

## Greater Manchester Combined Authority

Date: 27<sup>th</sup> January 2023

Subject: Communities and Place Local Authority Investment Proposals to Deliver UKSPF Intervention E22

Report of: Councillor David Molyneaux, Portfolio Lead for Investment and Resources and Eamonn Boylan, Chief Executive Officer, GMCA & TfGM

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### Purpose of Report

This report seeks the Greater Manchester Combined Authority's approval to allocate the £15m UKSPF Intervention E22 funding as per the proposals set out within this document.

### Recommendations:

The GMCA is requested to:

1. Approve the allocation of grant funding to the ten projects, subject to due diligence work being undertaken, as per the proposals set out within this report.
2. Delegate authority to the Chief Executive Officer, GMCA & TfGM, GMCA Monitoring Officer and Treasurer to sign off any outstanding conditions, issue final approvals and complete the necessary related documentation in relation to those projects set out in section 3 that have scored above the quality threshold.
3. Delegate authority to the Chief Executive Officer, GMCA & TfGM, GMCA Monitoring Officer and Treasurer to review the further due diligence information for the remaining two projects and subject to their satisfactory assessment in line with the approach detailed in section 3, to sign off any outstanding conditions, issue final approvals and complete the necessary related documentation.

### Contact Officers

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# Equalities Impact, Carbon and Sustainability Assessment:

## Recommendation - Key points for decision-makers

Insert text

## Impacts Questionnaire

Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		
Health		
Resilience and Adaptation		
Housing		
Economy	<b>G</b>	<p>Projects include significant business support to SME's and start ups and will also provide access to new technology to businesses</p> <p>826 jobs projected to be created</p> <p>Businesses that will be targeted are predominantly in the IT and digital spheres with associated good quality jobs</p> <p>Business support will assist companies in maximising potential economic assets</p> <p>Ambition is to nurture start-ups and SME's to assist in increasing innovation, R&amp;D and the knowledge economy</p> <p>Number of projects are located in key regeneration areas and projects will provide wider benefits</p> <p>Number of projects aim to provide training for local residents and increase digital inclusivity</p> <p>All projects are refurbishment / re-purposing of existing property assets</p>
Mobility and Connectivity		
Carbon, Nature and Environment	<b>G</b>	<p>Number of the projects will be redeveloping vacant, neglected properties and improving street scene and physical environment</p> <p>Number of projects are seeking to improve the energy efficiency / reduce carbon footprint of the existing buildings through refurbishment works</p>
Consumption and Production		
<b>G</b> Positive impacts overall, whether long or short term. GM Carbon neutral 2030 target	<b>A</b>	<b>R</b> Mostly negative, with at least one positive aspect. Trade-offs to consider.
		<b>RR</b> Negative impacts overall.
Further Assessment(s):	Carbon Assessment	

## Carbon Assessment

Overall Score			
Buildings	Result	Justification/Mitigation	
New Build residential	N/A		
Residential building(s) renovation/maintenance	N/A		
New build non-residential (including public) buildings		<p>Range of buildings and final EPC's not yet known as designs are still being developed</p> <p>Number of projects are seeking energy efficiency improvements and operational carbon reduction through refurbishment works</p> <p>Range of buildings being brought forward with individual energy and heating systems in each. Final proposals are not yet known as designs are still being developed</p> <p>Not known as each building will have its own individual costs and target improvement works once designs are complete.</p> <p>Some projects (inc. Stockport) are targeting high BREEAM ratings</p> <p>No biodiversity assessments undertaken</p> <p>Projects (inc. Bolton) targeting improvement to active travel access</p> <p>As the projects are still in the design stage the number of EV charging points across the buildings cannot be ascertained as yet</p> <p>Projects (inc. Bolton) targeting improvement to active travel access</p> <p>As the projects are still in the design stage the number that will include on-site renewables is not yet known</p>	
Transport			
Active travel and public transport	N/A		
Rc Ve Ac Ve	No associated carbon impacts expected.	High standard in terms of practice and awareness on carbon.	Mostly best practice with a good level of awareness on carbon.
			Partially meets best practice/ awareness, significant room to improve.
			Not best practice and/ or insufficient awareness of carbon impacts.
Land Use			
Land use	N/A		

## Risk Management

The grant funding will be conditional upon the satisfactory outcome of detailed due diligence and ongoing monitoring that the schemes are being delivered satisfactorily.

With regard to the DLUHC UKSPF grant funding agreements, all conditions will be mirrored in the agreements between the GMCA and the Districts (who are promoting the respective projects). This will ensure any risk is mitigated by the GMCA.

