

Economic Growth Board

Date	Friday 13 th May 2022
Report title	UK Shared Prosperity Fund (UKSPF): an update
Portfolio Lead	Councillor Ian Brookfield Portfolio Holder for Economy and Innovation
Accountable Chief Executive	Laura Shoaf, Chief Executive, WMCA
Accountable Employee	Dr. Julie Nugent, Executive Director for Economic Delivery, Skills and Communities, WMCA Dr. Fiona Aldridge, Head of Skills Insight, WMCA
Report has been considered by	LA CEX and FDs Directors of Economic Development WM Finance Directors (to consider Thursday 12 May)

The Economic Growth Board is recommended to:

- i. Discuss and agree the proposed principles and approach set out in this paper to underpin the development of our approach to UKSPF
- ii. Note ongoing work to quantify demand and develop funding options for the investment plan.
- iii. Advise on whether there are existing groups that could be used to support the engagement and consultation process to inform the investment plan.
- iv. Note that these principles and our approach to UKSPF will be further considered by the Mayor and Met Leaders, the Regional Economic Directors Group, West Midlands LA Chief Executives and FDs, ahead of formal decisions by the WMCA Board in July.
- v. Agree that the commissioning and future performance management of UKSPF will be considered by the Economic Growth Board.
- vi. Note how UKSPF activity on the Supporting Local Business theme offers the potential to build upon the latest outputs from the West Midlands Business Support Review, led by LEPs in conjunction with partners.

1. Purpose

- 1.1 Following the publication of the UKSPF prospectus in April, the WMCA is now formally identified as the lead authority for the West Midlands 7 Met area, with responsibility for

developing an investment plan for the UKSPF, that will build pride in place and boost life chances across the CA area. This is an opportunity for the CA to work with local partners to develop a commissioning framework that enables strong locally focused delivery, through key partners, embracing the principles of double devolution, whilst maintaining efficient systems and recognising the CA's overall accountability for this fund.

- 1.2 The CA welcomes this opportunity to lead a strategic and joined-up approach to identifying investment priorities that will support our levelling up ambitions for the region. Whilst there are challenges about the level of funding available, we recognise that this is as an opportunity to do things better, where the region can set priorities rather than respond to nationally driven criteria. We are therefore keen to adopt a strategic and streamlined approach to the commissioning of provision, where we can better address local and regional priorities, avoid unhelpful bureaucracy, complement other funding streams, and add value to existing activities.
- 1.3 As the West Midlands continues its recovery from the economic shocks of Covid, the UK's exit from the EU single market and energy price spikes following Russia's invasion of Ukraine, there is a need for even further investment. With finite resources, however, there is a greater challenge to ensure that funds are allocated where they can have most impact for places, residents and businesses across the region. We are keen to work closely with local authority and other partners to determine the Investment Plan priorities that will best deliver this impact.
- 1.4 Government has stressed that overall investment in UKSPF is comparable with what was previously available through European Structural Funds. This includes direct investment in the £2.6bn for the UKSPF, as well as £1.6bn for the British Business Bank to invest in regional growth (with £400m earmarked for the Midlands), and funding for Multiply. We have requested further information on levels of investment, however, initial indications are that directly available funding appears reduced overall.
- 1.5 We are committed to continuing to work with central government and with local partners to identify and mitigate risks associated with the transition between EU funding and UKSPF. This is particularly pertinent given funding for 'people and skills' is not available until 2024/25, and that it appears UKSPF funding can not be used to support 16-18-year-old NEET provision. We are aware of a potential 'cliff edge' with the end of current EU funds and the start of UKSPF. This will impact on a number of projects and presents risks to local partners, including LAs and Universities, who have funded posts with this. Along with other MCAs, we are flagging these issues with government, nationally.
- 1.6 The WMCA's role as the lead authority will include overall accountability for the fund, including managing the allocation process, assessing and approving applications, processing payments, and day-to-day monitoring. Mayoral Combined Authorities can claim up to £40k to undertake initial preparatory work for the Fund and will also be able to use up to 4% of the allocation to support Fund administration.
- 1.7 This paper sets out the principles by which we intend to develop the investment plan, before it goes to the WMCA Board in July. We recommend that we bring the draft investment plan to the Economic Growth Board on 30 June.

