



Economic Growth Board

Date	Monday 4 th July 2022
Report Title	UKSPF Investment Plan
Portfolio lead	Councillor 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 Dr Fiona Aldridge, Head of Insight – Economic Delivery, Skills and Communities
Report has been/will be considered by	Financial Directors (16/6) Directors of Economic Development (21/6) Economic Growth Board (4/7) Mayor and Met Leaders (5/7) WMCA Board (15/7)

Economic Growth Board are recommended to:

- i. Consider the approach outlined which ties together:
 - a. the broad approach to prioritising UKSPF funding across the three themes.
 - b. wider skills investment to reduce the demand on UKSPF for this activity
 - c. the timescale and next steps for the development and approval of the outline UKSPF investment plan at the WMCA July Board.
- ii. Note further work requested by local authorities to review the methodology for allocating resources, to better reflect the principles of Levelling Up.

1 Purpose

- 1.1 The purpose of this report is to provide an update on progress on towards developing our UKSPF Investment Plan. It is shared as a work in progress and provides an update to the paper considered by Economic Growth Board on 13th May 2022.

2 UKSPF allocations

- 2.1 Following the publication of the UKSPF prospectus in April, the WMCA is 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.

- 2.2 The WMCA welcomes the opportunity to lead a strategic and joined-up approach that responds to the economic needs of the region and supports our levelling up ambitions. Whilst there are challenges about the level of UKSPF 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.
- 2.3 In this context, the Economic Growth Board has previously considered how best to apportion UKSPF funds. At their request, the LA Directors of Economic Development have explored a range of options, including a consideration of how local priorities would best be served. This included a consideration of which areas were best commissioned within a regional framework with local delivery, and which were best deployed locally in line with the principle of double devolution. We have previously agreed to avoid a competitive approach, where LAs submit projects to be assessed.
- 2.4 The development of our approach reflects the current restrictions on UKSPF funding – including the restrictions on carrying over funds between years; the ineligibility of spend on 'people and skills' before 2024/25; and the need to confirm priorities with government in a short timescale. We are challenging these restrictions and Annex A contains the letter sent to Minister O'Brien from the Mayor and Cllr Brookfield setting out our concerns and proposed mitigations.
- 2.5 Our approach has also sought to recognise where additional funding sources may be available – for example, devolved AEB can be used to fund skills activities, whereas our current assumption is that business support will need to be exclusively funded through UKSPF.
- 2.6 We have also conducted bi-lateral meetings with each LA, to be complemented with briefings with CEX and Leaders, to ensure we have reflected local priorities fully. We will also be consulting with local MPs, following Board approval of the plan, to get their endorsement of the approach.
- 2.7 The key issues that have emerged consistently and which we will reflect in plan, are:
 - 2.7..1 The need for a significant focus on employment support, recognising the particular challenges faced in each local area and the need to preserve critical local infrastructure e.g., Wolves at Work, Walsall Works and Coventry JobShop.
 - 2.7..2 The need to develop an efficient approach to business support, recognising the lack of other funding for this activity, and the critical need to ensure high quality support for businesses in the region in our challenging economic context. 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 previously been invested across the six themes of the ERDF programme – which broadly equate to the 'Supporting Local Business' theme.



