

### **3. Consideration of alternative approaches**

- 3.1** The MCA could elect not to support local partners in their economic recovery efforts. A lack of intervention now could lead to profound lasting harm on the financial health of partners and the wider economy.
- 3.2** The MCA could also elect not to release resource in support of the MCA's own financial pressures. This would lead to existing vacancies being left unfilled, limiting the MCA's ability to support the region's businesses and communities in the manner required.

### **4. Implications**

#### **4.1 Financial**

This report proposes the award of grant totalling £5.75m to the four South Yorkshire local authorities, and the further release of £0.74m to support MCA financial pressures.

This resource can be funded from currently uncommitted gainshare resource.

The report also recommends the approval for the implementation of a revenue Project Feasibility Fund and the development of an Investment Framework. Both these projects will support efficient use of the MCA's limited resource.

**4.2 Legal**

The power to provide the recovery grants is contained the MCA's economic development powers under S.1 Localism Act 2011 and s.31 Local Government Act 2003.

**4.3 Risk Management**

N/A

**4.4 Equality, Diversity and Social Inclusion**

N/A

**5. Communications**

5.1 N/A

**6. Appendices/Annexes**

6.1 None.

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Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