2. Government's UK Shared Prosperity Fund

- 2.1 UKSPF is a central pillar of the UK Government's Levelling Up agenda. Its primary goal is to build pride in place and increase life chances across the UK, with 3 key investment priorities around:
- Community and Place
 - Supporting Local Business
 - People and Skills (including adult numeracy programme, Multiply)
- 2.2 There is no pre-determined split across these priorities, although activity for People and Skills is expected to be delivered through Multiply and/or existing ESIF funding, with no separate UKSPF activity available before 24/25.
- 2.3 Alongside the prospectus, government has also published a [menu of interventions and activities](#) that the region needs to select from. Places are encouraged to consider how these can be adapted to suit local characteristics and reflect the distinct opportunities and challenges that communities face.
- 2.4 UKSPF provides £2.6bn of new funding for local investment by March 2026. All areas of the UK have received an allocation via a funding formula for 2022-23, 23-24 and 2024-25, for both core UKSPF and for Multiply. The West Midlands' notional allocation is shown below – by programme, by financial year and by capital/revenue split. Any funds not spent within the financial year *must* be returned to HMT – they cannot be carried over to the subsequent years.

Core UKSPF allocation	Multiply	Total allocation
£88,408,357	£16,767,132	£105,175,489

Allocations by financial year			
	2022-23	2023-24	2024-25
Core UKSPF	£13,261,254	£23,870,256	£51,276,847
Multiply	£5,069,133	£5,848,999	£5,848,999

Allocations by capital/revenue split			
	Core UKSPF: revenue	Core UKSPF: capital	Multiply: revenue
2022-23	Max 90%	Min 10%	100%
2023-24	Max 87%	Min 13%	100%
2024-25	Max 80%	Min 20%	100%

- 2.5 There is no requirement to secure match funding in order to unlock local allocations, nor is it a factor in the assessment of investment plans. However, lead authorities are encouraged to consider where match funding from the private, public and third sectors can be used to maximise value for money and impact.
- 2.6 In order to demonstrate how MCA allocations have been calculated, indicative figures for each Local Authority have also been published. These are attached at Annex A. The guidance is clear that these are not 'allocations', and the investment plan should set out how resource will be allocated to address needs. However, we recognise the figures are a useful guide to ensure that the programme addresses local need.

- 2.7 In administering the Fund, WMCA are tasked with working with a local partnership group, that includes a diverse range of local and regional stakeholders, civil society organisations, and businesses or business representative groups. We are also required to convene an MP engagement group. **The Board is asked to advise on whether there are existing groups that could be used to support this process.**
- 2.8 In order to access UKSPF funding, the WMCA will need to complete an investment plan, setting out how we intend to use and deliver the funding, for sign off by UK government. Plans are to be submitted by 1 August 2022 and will therefore require approval by the CA Board in July. It is anticipated that plans will be approved from October 2022 onwards. Although the Fund can be used to support investment in interventions from 1 April 2022, this will be at risk prior to sign off.
- 2.9 A separate investment plan will need to be completed for Multiply (a template for which is yet to be issued). The deadline for local area investment plans is 30th June 2022, with delivery to commence from September 2022. Given the tight timescale, planning around the focus and procurement of this provision is underway, with support from the LA/LEP employment and skills officer group.

3. Principles and approach

- 3.1 In light of the extremely tight timescale for developing and approving our UKSPF investment plan, we have set out a number of principles to guide our approach. **The Board is asked to comment on and endorse these suggested principles:**
- 3.1.1 The plan will seek to identify and prioritise key areas for investment to deliver the most significant impact to the region's businesses and residents. **Each of the themes will reflect existing regional and local plans or evidence bases.** For example, for the '*Supporting Local Business*' theme, this would include the West Midlands Plan for Growth, Business Support Review (along with summary of past ESIF activity), Circular Economy Routemap, Digital Roadmap, #WM2041 and other local strategies, to support the region's path to net zero.
- 3.1.2 **UKSPF should be used to support those areas where there is limited or no investment elsewhere.** For example, we suggest that skills activity should be mainly funded through complementary sources such as the Adult Education Budget (£130m p.a.).
- 3.1.3 Feedback from local authorities has also recommended that, **where possible, we maximise leverage from funding** – for example, businesses supported should commit to wider employment and training outputs, to maximise benefits to communities.
- 3.1.4 **Local Authorities and other partners will play a key strategic role in developing the investment plan**, identifying key priorities and ensuring a fair funding distribution that delivers maximum impact for all. We are intending to adopt a collaborative and strategic approach which reflects the different needs and