- 2.7..3 The commitment to use existing skills funding (e.g., AEB) to support people priorities thereby reducing the pressure on UKSPF.
- 2.7..4 The need to ensure that investment leverages outcomes across all 3 pillars.
- 2.7..5 The need for local determination of 'communities and place' and 'people and skills' pillars.
- 2.7..6 The need for a transparent approach to the use of the maximum 4% admin fee, recognising that while the CA is accountable for the delivery and monitoring of this budget, there will be additional work required by LAs which will also need resourcing. Our commitment is to develop an open and transparent approach to agreeing the use of administration funds, reflecting the balance of work required both locally and regionally. We will share further detail in due course.
- 2.8 The CA is required to submit an investment plan by 1st August. This is very high level and does not include detailed local allocations or project proposals. Rather it will set out the broad ambition of the region and the key areas of focus. We are clear that this plan has been produced quickly and will be subject to further changes as the details of priorities and projects are further developed and agreed. Moreover, we will be developing a clear process of assurance and performance monitoring that fully engages LAs, and reports through this Board, to ensure that funding reflects local priorities, with maximum flexibility to move money in response to need and demand.
- 2.9 The plan is therefore proposing the following initial approach to prioritising funding. Please note this will be subject to further detailed costing and development and will need to be sufficiently flexible to enable the region to respond to wider social and economic challenges and opportunities.
- 2.9.1 **We are proposing that 50% of the available allocation should be assigned to 'supporting local business' to ensure we can sustainably fund a comprehensive business support offer across the West Midlands.**
- 2.9.2 This will take enable us to take forward the regional business support review, previously agreed by the CA Board, ensuring that we have a consistent and cohesive offer to the region's businesses, developed with LAs and co-located with local services. Further detail is still to be developed, but at this stage it is envisaged that this would cover a broad offer to businesses across all 7 Met areas:
- Core publicly-funded business support infrastructure, including locally-embedded generic business advice for SMEs plus supporting systems (CRM, comms & marketing, etc.).
 - Specialist 'premium products' commissioned from best-placed providers (which could include universities, business groups, WMGC, local authorities, etc.), reflecting existing WMCA priorities like decarbonisation, internationalisation and export, investment readiness, etc.
 - At this point, and subject to procurement advice, we are recommending that the decision to commission more locally specific provision – for example, town centre

support, entrepreneurship and social enterprise activity will be taken by LAs, where funding will be redeployed from the remaining 50% (see para 2.9.3 below).

2.9.3 **We are proposing that the remaining 50% of UKSPF funding should be prioritised locally by individual local authorities.** This will enable each LA to vary their spend across each of the three priority areas according to local need.

2.9.4 The 50% local allocation could cover:

- Any locally determined investment in ‘communities and place’
- Any locally determined investment in ‘people and skills’, noting that funds cannot be spent on this priority until 2024/25. (We are proposing to brigade these 2 priorities together, where possible, as there is a lot of overlap and this may give us greater flexibility, particularly in relation to maintaining critical social infrastructure.)
- Any flexibility for VCS organisations in a local area deemed to be at risk.
- Any additional local business support activity beyond that outlined above – for example, entrepreneurship or town centre support.

2.10 We recognise that these proportions may shift as we develop further details, particularly on the business support offer, and as we respond to the changing economic context. For now, we believe they provide reasonable parameters to develop our high-level plan, and balance local flexibility with the need for a regional strategic approach to supporting businesses at a critical time.

2.11 The West Midlands’ UKSPF budget is for the 7 MET area rather than a 3 LEP geography. The allocation was based on a national system that adopted a 70:30 methodology, of population and need. Some LAs have requested that we explore an alternative methodology to that used by HMG, to take greater account of need and better reflect the ambitions of the Levelling Up agenda. Work on this is underway and will be discussed at the Mayor and Met Leaders meeting on the 5th July. **Please note that local allocations are not required for the 1st August submission of the Investment Plan.**

3 Completing the UKSPF Investment Plan

3.1 At this stage, we only need to develop a single high-level plan containing a broad indication of where our collective priorities will be. We do not need to agree individual projects or to confirm local distribution of funds.

3.2 To help us develop our investment plan in the timescales set out by HMG, we have asked Local Authorities to share their current plans and priorities with the CA. In doing so, we recognise that plans are not yet fully developed and are subject to change.

3.3 As part of the investment plan, we are required to select a set of outcomes and interventions for the region. There is no requirement to include individual project details in the investment plan; these will be used to select the most appropriate outcomes from the given list (see Annex B). Our intention is to keep the investment plan as high-level as possible, in order to allow maximum flexibility in shaping implementation once this is approved. There will also be opportunity to review Y2 and 3 plans as the programme progresses.