## **Legal Considerations**

A detailed Grant Funding Agreement and any other required legal due diligence will be completed for each project ahead of any grant payments being released.

There are no Subsidy Control implications for the GMCA as responsibility for compliance with the Subsidy Control Regime sits with each individual District (and will be captured via relevant clauses in the Grant Funding Agreements).

## **Financial Consequences – Revenue**

Any revenue costs associated with overseeing UKSPF Intervention E22 will be absorbed into the overall management costs of administering the UKSPF programme.

## **Financial Consequences – Capital**

There are no capital consequences for the GMCA as all capital expenditure associated with the projects will be funded via the grant allocations.

## **Number of attachments to the report: 0**

## **Comments/recommendations from Overview & Scrutiny Committee**

N/A

## **Background Papers**

1. UKSPF E22 SME Workspace Fund (GMCA Approval 28th October 2022)

## **Tracking/ Process**

Does this report relate to a major strategic decision, as set out in the GMCA Constitution

Yes

## **Exemption from call in**

Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?

No

## **GM Transport Committee**

N/A

## **Overview and Scrutiny Committee**

N/A

## 1. Introduction / Background

- 1.1 It was previously agreed by the Local Partnership Board on 19th October 2022 and the GMCA at its 28th October 2022 meeting that £15m of the GM UKSPF allocation would be utilised to set up an SME Workspace Fund.
- 1.2 All ten Districts submitted final bids in October 2022. The bids were received under UKSPF Intervention E22 – “Investing in enterprise infrastructure and employment / innovation site development projects which will support growth in places” which is the source of the funding allocation for the SME Workspace Fund. Each of the Local Authorities prioritised a single bid in line with the agreed approach to fund only one project in each Local Authority area.
- 1.3 Following clarifications, bids totalling £15,927,769 were received. These have been assessed and evaluated against the pre-agreed Prioritisation Criteria.

## 2. Prioritisation Criteria – Evaluation and Assessment Process

- 2.1 Each proposal was reviewed against the following five Prioritisation Criteria. Each Prioritisation Criteria was scored out of a maximum of 100 points (500 in total). The following weighting was then applied to produce an overall maximum score of 100.

Prioritisation Criteria	Weighting
Deliverability	30%
Strategic Fit	20%
Demand	20%
Value for Money and Leverage	20%
Output and Additionality	10%

- 2.2 A summary of how each of the Prioritisation Criteria were assessed is set out below:

- (1) *Deliverability (max 100 points in total)* – this focused on both the quality of the Business Plans submitted and the ability to deliver the capital works
- (2) *Strategic Fit (max 100 points)* – priority was given to those schemes in both GMCA Growth Locations and Town Centres. Lower scoring was given if a scheme was in just one and not both
- (3) *Demand & Supply (max 100 points)* – a review of the supporting information submitted by each District regarding the current and future need for the projects and similar alternative accommodation within the respective localities.
- (4) *Value for Money and Leverage (max 100 points)* – a calculation was undertaken analysing each District's grant ask as a percentage of the total scheme cost. The resulting figure was then deducted from 100 (to prioritise those with that are utilising the grant at the lowest proportion of total scheme costs) and then assigned a weighting according to other funding sources / leverage along the following parameters:
  - x0.50 – utilising the District's own public funding
  - x0.75 – utilising non-District public funding (eg Levelling Up funds)
  - x1.00 – incorporating an element of private sector funding
- (5) *Output and Additionality (max 100 points)* – this analysed the cost per sqm delivered by dividing each District's total grant ask by the "amount of commercial space completed or improved." The resulting figures were ranked in order of the lowest £ / sqm to the highest, with the lowest receiving a score of 100 decreasing in increments of 10 to the highest £ / sqm rate receiving a score of 10.

2.3 In relation to the assessment of supply and demand, the initial methodology proposed scoring supply and demand separately with a maximum of 50 points for each. On receipt of bids it became clear that demand and supply require to be evaluated together in order to assess the suitability of the individual proposals and assessed on the basis that demand outstrips supply in a specific location. It is also proposed that GMCA's in-house knowledge of the demand and supply in each location is taken into consideration in the evaluation of the proposals.

