

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

08 November 2022

Report of the Chief Executive

Part 1- Public

Executive Key Decisions

1 RURAL ENGLAND PROSPERITY FUND

This report provides information about the Rural England Prosperity Fund (REPF), and seeks endorsement of the work undertaken to date to produce the required addendum to the Tonbridge and Malling UK Shared Prosperity Fund (UKSPF) Investment Plan in order to ultimately access the £447,450 allocation that has been ring-fenced for the borough.

1.1 Background

- 1.1.1 In July 2022, the council submitted its UK Shared Prosperity Fund (UKSPF) Investment Plan. The Investment Plan set out how the allocation of £1m over the period up to March 2025 would be spent in order to tackle the priority areas of 'Communities and Place', 'Local Business investment' and 'People and Skills'.
- 1.1.2 Government has reported back to state that the Investment Plan has passed all initial checks, and the council is now waiting to hear whether it has passed all the additional detailed checks before UKSPF projects can be delivered. It is expected that the council will be informed imminently.
- 1.1.3 In September 2022, Government announced a new programme of funding – the Rural England Prosperity Fund (REPF) – as an addendum to the UKSPF. The REPF is essentially a £110 million rural top-up for eligible local authorities and is seen by Government as a successor to the EU funded LEADER Programme.
- 1.1.4 The West Kent LEADER Programme closed in 2021 after 15 years, having successfully allocated more than £3 million of grant funding to over 100 rural projects across the West Kent area.
- 1.1.5 Given the history of joint working through the West Kent Partnership, the success of the West Kent LEADER Programme, and the similar aims and objectives of the REPF, the Council has looked into the feasibility of working collaboratively to deliver a REPF scheme.

1.2 Overview of the Rural England Prosperity Fund

1.2.1 The REPF has been allocated to local authority areas that are deemed to be chiefly rural in nature or have a significant rural population. Although detailed mapping is still to be provided by Government, the eligible areas within each local authority area are deemed to be towns and villages with populations below 10,000 and market and hub towns with populations up to 30,000. As such projects in larger towns and conurbations will be ineligible.

1.2.2 The REPF aims to fund capital projects for small businesses and community infrastructure that will help to improve productivity and strengthen the rural economy and rural communities. It cannot be used to support revenue activities. The main aims of the fund are:

- Supporting local business
- Enhancing community and place
- Small scale investment in micro and small enterprises in rural areas
- Rural circular economy projects (eliminate waste and pollution, and regenerate nature)

1.2.3 The REPF provides capital funding to:

- Support new and existing rural businesses to develop new products and facilities that will be of wider benefit to the local economy. This includes farm businesses looking to diversify income streams
- Support new and improved community infrastructure, providing essential community services and assets for local people and businesses to benefit the local economy

1.2.4 This funding cannot replace funding plans for rural areas under the UKSPF. It is a top-up to help address the extra needs and challenges facing rural areas. It also sits alongside the following programmes:

- Farming in Protected Landscapes Programme
- Farming Investment Fund
- Platinum Jubilee Village Hall Improvement Grant Fund (£3m fund announced end of May but details not yet available. £3m to support over 100 village halls).

1.2.5 However, none of the above programmes can be used as match-funding for REPF.

1.2.6 An addendum to the UKSPF Investment Plan setting out how the REPF will be spent needs to be submitted to Government by 30 November 2022, with the addendum being approved by the end of January 2023.

1.3 West Kent Rural England Prosperity Fund Proposal

1.3.1 As mentioned in the introduction to the report, the council has been allocated £447,450 for the period up to March 2025. Government has stated that this funding will need to be split as follows:

- 2023/24 - £111,862.50 (25%)
- 2024/25 - £335,587.50 (75%)

As such, the funding is weighted towards the second year of the programme.

