WMCA Board

Date	15 July 2022
Report Title	UK Shared Prosperity Fund (UKSPF) Investment Plan
Portfolio lead	Economy & Innovation - Councillor Ian Brookfield
Accountable Chief Executive	Laura Shoaf, West Midlands Combined Authority email: laura.shoaf@wmca.org.uk
Accountable Employee	Dr Julie Nugent, Executive Director for Economic Delivery, Skills & Communities email: julie.nugent@wmca.org.uk
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)

Recommendation(s) for action or decision

The WMCA Board is recommended to:

(1) Approve the submission of an outline initial investment plan to the Department of Levelling Up Housing and Communities (DHLUC), by 1 August 2022, to secure the West Midlands £88m allocation for the UK Shared Prosperity Fund, for the next 3 years. Note that this plan is deliberately very high-level and that the region has not yet agreed the detail of priorities and proposals to be funded.

(2) Delegate authority to submit the initial UKSPF Investment Plan, and to accept any funding awarded as a result of this submission, to the Portfolio Lead for Economy and Innovation, in consultation with the Executive Director of Economic Delivery, Skills and Communities, and WMCA Section 151 Officers.

(3) Agree the next steps outlined at section 4 and delegate to WMCA officers and the Portfolio lead, the implementation of the next steps for getting the final plan developed and, to include details of priorities, local allocations, supporting administrative costs etc, including approving any necessary agreements related to this. This will include bringing the final detailed plan back to Board for approval.

1 Purpose

1.1 The purpose of this report is to agree to the submission of an outline Investment Plan for UKSPF by 1 August 2022, noting that this is very high level, with further work to develop the detail of priorities and proposals to be brought back to Board for full sign off in Autumn 2022.

1.2 Government has set a challenging timescale for the completion of this plan and, whilst we are keen to work with government to release our UKSPF allocation, the Mayor and Leaders are also clear that our focus should be on ensuring we have the right plans in place to support levelling up – including through our Trailblazer Devolution Deal negotiations – and on driving maximum value for money, taking account of new post-LEP structures, and responding to emerging economic challenges.

1.3 As such, much of the detail required by DHLUC will not be submitted at this time. Our submission will make it clear that this work is in progress and will be submitted in Autumn 2022. Further work will be overseen through the Economic Growth Board, to develop costed proposals for agreement. **At this point, no proposals have been agreed for funding.**

2 UKSPF allocations and investment plan – our approach

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 three key investment priorities around 'Community and Place', 'Supporting Local Business', and People and Skills' (including adult numeracy programme, Multiply).

2.2 WMCA is 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. This is an opportunity for the CA to work collectively, with local partners to develop an approach that enables strong locally focused delivery, embracing the principles of double devolution, whilst maintaining efficient systems and recognising the CA's overall accountability for this fund. We will also continue to work closely with LEPs and LAs, recognising their expertise and experience in relation to previous European funding.

2.3 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 Authorities and other partners to determine priorities that will best deliver this impact.

2.4 Government has stressed that overall investment in UKSPF is comparable at a national level 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. However, directly available funding through UKSPF for the CA area is lower than previously available via ESF and ERDF, particularly in years 1 and 2.

2.5 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. 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. We are flagging these issues with government, nationally.

2.6 The WMCA welcomes the opportunity to lead a strategic and joined-up approach to the deployment of UKSPF that responds to the social and 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 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.

2.7 At the time of producing this plan, we are conscious of the current limitations of this process - 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. The Mayor and Cllr Brookfield wrote to Minister Neil O'Brien at the Department for Levelling Up, Housing and Communities setting out our concerns and proposed mitigations. This letter is attached at Annex A – and we are pursuing for a response.

2.8 Our approach has been informed by the availability of other funding streams - for example, the devolved Adult Education Budget (AEB) can be used to fund skills activities and the Levelling Up Fund can support some place-based activity, whereas our current assumption is that local employment support and business support will need to be exclusively funded through UKSPF. Negotiations for our Trailblazer Devolution Deal (TDD) are also ongoing. If relevant additional sources of funding are secured through the TDD process, we will look to re-deploy UKSPF funds in light of this.

2.9 **The WMCA is required to submit a high-level investment plan by 1 August. A draft version is set out in Annex B which reflects the broad ambition of the region. The Plan does not contain detailed local allocations or project proposals.**

2.10 At this stage, we have included all possible interventions, as work is still ongoing with LA colleagues to prioritise these. This means that we have been unable to complete the supporting financial information or intended outcomes. Whilst this presents a risk in terms of DLUHC's assessment – i.e. we have not yet prioritised activity – we are clear that this work is in hand and needs to be done properly. We will make this point to government in an accompanying letter, in which we will also commit to developing full proposals by Autumn 2022. The risk is that approval of our plan may be delayed, which may mean that there is less time to ensure spend of budget in year 1. This is currently £10,729,170 (inc. 4% management costs), although we have requested greater flexibility to move money across years. We are intending to mitigate that risk by simultaneously developing the list of local priority projects that can spend quickly. DLUHC officials have indicated that they are supportive of our approach, and they recognise the importance of getting the plan developed collectively, with maximum impact across all pillars, and for local communities and businesses.