3.4 The investment plan will go to Board for approval by the CA Board on 15th July.

4 Wider skills investment

4.1 Additional adult skills funding for 2022 has been delegated from the Department of Education (DfE) to the WMCA. This funding is part of the National Skills fund and comprises annual allocations of £10.9m 'Free Courses for Jobs' focused on Level 3 technical qualifications and £11.2m 'Technical Bootcamp' funding. We will also receive £16.7m over 3-years to deliver the Government's 'Multiply' programme, an adult numeracy focussed programme funded through a ring-fenced allocation of UKSPF.

4.2 Together with the £131m p.a. Adult Education Budget, these programmes provide alternative skills funding to reduce the demand for UKSPF, whilst increasing our overall capacity to deliver skills and training that meet the needs of local residents and businesses. Critically, this includes our ability, working with LA partners, to commission provision that meets local needs and reflects local priorities, helping more residents gain skills, move into employment, and pursue rewarding careers. The estimated levels of Adult Education Budget investment in each local area are set out in the following table. ¹

	Grant AEB	AEB procured	All AEB	AEB (over 3 years)
Birmingham	£53,402,841	£14,024,897	£67,427,738	£202,283,214
Coventry	£9,424,030	£3,301,559	£12,725,589	£38,176,767
Dudley	£6,384,020	£3,012,179	£9,396,199	£28,188,597
Sandwell	£11,146,703	£3,679,073	£14,825,776	£44,477,328
Solihull	£3,344,010	£1,589,495	£4,933,505	£14,800,515
Walsall	£8,209,026	£3,096,652	£11,304,678	£33,914,034
Wolverhampton	£9,525,364	£2,896,141	£11,304,678	£33,914,034

4.3 Over a 3-year period, core UKSPF and AEB funding will provide significant investment in each Local Authority. Further funds from DfE, via Multiply and through the Trailblazer Devolution Deal will likely add to this.

5 Business Support

5.1 In the context of deteriorating economic conditions, a vulnerable manufacturing sector and growing cost and labour pressures on the region's businesses, it is essential that we develop a consistent and cohesive business support system for the region that is effective, agile, collaborative, impactful and fit for purpose.

5.2 As noted, there is very limited funding available for business support from 2022/23 and significantly less than has been available previously. BEIS growth funding is unconfirmed. Partners across the region are seeking to secure additional investment, including through the Trailblazer Devolution Deal. However, until this is secured we are assuming that UKSPF will be the principal source of funding for activity from April 2023 onwards.

¹ This shows the current Local Authority split of the Adult Education Budget, based on historical patterns of delivery. Provision is deliberately responsive however, and funding may shift in year to meet demand.



- 5.3 As summarised in para 2.8.2 the proposal is that business support funding covers three connected but distinct elements: a cohesive 'core' system; regionally-commissioned targeted premium products and locally-commissioned programmes on topics that are best suited to very local conditions. The detail of regionally commissioned activity will be further developed in conjunction with the Directors of Economic Development and agreed by the EGB. Decisions about delivery mechanisms will also be agreed via the EGB, taking account of the parallel work on determining future LEP integration.

6 Financial Implications

- 6.1 There are no financial implications as a direct result of this report, although clearly financial implications will arise as a consequence of the decisions to be taken subsequently by EGB and the WMCA Board.
- 6.2 The paper proposes to distribute the UKSPF funding by allocating 50% to develop a core business support offer across the region. The other 50% will be prioritised locally by individual LAs. Our current proposal is to determine local allocations using the 70:30 model developed by HMG, however LAs have asked us to reconsider the methodology to give greater weight to need.
- 6.3 Currently there are restrictions on the fund around carrying over funds between years; the ineligibility of spend on 'people and skills' before 2024/25; and the need to confirm priorities with government in a short timescale. This is being challenged through a UKSPF letter to Minister O'Brien.
- 6.4 Please note that there is a maximum admin fee of 4%.

7 Legal Implications

- 7.1 There are no immediate legal implications as a direct result of this report.

8 Equalities Implications

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

9 Inclusive Growth Implications

- 9.1 There are no immediate inclusive growth implications arising from this report.