1.3.2 In order to access this allocation, an addendum to the UKSPF Investment Plan has to be developed in liaison with rural representatives and signed off by both the Lead Authority and the Department for the Environment, Food and Rural Affairs (DEFRA). The addendum comprises three aspects:

- Local context outlining challenges such as low productivity; farm diversification and agri-transition; deprivation in rural communities.
- Selection of programme interventions and outcomes (justify interventions). Explain how interventions will address local challenges, market failure and opportunities, as well as demonstrate additionality.
- Delivery - Spend profile for the 2 years; and how the local authority will ensure Value for Money and delivery (engagement with rural partners; describe consultation undertaken and plans for future engagement)

1.3.3 Given the similarities to the previous LEADER Programme, a natural starting point has been to discuss the potential of working in a similar way to deliver the REPF. Indeed, the benefits of joining forces with West Kent partners to deliver a rural grant programme through the REPF are that:

- In an environment where public sector resources are stretched, running one grant scheme across West Kent as opposed to three separate schemes offers considerable efficiency savings. This is especially the case given that Government is not allowing any of this particular funding to be top sliced to cover administration costs.
- There is considerable experience across the three local authorities of running rural grant programmes such as West Kent LEADER, especially within Sevenoaks District Council, who acted as the Accountable Body for that programme and would act as the Accountable Body for the Rural England Prosperity Fund.
- Aligning across West Kent will reduce potential confusion amongst prospective applicants, as the criteria and timing of calls for proposals will be uniform across the area.

1.3.5 However, it should be stressed that collaborating across West Kent does not mean that each local authority area will be throwing their funding into one pot for all applicants to access. Instead, by ring-fencing the allocations given to each area, there will be no potential for funding allocated for one local authority area going to a project elsewhere in West Kent.

1.3.4 The draft West Kent REPF addendum is set out in Appendix 1. The following activities were undertaken at speed in order to pull the addendum together ahead of the deadline:

- Drafting up of a proposal by the West Kent Economic Development Officers, and sharing this with Officers and Members.
- Discussing the draft proposals with rural representatives from across West Kent (effectively members of the action group that oversaw the West Kent LEADER Programme). This took place on 17 October 2022 and there was overall support for the approach set out. The group were keen for the application process to be as simplified as possible, and for there to be some flexibility on intervention rates for community projects in exceptional circumstances.
- Presenting the draft proposals to the West Kent Partnership Board on 21 October 2022, which were wholeheartedly supported.
- Notifying our MPs of the proposals – an email was sent to all MPs in West Kent on 24 October 2022.

1.3.5 As mentioned in 1.3.2, a central part to the development of the addendum is the identification (along with supporting evidence) of the key rural challenges and opportunities the local area faces. These have been highlighted as:

Challenges:

- Greater constraints for rural businesses looking to expand locally due to environmental and landscape designations.
- Impact of Covid-19 still being felt in the agricultural sector, and this is being exacerbated by the war in Ukraine and the associated energy crisis; the switch away from the Direct Payment System of subsidies; and changes in the labour market.
- Digital Exclusion: compared to other parts of Kent, the borough does perform comparatively well overall, however this does mask some specifically rural challenges. When it comes to broadband speeds, it is clear that there is a clear divide between rural and urban Lower Super Output Areas (LSOAs) in Tonbridge and Malling, with urban LSOAs receiving an average broadband speed of 81.47 Mbps and rural LSOAs receiving an average speed of only 53.73 Mbps.

- Connectivity and access to services – rural public transport services have been under considerable pressure in recent years, with reductions in some rural bus services having already happened, and ongoing consultation around further cuts to the subsidies required to ensure other bus services continue.
- Deprivation – whilst the most deprived communities in Tonbridge and Malling are located in urban or semi-urban areas, there are some rural communities, such as Hadlow, that also show up in the Indices of Multiple Deprivation 2019 as having some deprivation challenges.