2.11 We are clear that this Investment Plan has been produced quickly and will be subject to significant further changes at the details of priorities and projects are further developed and agreed. We expect the final West Midlands UKSPF Investment Plan to be submitted to the CA Board, via the Economic Growth Board, in Autumn 2022.

2.12 Currently, we have used a working assumption of some broad parameters to allow us to begin to work up the detail:

2.12.1 50% to 'support local business' – to provide support to local businesses, including taking forward key recommendations from the West Midlands business support review, agreed previously by WMCA Board. This will be developed with and by LAs, to ensure a broadly consistent approach to businesses across the region, whilst also ensuring support is locally targeted and adds value to other local business support and services.

2.12.2 50% prioritised individually by local authorities, particularly in terms of directing local place and communities, and people and skills provision.

2.13 This detail will be further refined as we develop the full investment plan for Autumn 2022. To date, six of the 7 LAs have shared initial details of their local plans and priorities to inform the investment plan; we are awaiting information from one more. These will be worked up more fully. The key issues that have emerged consistently include:

2.13.1 The need to ensure investment delivers across each of the 3 priorities, reflecting the ability to drive multiple benefits through a place-based approach, and the need to secure maximum impact.

2.13.2 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.

2.13.3 The need to develop an efficient approach to business support, recognising the current lack of other funding for this activity, and the critical need to ensure high quality support for businesses in the region in the context of deteriorating economic conditions, a vulnerable manufacturing sector, and growing cost and labour pressures.

2.13.4 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. The details of this will also be brought to Board in Autumn 2022.

2.13.5 The commitment to use existing skills funding (e.g., AEB) to support people priorities thereby reducing the pressure on UKSPF.

2.14 As set out in the UKSPF prospectus, we will also be consulting with local MPs, following Board approval of the plan, to get their endorsement of the approach. The guidance is clear that MPs do not need to approve, but we must be clear that we have consulted, and we must explain what their objections are.

3 Local allocations

3.1 The WMCA allocation is based on a national approach that adopted a 70:30 methodology, of population and 'need/economic resilience' – further detail on this approach is available here [UK Shared Prosperity Fund: allocations methodology - GOV.UK (www.gov.uk)]. Some LAs have requested that, in determining local allocations, we explore an alternative methodology to that used by central government (HMG), to take greater account of need and better reflect the ambitions of the Levelling Up agenda. While this would not impact the overall funding envelope, it would rebalance investment towards those LAs with greater 'need' and away from those with larger populations. This work is in progress – a final decision on local allocations are not required for the 1 August submission of the Investment Plan. However, we will bring back details of local allocations as the final plan is submitted to CA Board in Autumn 2022.

4 Next Steps

4.1 We will work closely with Local Authorities over the summer to develop a more detailed investment plan. This will be considered by Economic Growth Board in September 2022 and Mayor and Portfolio Leads in October 2022. We are aiming for final sign off to take place at CA Board in November 2022.

5 Financial Implications

5.1 The overall UKSPF allocation for the WM 7 Met area is as follows:

2022-2023	2023-2024	2024-25	Total
£10,729,170	£21,458,339	£56,220,848	£88,408,357

5.2 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 was challenged through a letter to Minister O'Brien; we will now flag these issues with the new ministerial team.

5.3 A maximum of 4% of the total allocation can be utilised to support the administrative costs of managing the fund.

6 Legal Implications

6.1 There are no immediate legal implications as a direct result of this report. Legal will continue to advise on the preparation of the investment plan and any agreements entered into as a result of any funding being awarded.

7 Equalities Implications

7.1 There are no immediate equalities implications arising from this report.

8 Inclusive Growth Implications

8.1 There are no immediate inclusive growth implications arising from this report. There may be inclusive growth implications that arise, as a consequence of the decisions to be taken around funding methodology etc. This will be flagged and discussed as appropriate, and highlighted to the WMCA Board.

9 Geographical Area of Report's Implications

9.1 The report covers the 7 West Midlands Combined Authority metropolitan areas.

10 Other implications

10.1 None.

Annex A – Letter to Department for Levelling Up, Housing and Communities

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 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 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.

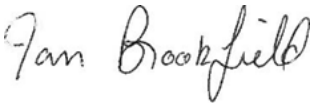
- **The inability to invest in people and skills until 2024-25:** Linked to the previous point, we are particularly concerned about the impact of this restriction on our ability to support residents to find employment and progress at work. Given the economy-wide challenges around falling labour market 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