

Policy paper

UK Community Renewal Fund: investment guidance for Gibraltar 2021-22

Updated 11 May 2021

1. Introduction

The UK's departure from the European Union is an historic opportunity to build a productive and prosperous economy that is fit for the future and enables people, places, and communities to thrive.

To support our transition from EU Structural Funds, the UK government is providing the Government of Gibraltar with one-year of additional funding in 2021-22 through the UK Community Renewal Fund. This funding aims to support communities to pilot programmes and new approaches.

As a recipient of EU structural funds, the UK government is making available an allocation of up to £500,000 of investment from the UK Community Renewal Fund to Gibraltar. This investment is intended to support Gibraltar's transition away from EU Structural funds and will provide funding for projects which harness the skills of local people, unleash enterprise and innovation, empower communities and places and support people into employment.

We will take a different approach to delivering the UK Community Renewal Fund in Gibraltar compared to our approach in the UK, reflecting the different constitutional relationship between the Government of Gibraltar and the UK government.

This guide is designed to provide information on how the UK Community Renewal Fund will work in Gibraltar and should be read alongside the [UK Community Renewal Fund Prospectus](#).

The approach set out below for the UK Community Renewal Fund does not pre-determine the approach for the UK Shared Prosperity Fund. We will publish further details on the UK Shared Prosperity Fund in a UK-wide Investment Framework later this year and the profile will be confirmed at the next Spending Review. We will also confirm whether Gibraltar will be eligible for the UK Shared Prosperity Fund at this point.

2. UK Community Renewal Fund: Investment priorities

To nurture innovative thinking and offer flexibility, projects may align with one, or deliver across several, of the following investment priorities:

- ◆ Investment in skills
- ◆ Investment for local business
- ◆ Investment in communities and place
- ◆ Supporting people into employment

There will be no ringfences applied across these themes. Further guidance on these investment priorities can be found within section 3 of the [UK Community Renewal Fund Prospectus](#), with the exception of section 3.1.2, which outlines the application of the UK Internal Market Act.

3. How the fund will work in Gibraltar

We are inviting the Government of Gibraltar to apply directly to the UK government for this investment. This will involve submitting a business case to the Ministry of Housing, Communities and Local Government that outlines a proposal for funding in line with the investment priorities set out above.

3.1 The funding

As a recipient of EU structural funds, the UK government is making available an allocation of up to £500,000 from the UK Community Renewal Fund for Gibraltar.

90% of funding available is revenue funding. Loan or equity investments are not in scope of this funding.

3.2 Administering the fund: Process and payments

The timeline below sets out the delivery approach, beginning with the publication of the UK Community Renewal Fund Prospectus.

3 March 2021: UK government publishes UK Community Renewal Fund Prospectus and Investment Guidance for Gibraltar

March–April 2021: Government of Gibraltar develops business case and submits to UK government

May–June 2021: UK government assesses business case

June 2021–March 2022: Government of Gibraltar delivers projects

31 March 2022: UK Community Renewal Fund ends

A business case outlining a list of project proposals and delivery outcomes should be submitted to the Ministry of Housing, Communities and Local Government for assessment by noon on 30 April 2021.

Following conclusion of the business case assessment process, the Ministry of Housing, Communities and Local Government will enter into an agreement with the Government of

Gibraltar. The agreement will set out the rights and obligations for each party. This shall include the mechanism for paying the Government of Gibraltar.

We anticipate making a single initial payment on project commencement, designed to accelerate early delivery and simplify the monitoring process compared with predecessor EU funds. For the avoidance of doubt, we expect that each grant must be used for the purpose intended, and this will be subject to monitoring and final review.

3.3 Preparing the business case

We are asking the Government of Gibraltar to prepare a business case to set out their intended use of the funding. Projects can be of any value up to the total allocation for Gibraltar. The business case should demonstrate alignment with the investment priorities set out above and show strong evidence that they are linked to local economic, labour market, business, or social needs.

The following guiding principles should be taken into account whilst preparing the business case:

- ♦ The business case should take a holistic approach responding to issues or challenges is encouraged.
- ♦ The business case cannot be submitted for investment proposals that benefit a single entity (for example a single business). There must be evidence of wider impact for multiple individuals, businesses, or other organisations.
- ♦ The business case needs to evidence that proposed investment does not conflict with UK government policy.
- ♦ Proposed investment within the business case should contribute to key objectives and outcomes of the Fund, as set out in section 3.0 of the Prospectus
- ♦ The UK Community Renewal Fund consists of 90% revenue funding and 10% capital funding overall. The business case should be calibrated accordingly.
- ♦ All investment within the business case must evidence how it will be delivered in line with subsidy control, as well as all other legal obligations such as procurement. This will be tested as part of the appraisal process and monitored thereafter.
- ♦ All investment within the business case must take account of equalities impacts.
- ♦ All proposals set out in the business case must fall within the scope of the development assistance powers in the International Development Act 2002. Details of the Act, and explanatory notes can be found on legislation.gov.uk.