### 3. Approach to Allocation of Funding

3.1 The final scores for each District are set out in the below table

<b>District</b>	<b>Scheme Name</b>	<b>Total Score</b>
Bolton	<i>Wellsprings Digital Innovation Hub</i>	83
Stockport	<i>Merseyway Digital Innovation Centre</i>	78
Oldham	<i>Prudential Building</i>	72
Salford	<i>Innovate to Scale Programme</i>	66
Rochdale	<i>Fire-Up Co-Working Space</i>	64
Wigan	<i>Wigan Innovation Hub</i>	59
Manchester	<i>Manchester Enterprise Hub</i>	55
Tameside	<i>Ashton Old Baths</i>	54
Bury	<i>Radcliffe Works</i>	43
Trafford	<i>Former Debenhams Store</i>	33

3.2 Having assessed the bids it is proposed that only those projects scoring over 50 should be approved in principle for funding from the UKSPF SME Fund. The two projects receiving less than 50 (Bury and Trafford) require additional information to be submitted (particularly around Business Plans). Once received, further due diligence will be undertaken to determine their final scores. It is proposed that funding will be allocated to these projects if their final score exceeds the quality threshold score of 50. It is believed that both projects will receive a score above 50 once some additional information is provided in relation to the Business Plans

3.3 As noted above, ten final bids were received totalling £15,927,769. The agreed SME Fund allocation was £15m. It was originally envisaged before running the competition that bids would be received well in excess of the £15m allocation and only a handful of the projects would be funded. Given the actual funding request, and in line with discussions with Directors of Place, it is proposed that the funding

awarded to each project is 94.2% of the requested funding (which equates to £15m overall) meaning that all Local Authorities can receive funding through the SME Fund. The amounts to be awarded to each project following the agreed adjustment will be:

<b>District</b>	<b>Scheme Name</b>	<b>Grant Funding</b>
Bolton	<i>Wellsprings Digital Innovation Hub</i>	£1,789,328
Bury	<i>Radcliffe Works</i>	£1,270,423
Manchester	<i>Manchester Enterprise Hub</i>	£1,846,815
Oldham	<i>Prudential Building</i>	£1,462,282
Rochdale	<i>Fire-Up Co-Working Space</i>	£918,208
Salford	<i>Innovate to Scale Programme</i>	£1,412,627
Stockport	<i>Merseyway Digital Innovation Centre</i>	£1,412,627
Tameside	<i>Ashton Old Baths</i>	£1,214,859
Trafford	<i>Former Debenhams Site</i>	£470,876
Wigan	<i>Wigan Innovation Hub</i>	£3,201,955
<b>Total</b>		£15,000,000

- 3.4 There is still a risk with programmes such as this that some of the projects fail to proceed resulting in an underspend. In the event that there is an underspend in relation to the SME Fund it is proposed that any underspends up to £927,769 be allocated to the successful projects on a pro rata basis. Under this proposal any underspend would only be used to fund projects up to a maximum of their initial Grant Ask. Any underspend above £927,769 amount will be reviewed as part of the wider UKSPF programme.



## 4. Scheme Outputs and Outcomes

4.1 Collectively, all ten District proposals exceed the four Output and Outcome targets included within the GM Investment Plan for Intervention E22, and against which each bid was being evaluated.

4.2 A summary of UKSPF Outputs that will be delivered by each bid is set out in the following table

<b>District</b>	<b>Amount of Commercial Space Completed or Improved</b>	<b>Number of Enterprises Receiving Non-Financial Support</b>
Bolton	5,574 sqm	20
Bury	832 sqm	250
Manchester	8,709 sqm	300
Oldham	2,690 sqm	0
Rochdale	1,179 sqm	140
Salford	2,436 sqm	200
Stockport	1,429 sqm	30
Tameside	240 sqm	0
Trafford	550 sqm	150
Wigan	2,370 sqm	60
<b>Totals</b>	<b>26,009 sqm</b>	<b>1,150</b>
<b>Investment Plan Minimum</b>	<b>2,577 sqm</b>	<b>1,000</b>

4.3 A summary of UKSPF Outcomes that will be delivered by each bid is set out in the following table

<b>District</b>	<b>Jobs Created as a Result of Support</b>	<b>Number of Enterprises Adopting New to the Firm Technologies or Processes</b>	<b>Number of New Enterprises Created as a Result of Support</b>
Bolton	241	20	10
Bury	50	10	5
Manchester	20	25	40
Oldham	156	0	0
Rochdale	20	10	36
Salford	100	100	12
Stockport	25	10	10
Tameside	33	3	6
Trafford	61	14	12
Wigan	20	5	20
<b>Totals</b>	<b>826</b>	<b>197</b>	<b>151</b>
<b>Investment Plan Minimum</b>	<b>200</b>	<b>100</b>	<b>75</b>

## 5. Capital and Revenue Grant Profile

- 5.1 An identified risk from the analysis of the Districts' submissions is the requested spend-profiles (both capital and revenue) when compared to DLUHC's proposed draw-down phasing.
- 5.2 The following table shows how the District's aggregated funding requests compare to the proposed DLUHC spend profile