Opportunities:

- Environmental and landscape designations also present an opportunity to local communities to build upon the high-quality environment within which they live.
- Ensure best practice in land management and promote sustainable development, especially building upon the work of NIAB EMR at the East Malling Research Station, and the Growing Kent and Medway Initiative.
- Diversification of rural activities with new revenue streams have the potential to be key to the success of rural areas.
- Encourage the development of local heritage and rural tourism-related businesses, particularly where projects support the local economy and create or sustain employment.
- Work with the County Council and broadband providers to tackle digital exclusion.

1.3.6 The addendum identifies the key intervention areas that the plan is looking to address. Interventions covering support for both local rural businesses and communities have been proposed. These are set out in Table 1 below:

Intervention No.	Intervention	% of Grant Pot	T&M Ring-fenced Allocation
1.1	Capital Grant Funding for Small Scale Investment in Micro and Small Enterprises in Rural Areas	30%	£134,235.00
1.3	Capital Grant Funding for Developing and Promoting the Visitor Economy	20%	£89,490.00
2.3	Capital Grant Funding for Creation and Improvements to Local Rural Green Spaces	15%	£67,117.50

2.4	Capital Grant Funding for Existing Cultural, Historic and Heritage Institutions that make up the Local Cultural Heritage Offer	15%	£67,117.50
2.6	Capital Grant Funding for Active Travel Enhancements in the Local Area.	15%	£67,117.50
2.7	Capital Grant Funding for Rural Circular Economy Projects	5%	£22,372.50
Total		100%	£447,450.00

1.4 Programme Criteria and Processes:

1.4.1 The outline criteria are provided in Appendix 1, with further detail still being worked up. However, the following can be highlighted at this stage:

- The majority of the borough will be eligible. Whilst DEFRA is still to provide mapping to show the eligible rural area, it is envisaged that this will likely be similar to the previous West Kent LEADER programme, which included all of the borough except for Tonbridge, the Medway Gap and Snodland.
- Grants will be up to a maximum of £25,000 with a standard grant intervention level of up to 50%, rising to 80% in exceptional circumstances for community projects. This is higher than the standard 40% (rising to 80% in some circumstances) provided in the previous West Kent LEADER scheme as it is felt match-funding may be more challenging given the current difficult economic conditions.

1.4.2 There will be regular calls for proposals, with information about the scheme, guidance notes and an application form accessible via a central host page, which will be signposted to from Local Authority sites. The scheme will also be promoted via:

- Local authority business networks and social media
- Parish Councils and rural Borough Councillors
- Rural Community Organisations, such as Action with Communities in Rural Kent.
- Business representative organisations, such as the National Farmers Union, Kent Invicta Chamber of Commerce, and the Federation of Small Businesses.

1.4.3 The applications will be initially assessed centrally by a dedicated Programme Officer who would be funded by a West Kent Partnership rural reserve which has been a legacy of the West Kent LEADER Programme. The applications will then be

shared with Economic Development Officers from the three local authorities for any comments or further checks.

1.4.4 Once comments have been received, the Programme Officer will then make a recommendation on each application for the consideration of a grants panel. It is envisaged the panel will comprise the following Members:

- A Cabinet Member representative from each Local Authority (SDC, TMBC and TWBC)
- Rural Business Representatives
- Action with Communities in Rural Kent
- Produced in Kent
- Kent Downs & High Weald AONBs
- KALC
- Visit Kent

1.4.5 The panel would consider all the applications and allocate funding from ring-fenced local authority pots accordingly. Applicants would then have a set amount of time (likely between 6-12 months) to deliver their project.

1.5 Next Steps:

1.5.1 The deadline for submitting the REPF addendum is 30 November 2022, and as such the exercise of pulling together the addendum has been undertaken at speed. Despite this, there has been every effort to pull together a plan that benefits our rural area and meets the requirements of the Rural England Prosperity Fund.

1.5.2 It is proposed that the addendum be submitted to DEFRA in November 2022, and should there be any small changes or amendments between now and the submission date, that these are undertaken in consultation with the Chief Executive and Leader of the Council.