3.4 Scope of the business case

In order for the UK government to apprise the business case, it must contain the following:

Expected delivery outcomes: These should align with the Prospectus and should cover Gibraltar's entire allocation of funding.

Proposed project/s for funding: The business case should outline projects put forward for funding. For each project, the business case should:

- ♦ Outline aim and objectives

- ◆ Demonstrate a clear link to one or more UK Community Renewal Fund investment priorities set out in section 3 of the Prospectus.
- ◆ Provide accurate costings
- ◆ Include a realistic delivery timetable
- ◆ Contain milestones for delivery of outcomes

Evaluation plan: Programme evaluation plan which UK government will assess against once the programme is complete.

Evidence of robust financial governance: The business case should provide evidence of appropriate financial management and control.

3.5 Working together on the business case

You will be able to contact UKCommunityRenewalFund@communities.gov.uk to request clarification on any of the content within this guide.

4. Appraisal of the business case

The Government of Gibraltar should refer to [The Green Book and associated guidance](#) as the main point of reference and advice on best practice in regard to the development and appraisal of a business case.

Summary best practice guidance on this is provided at Annex A below.

In order for the UK government to appraise a business case, it must be received by the deadline, with a complete application that demonstrates that:

- ◆ Projects will be delivered (including all expenditure incurred) by 31 March 2022.
- ◆ Projects respond to a need/needs identified within the Prospectus.
- ◆ Projects do not conflict with UK government policy.
- ◆ Project activity can be delivered in line with subsidy control requirements as well as all other legal obligations such as procurement.

The business case must pass these baseline criteria to be considered for appraisal. Failure to adequately demonstrate one or more of these criteria will result in rejection of the business case.

Final decisions to approve or reject the business case will be made by the Secretary of State for Housing, Communities and Local Government.

5. Evaluation

We expect the business case to meet the following requirements for evaluation:

- ◆ The UK government will not run a full assessment on each individual project listed within the business case. Instead, it will assess success against expected delivery outcomes outlined within the business case.

- ♦ The Government of Gibraltar should submit a self-evaluation of project impacts to the UK government at a final review.

6. Assurance

The UK government recognises that the Government of Gibraltar has established procedures for awarding grants and for financial management and control. However, as the UK Community Renewal Fund is a UK government initiative, all delivery partners should review the Cabinet Office Grants Standards as an example of good practice and a source of information. The following standards are particularly relevant:

- ♦ Identification of a Senior Responsible Officer (SRO)
- ♦ Due diligence and mitigation of fraud risk
- ♦ Monitor and evaluate progress and performance
- ♦ Meet publicity requirements and branding

The Government of Gibraltar should consider these [standards](#) in preparing its business case and approaches to grant administration, financial management and control.

Failure to identify appropriate post-approval processes may result in the rejection of the business case. Projects submitted as part of the business case will not be assessed individually.

7. Leveraging other funds

The UK government would encourage the Government of Gibraltar to maximise the leverage of other funding. This has numerous benefits, including enhanced alignment with other provision and efficient delivery.

We recognise however that not all projects will be able to secure match funding, and it is not expected for employment support projects.

Annex A: Green Book guidance for the business case

This annex does not replace or supersede the official guidance, rather it is intended as an accessible summary.

See full [Green Book guidance](#) from HM Treasury.

Any proportionate business case must cover all elements of HM Treasury's 5-case model:

1. **Strategic case:** This must show the rationale, background, policy context and strategic fit of the public expenditure or public intervention.
2. **Economic case:** This must provide evidence of why a privately provided solution would fall short of what is optimal (market failure) and a list of options to achieve a better outcome. "Do nothing" should always be an option. There is no one size fits all for how many options or what makes a good economic case: some need distributional analysis, others evidence of unmet demand for a service. The case must build on

robust verifiable evidence, consider additionality, and displacement of activity, and include a sensitivity analysis and a correction for optimism bias if risk is a factor for success. Value for Money is ideally demonstrated in a credible Benefit Cost Ratio, but where some of the costs and/or benefits cannot be monetised at the present time, the economic case should proportionally capture these impacts and specify a partial Value for Money measure. Wider benefits/costs should be considered and specified where these are sizeable, compared with the direct impacts.

3. **Commercial case:** This must demonstrate commercial viability or contractual structure for the project, including procurement where applicable.
4. **Financial case:** This must demonstrate standard appraisal of financial implications of the project, including where applicable budgets, cash flow, and contingencies.
5. **Management case:** This must show how the project is going to be delivered referring to the Green Book to verify if there are mandatory methodologies applicable to the investment.

The Government of Gibraltar must have robust processes in place that ensure all funding decisions are based on impartial advice, where possible. There should be named individuals responsible for ensuring value for money, scrutiny and recommendations for the business case (not necessarily the same person).

This person/people should ideally be independent of the beneficiary organisation or where this is impractical, should sit outside of the management unit responsible for developing the business case.

VIA:

<https://www.gov.uk/government/publications/uk-community-renewal-fund-prospectus/uk-community-renewal-fund-investment-guidance-for-gibraltar-2021-22>