opportunities across the functional economic area, recognising that businesses and people cross administrative boundaries to work and sell to markets.

- 3.1.5 The Investment Plan will include a profile of spend, recognising that full investment does not take place until 24/25.

Proposed approach to allocations

- 3.2 In light of the extremely tight timescale for developing and approving our investment, we have set out some initial proposals for discussion, to inform how we balance the demand for funding across the relative strands, interventions and geographies.

3.2.1 A significant proportion of funds will be used for the 'supporting local businesses' strand, in recognition that UKSPF is the main source of funding for this type of activity. Interventions will be determined by the outcomes of the business support review, and could include generic and specialist support for businesses, including support for innovation, decarbonisation, export, account management, business start-up and support for social enterprises. This is likely to be a combination of locally and regionally delivered activity.

3.2.2 Whilst further analysis is needed, based on previous analysis from LEPs and local authorities, we believe the equivalent of £31m p.a. (excluding match) has been invested across the six themes of the ERDF programme – which broadly equate to the '*Supporting Local Business*' theme. With ERDF-funded activities running until 2023, there is not a direct comparison between the two funds, but it provides useful context to build upon the positions in the Business Support Review.

3.2.3 Funding for locally delivered employment support will also be prioritised, with a particular emphasis on provision that can better support the long-term unemployed and those who are economically inactive. However, this activity cannot be funded until 2024/25 which presents a risk to the region. We are currently working with local partners to identify the risks here. There is the potential to fund employment support provision delivered by the voluntary sector in advance of 2024, to protect local infrastructure. However, the guidance is clear that this does not extend to provision delivered through public sector organisations. Whilst further analysis is needed, based on previous analysis from LEPs and local authorities, we believe the equivalent of £17m p.a. of European funds have been invested in employment support with the majority on young people.

3.2.4 We recommend that we should allocate some funding for the 'community and place' strand, where the priorities would be determined by local authorities, in partnership with local stakeholders. This could either be:

- a) a proportionate share of the local figure (eg. 10%)
- b) a de minimus amount for each local area, varied by population
- c) the capital element of budget
- d) a combination of the above

There is also the potential to align this element with locally focused skills funding, to ensure a more substantial fund. These funds would be determined by LA priorities.

3.2.5 In recognition of the timescales associated with the ‘people and skills priority’, and of other skills budgets available across the region, we recommend that the majority of skills activity be delivered through other funds (and Multiply).

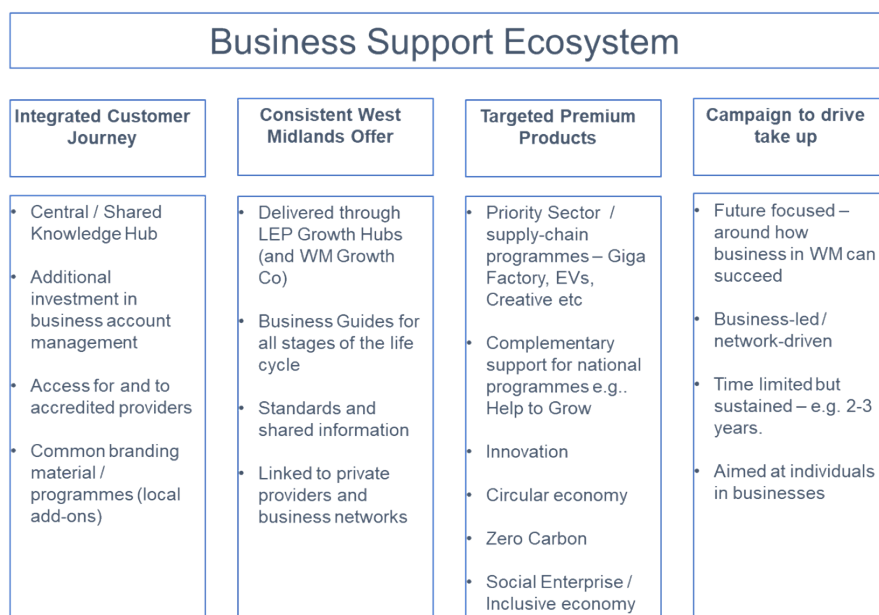
3.3 **The Board is asked to comment on this proposed approach, recognising that further work is needed to quantify financial splits across pillars and interventions and geographies.**