10 Geographical Area of Report's Implications

- 10.1 The report covers the 7 West Midlands Combined Authority metropolitan areas

11 Other implications

- 11.1 None.

Annex A: UKSPF letter to Minister O'Brien

Neil O'Brien M.P.
Parliamentary Under Secretary of State for Levelling Up, The Union and Constitution
Department for Levelling Up, Housing and Communities
2 Marsham Street
London
SW1P 4DF
Sent via: neil.o'brien@levellingup.gov.uk

14th June 2022

Dear Neil,

As you know, the West Midlands Combined Authority shares the Government's Levelling Up ambitions and welcomes its investment of £2.6bn through the UK Shared Prosperity Fund (UKSPF) to help local areas build pride in place and increase life chances. As the lead authority for our area, we particularly welcome the opportunity to lead a strategic and joined-up approach to investing in our region, in a way that best supports our levelling up ambitions.

We are pleased to have developed a strong and collaborative working relationship with your officials – working on both our plans for UKSPF, as well as wider plans for devolution, through our Trailblazer status.

However, we are increasingly finding that the parameters and processes associated with the UKSPF programme are imposing national restrictions in a way that is preventing us from being agile and responsive, and working against the principles of greater devolution. We recognise that some of these issues may be out of your control, but we do feel it is important to share the details of our issues, and the way they are frustrating our efforts to do what is right for the region's businesses and communities:

- **The inability to carry funds across financial years:** A 3-year funding envelope would enable us to strategically plan and build interventions over time, maximising impact and value for money. The current arrangements of three annual allocations works against this, and instead risk driving a focus on spending money quickly rather than well. This is of particular concern in year 1, where we anticipate that there will only be a few months between plans being approved and funds having to be spent.
- **The artificial separation of spend across 'Communities and Place' and 'People and Skills':** We believe that the renewal and development of our local communities is critically dependent on ensuring residents have the right skills and support to find good work. Dividing this activity into two competing investment priorities with separate outputs and outcomes is counterproductive. Instead, we would like to see UKSPF funding split between just two investment priorities – support for businesses and support for residents – rather than separating out places from the people who live and work in them.
- **The inability to invest in people and skills until 2024-25:** Linked to the previous point, we are particularly concerned about the impact of this restriction on our ability to support residents to find employment and progress at work. Given the economy-wide challenges around falling labour market participation, the rising cost of living, and potential economic stagnation, it is more critical than ever that we can invest in local employment support that supplements national DWP programmes. Whilst we recognise that there are existing funds already at play, the current restriction on spend is frustrating local efforts to maintain sustainable and enhanced support for residents.

- **The restriction on funding local authority posts that support community initiatives:** Similarly, we are concerned that the current criteria prevent us from continuing to invest in essential posts, based in local authorities, that support wider engagement with communities, and the wider facilitation of the voluntary and community sector, particularly in areas like employment support. As you will know from your experience of Wolverhampton, local initiatives like Wolves at Work have seen a combination of EU and Local Authority funding provide essential infrastructure to help residents move into, and progress within work. We would therefore like to see this restriction lifted.
- **The inflexibility of current reporting mechanisms:** We are committed to ensuring that UKSPF investment delivers the best possible outcomes for local areas, and we recognise the need to be held accountable for achieving this and ensuring best value for money. Alongside this accountability however, we would like to see greater freedom to allocate funds in line with regional needs and priorities. As such, we are expecting your department to take a very light-touch approach to assessing plans, enabling us to respond to current and emerging needs by moving money across years and between priorities. This flexibility is particularly important given the current volatility of our economic and social environment.

As you would expect, we are raising these points in the spirit of what has been good and constructive collaboration with your officials. We would be very happy to discuss this further with you.