1.5.3 DEFRA has announced that the addenda received ahead of the deadline will be approved by January 2023, and it is anticipated that first payments will be made to lead local authorities in April 2023.

1.6 Legal Implications

1.6.1 As reported to Cabinet on 05 July 2022 in relation to the UKSPF, following the end of EU-Exit transitional arrangements on state aid the granting of public subsidies to private enterprise is now regulated by the Trade and Cooperation Agreement¹ (“TCA”). The Subsidy Control Act 2022 (“SCA”) has been granted Royal Assent, but the provisions relevant to the REPF are yet to come into force.

1.6.2 Under the TCA, the “de minimis” threshold for public subsidy has been raised to £340,000 over a three-year period, so it seems reasonable to assume that there will be relatively few businesses which will not be eligible for funding under the scheme

¹ s.29 European Union (Future Relationship) Act 2020

on this ground. However, when the relevant provisions of the SCA come into force, that sum (referred to in the SCA as “minimal financial assistance”) will reduce to £315,000 over the same period.

1.6.3 The UK Government guidance on subsidy control in relation to the UK Shared Prosperity Fund says that “All lead local authorities, and applicants, must consider whether the UKSPF investment will be used to provide a subsidy and if so whether that subsidy will contravene the UK’s obligations on subsidy control, or the Subsidy Act 2022 (which will come into force later this year)”. The guidance sets out the characteristics of a subsidy in both current (interim) and future circumstances.

1.6.4 Those characteristics are:

- the support measure must constitute a financial (or in kind) contribution such as a grant, loan or guarantee and must be provided by a ‘public authority’, including, but not limited to, central, devolved, regional or local government;
- the support measure must confer an economic advantage on one or more economic actors;
- the support measure is specific insofar as it benefits, as a matter of law or fact, certain economic actors over others in relation to the production of certain goods or services; and
- the support measure must have the potential to cause a distortion in or harm to competition, trade, or investment.

1.6.5 The guidance goes on to state that “As a guide, subsidy is most likely to be present in ‘supporting local business’ interventions. Public realm interventions, or activities that benefit individual people, are considered highly unlikely to be subsidy.”

1.6.6 On this basis, payments under the REPF are likely to constitute public subsidy, and be subject to the Trade and Cooperation Agreement rules and, subsequently, the relevant provisions of the SCA.

1.7 Financial and Value for Money Considerations

1.7.1 A successful addendum would unlock £447,450 of Rural England Prosperity Funding, comprising capital only, over two financial years (2023/24 and 2024/25). The split will be 25% in 2023/24 and 75% in 2024/25. The funding for the first year will be paid in April 2023 once the addendum is approved, and funding will be provided upfront for 2024/25, although payment could be delayed if there are issues with delivery in the first year.

1.7.2 As stated in the body of the report, it is proposed that this funding be distributed in the form of grants to rural businesses and organisations.

1.7.3 Whilst there is no requirement for match funding, DEFRA has requested that any indicative match funding be set out in the addendum in order to demonstrate leverage. Given the grants will work on a standard 50% intervention rate, this indicative match funding (from applicants) is likely to amount to approximately £450,000.

1.8 Risk Assessment

1.8.1 Reputational risk should the programme not be delivered on time and to budget.

1.9 Policy Considerations

1.9.1 Community Development

1.9.2 Economic Regeneration

1.9.3 Climate Change

1.9.4 Planning Policy

1.7 Recommendations

1.7.1 That the report **BE NOTED**

1.7.2 That the Rural England Prosperity Fund addendum **BE ENDORSED**.

1.7.3 That delegated authority **BE GRANTED** to the Chief Executive in liaison with the Leader of the Council to approve any necessary minor changes to the addendum prior to submission, for the purpose of presentation or improving clarity.

Background papers:

Nil

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