4. Building upon West Midlands’ Business Support Review

4.1. Initiated by the SED Board and Council Leaders in 2021, the West Midlands Business Support Review saw partners work together to identify the ways in which the region’s business support system could learn from the lessons of how business support has been delivered – underpinned by predominantly European funding – to one which can be even more effective, agile, collaborative, impactful and fit for purpose for the new funding environment.

4.2. The WMCA Board (23 July 2021) and LEP Boards approved the first phase of the region’s business support review which set out four pillars for a future business support system:

- Put in place a modern customer journey, built around the user not the provider.
- Implement a new approach to account management, covering the largest firms, investors and SMEs, with the LEP Growth Hubs, local authority teams and the West Midlands Growth Company operating as a fully integrated support eco-system.
- Replace the current large number of schemes which were coming to an end with new premium products aimed at specific sectors, supply chains and issues, and delivered region-wide at scale.
- Carry out a campaign to drive up demand and usage.



- 4.3 Since then, the LEPs have led the second phase of the project to scope out practical delivery details related to those core pillars. This has been in conjunction with local authorities, universities and regional partners. With little information about the quantum or targeting of UKSPF until recently, it assumed that Core and Premium Products currently funded through ERDF will in the future be funded through UKSPF and/or other central funding routes such as UKRI, or national business programmes, etc. Whilst it is accepted that there will be less overall funding available, by focusing the Core Products around shared priorities and applying them region wide where possible, and focusing Premium Products on maximum impact across the region, the expectation is that overall service levels will be similar.
- 4.4 Proposals have been developed within a technical report (summary in Annex B) which builds upon a vision of:
- Businesses engaged via the **Campaign to drive take up**, would be engaged by **Account Managers** located in delivery organisations [potentially, Local Authorities, Growth Hubs, West Midlands Growth Company etc], and initially taken through a **Core Diagnostic** to capture the baseline information of the business.
 - The information gleaned from the business would be captured onto the respective CRM, and then automatically updated onto the **Shared Knowledge Hub** for access by stakeholders across the ecosystem.
 - Using the matrix of **Core Products** and **Premium Products**, the Account Manager would diagnose the appropriate product solution(s) to address the business' need and refer to the respective delivery partner, whether that be a Local Authority, University, Chamber of Commerce, national product, private sector provider etc. That partner would, if appropriate, be able to access the Knowledge Hub / CRM to access the background information.
 - In addition, the Account Manager would be able to offer **Business Guides** to the business to self-learn.
 - Following the intervention of a Core Product and / or Premium Product, the Account Manager would continue the **customer journey** with the client, monitoring the impact of the interventions and determining the opportunity and need for further interventions.

5. Next steps

- 5.1. We are currently developing a detailed project plan that will enable us to finalise our investment plan for further review by the Economic Growth Board, Mayor and Met Leaders, Local Authority Chief Executives and Finance Directors, and, ultimately, the July meeting of the WMCA Board.
- 5.2 We are scheduling a series of individual meetings with each Local Authority to discuss and agree the principles that will guide our approach, and to identify key investment priorities for each area. We are similarly reviewing evidence of current spend to ensure that we do not miss critical programmes funded through other key partners, e.g. universities.
- 5.3 We will then deliver a series of open webinars and other activities, to facilitate the engagement of a wider range of stakeholders, as well as using existing meetings and channels to engage with key partners.