Yours sincerely,



Andy Street
Mayor of the West Midlands



Cllr Ian Brookfield
Leader, Wolverhampton City Council & WMCA Portfolio Holder for Economy and Innovation



Annex B: UKSPF Investment Plan: Outcomes

A list of UKSPF interventions, outputs and indicators can be found at this link:

<https://www.gov.uk/government/publications/uk-shared-prosperity-fund-interventions-outputs-and-indicators/interventions-list-for-england>

In our investment plan, we are required to select from the outcomes listed below:

WHAT ARE THE OUTCOMES YOU WANT TO DELIVER UNDER THE COMMUNITIES AND PLACE INVESTMENT PRIORITY? SELECT ALL THAT APPLY.	
Outcome	Tick if applicable
Jobs created	
Jobs safeguarded	
Increased footfall	
Increased visitor numbers	
Reduced vacancy rates	
Greenhouse gas reductions	
Improved perceived/experienced accessibility	
Improved perception of facilities/amenities	
Increased number of properties better protected from flooding and coastal erosion	
Increased users of facilities / amenities	
Improved perception of facility/infrastructure project	
Increased use of cycleways or paths	
Increase in Biodiversity	
Increased affordability of events/entry	
Improved perception of safety	
Reduction in neighbourhood crime	
Improved engagement numbers	
Improved perception of events	
Increased number of web searches for a place	
Volunteering numbers as a result of support	
Number of community-led arts, cultural, heritage and creative programmes as a result of support	
Increased take up of energy efficiency measures	
Increased number of projects arising from funded feasibility studies	
Number of premises with improved digital connectivity	
None of the above	

WHAT ARE THE OUTCOMES YOU WANT TO DELIVER UNDER THE SUPPORTING LOCAL BUSINESS INVESTMENT PRIORITY? SELECT ALL THAT APPLY.	
Outcome	Tick if applicable
Jobs created	
Jobs safeguarded	
Increased footfall	
Increased visitor numbers	
Reduced vacancy rates	
Greenhouse gas reductions	
Number of new businesses created	
Improved perception of markets	
Increased business sustainability	
Increased number of businesses supported	
Increased amount of investment	
Improved perception of attractions	
Number of businesses introducing new products to the firm	



Number of organisations engaged in new knowledge transfer activity	
Number of premises with improved digital connectivity	
Number of businesses adopting new to the firm technologies or processes	
Number of new to market products	
Number of R&D active businesses	
Increased number of innovation active SMEs	
Number of businesses adopting new or improved products or services	
Increased number of innovation plans developed	
Number of early stage firms which increase their revenue following support	
Number of businesses engaged in new markets	
Number of businesses engaged in new markets	
Number of businesses increasing their export capability	
Increased amount of low or zero carbon energy infrastructure installed	
Number of businesses with improved productivity	
Increased number of projects arising from funded feasibility studies	
Increased number of properties better protected from flooding and coastal erosion	
None of the above	

WHAT ARE THE OUTCOMES YOU WANT TO DELIVER UNDER THE PEOPLE AND SKILLS INVESTMENT PRIORITY? SELECT ALL THAT APPLY.

Outcome	Tick if applicable
Number of economically inactive individuals in receipt of benefits they are entitled to following support	
Increased active or sustained participants of UKSPF beneficiaries in community groups [and/or] increased employability through development of interpersonal skills	
Increased proportion of participants with basic skills (English, maths, digital and ESOL)	
Number of people in supported employment [and] number of people engaging with mainstream healthcare services	
Number of people sustaining engagement with keyworker support and additional services	
Number of people engaged in job-searching following support	
Number of people in employment, including self-employment, following support	
Number of people sustaining employment for 6 months	
Increased employment, skills and/or UKSPF objectives incorporated into local area corporate governance	
Number of people in education/training	
Increased number of people with basic skills (English, maths, digital and ESOL)	
Fewer people facing structural barriers into employment and into skills provision	
Increased number of people familiarised with employers' expectations, including, standards of behaviour in the workplace	
Fewer people facing structural barriers into employment and into skills provision	
Number of people gaining a qualification or completing a course following support	
Number of people gaining qualifications, licences, and skills	
Number of economically active individuals engaged in mainstream skills education, and training.	
Number of people engaged in life skills support following interventions	
Number of people with proficiency in pre-employment and interpersonal skills (relationship, organisational and anger-management, interviewing, CV and job application writing)	
None of the above	