	<b>Total</b>	<b>22/23 Total Spend</b>	<b>23/24 Total Spend</b>	<b>24/25 Total Spend</b>
<b>Combined Spend Profile</b>	£15,000,000	£2,085,695	£6,972,531	£5,941,774
<b>DLUHC Funding Profile</b>	£15,000,000	£2,000,000	£3,000,000	£10,000,000
<b>Difference</b>	<b>-£0</b>	<b>-£85,695</b>	<b>-£3,972,531</b>	£4,058,226

- 5.3 There is a clear imbalance between what has been requested and what is being proposed to be funded by DLUHC each year. On the basis that the expenditure profile for the programme is in advance of the GMCA being in receipt of grant funding it should be noted that Local Authorities will not be able to draw down grant funding from the GMCA until it is in receipt of the funding.
- 5.4 It should be noted that there is a risk that the expenditure for the SME Fund in the 1<sup>st</sup> year of the programme is underspent given the £2m allocation needs to be spent by 31<sup>st</sup> March.
- 5.5 With regard to the overall capital / revenue split, the combined bids are split as follows:
- Capital = 69% of total spend
  - Revenue = 31% of total spend
- 5.6 Within the GMCA UKSPF Investment Plan it was envisaged that the total Capital / Revenue split across the entire £83,850,595 allocation would be:
- Capital = 17% of total spend
  - Revenue = 83% of total spend
- 5.7 An amendment to the investment plan will potentially need to be sought from DLUHC in relation to the difference in capital and revenue proportions. However, on the basis that the capital proportion has increased this is not envisaged to be an issue.

## 6. Review of Cross-Cutting Priorities

- 6.1 Although not part of the scoring process, as part of the submission documentation each District had to include information regarding how they would meet each of the following Cross-Cutting priorities:
- (a) “How your project will move Greater Manchester closer to its 2038 Net Zero Carbon target”
  - (b) “How your project will reduce the inequalities that exist within GM, including as outlined in GMS.”
  - (c) “Where relevant, how your project will support digital inclusion.”
  - (d) “How your project will deliver social value”
  - (e) “Please describe how you have engaged with; local MP’s, local stakeholders (public, private, HE / FE, civil society orgs as relevant etc.) in the development of your proposal.”
  - (f) “How you will consider the potential role of the VCSE sector in delivery of your proposals, in line with the GM Accord.”
  - (g) “How will you deliver your public sector equality duty in implementing your proposal and specific projects?”
  - (h) “Please confirm you have considered that as part of your proposal, your project will be in line with the Subsidy Control Act.”
- 6.2 In summary, following a review of the submissions, each District has provided sufficient information at this stage to ensure all of the above Cross-Cutting priorities will be embedded within their projects. Specific examples within bids include Stockport aspiring to achieve BREEAM Very Good within their scheme; Bolton consulting extensively with Bolton CVS throughout the design of their proposals; and Wigan seeking to provide digital training and access to local residents currently experiencing digital exclusion.
- 6.3 Work will be required to ensure GMCA is in a position to ensure that meeting the Cross-Cutting priorities remain at the forefront during each scheme’s on-going development. Whilst it may be possible to utilise the principles already established for other UKSPF interventions, further thought will be required to ensure the Cross-Cutting priorities are adequately monitored and reported. (This will likely take the

form of bespoke performance management reporting requirements throughout the grant funding period). These details will be included within the relevant grant agreements signed with the grant recipients.

- 6.4 With regard to compliance with the new Subsidy Control Regime, each District has acknowledged the need to obtain the requisite advice (some are already in the process of doing so). However, it will be made clear that responsibility for compliance will sit with each individual District and this will be a condition within the Grant Funding Agreement.

## **7. Risks and Proposed Mitigation**

- 7.1 As with all capital projects, there is a risk that projects will not be delivered until a planning consent is received and contractor appointed to undertake the necessary works. There is similarly a risk that during the construction and operating period there are unforeseen issues that arise that prevent the completion of the building or the provision of the anticipated outputs.
- 7.2 To mitigate the construction risks it is proposed that the following standard property related conditions be included within any grant agreement. Satisfaction of all conditions will be required before any grant funding can be drawn down:
- Evidence of satisfactory legal title
  - Receipt of an implementable planning permission
  - Signed, unconditional building contract
- 7.3 To mitigate the risks associated with delivering the final outputs it is proposed that clawback arrangements are included within each of the funding agreements. This will enable funding to be clawed back from grant recipients for failing to deliver the agreed project outputs. It is also the intention to undertake a UKSPF programme-wide review no later than September 2023. This will be communicated to the Districts so that the required evidence will be collated and circulated in good time.

## **8. Recommendations**

- 8.1 Recommendations are set out at the front of this report