3. Financial Implications

- 3.1 Section 2 of the paper sets out the allocations that have been made available to WMCA for UKSPF and Multiply alongside some of the key financial principles and rules set out within the prospectus that will apply to WMCA as the accountable body for the fund.
- 3.2 As the detailed project plan and investment plan is developed the financial implications will continue to be worked through and incorporated into those documents.

4. Legal Implications

- 4.1 There are no immediate legal implications arising from this report.

5. Equalities Implications

- 5.1 There are no immediate equalities implications arising from this report.

6. Inclusive Growth Implications

- 6.1 UKSPF is a central pillar of the UK Government's Levelling Up agenda, with a focus on community and place, supporting business, and people and skills. As such, UKSPF will be a key funding stream for supporting inclusive economic growth within the CA area.

7. Geographical Area of Report's Implications

- 7.1 UKSPF funding covers the 7 Met area. Other Local Authorities in the West Midlands region receive a separate allocation. Working with other places is strongly encouraged where it meets the needs of their place, achieves better value for money, or better outcomes for local people or business.
- 7.2 In Combined Authority areas, lead authorities must engage with their constituent authorities and other local partners to ensure that the needs of places within their strategic geography can be effectively addressed.

8. Other implications

- 8.1 None



Annex A: How WMCA allocation has been calculated

	UKSPF Core
Birmingham	£36,375,301
Coventry	£11,331,741
Dudley	£9,367,406
Sandwell	£9,817,228
Solihull	£5,310,432
Walsall	£8,374,365
Wolverhampton	£7,831,883
WMCA	£88,408,357

Annex B: Summary of Business Support Review Technical Report

The eight **Key Recommendations** brought forward are as follows:

1 **Investment in Account Management**

Central to any future business support ecosystem. Recommended that Account Management is seen as 'structural' and protected from funding cycles and cuts. Scottish Enterprise (which covers a smaller economy than the West Midlands) has over 100 Account Managers compared to 20 between the three WM growth hubs. Account managed firms are 7% more productive (on average)

2 **Adoption of a Core Diagnostic**

To be used by all Account Managers. An aggregation of the BEIS compliant Growth Hub diagnostics, the WMGC diagnostic, and Local Authority initial data capture. Will ensure a consistent template for capturing all core data about the businesses engaged, and will form the basis for the central Knowledge Hub / CRM (see below).

3 **Knowledge Hub / CRM**

seed funding for piloting of both a “**Shared Knowledge Hub**” (sKH) and a “**Central CRM**” (cCRM).

4 **Database of Businesses**

This data would augment the core data acquired by the Account Managers using the Core Diagnostic, and would act as a “digital twin” for the business support ecosystem and contain links with credit ratings, track growth trajectory, facilitate innovation networks and contain information on programmes. This approach is tried and tested.

5 **Core Products**

Reprofiling the range of products that businesses across all localities in the West Midlands should be able to access. The core products will be sector agnostic, and most likely be aimed at a wider audience. Core Products would fall into eight 'themes':

- *Starting a business*
- *Achieving net zero and responding to climate change*
- *Addressing initial barriers to innovation*
- *Addressing initial barriers to business growth*
- *Internationalisation*
- *Skills and workforce development*
- *Health and wellbeing in the workplace*
- *Access to finance*

6 **Premium Products**

Thematic programmes which complement each other and support business growth across two main themes:

1. SME Competitiveness
2. Research and Innovation

Design, commission, monitor and evaluate Premium and Core Business support products using SPF funding. Premium Products would likely be aligned with the Plan for Growth as the catalyst for economic growth and wealth creation. Regional stakeholders would be commissioned to deliver these products as part of a competitive process.

7 Business Guides

The *production of Guides targeted at businesses* to help raise awareness of the consistent West Midlands offer and maximise take-up levels.

8 Campaign to drive take-up

a communications plan for businesses seeking support in the West Midlands. The methodology proposed for the campaign to drive take up is '**OASIS**';

- **Objective**
- **Audience**
- **Strategy**
- **Implementation**
- **Scoring**