Overview & Scrutiny Committee

Date	Monday 17 October 2022
Report Title	UK Shared Prosperity Fund (UKSPF) Investment Plan – draft paper for WMCA Board
Portfolio lead	Councillor Brookfield Portfolio Lead for Economy & Innovation
Accountable Chief Executive	Laura Shoaf, Chief Executive, WMCA Email: laura.shoaf@wmca.org.uk
Accountable Employee	Dr Julie Nugent, Executive Director for Economic Delivery, Skills and Communities, WMCA Email: Julie.Nugent@wmca.org.uk
Report has been/will be considered by	Directors of Economic Development (21/9) Economic Growth Board (23/9) Finance Directors (22/9) Mayor and Met Leaders (14/10) WMCA Board (28/10)

Recommendation(s) for action or decision

The Overview & Scrutiny Committee to note that the WMCA Board will be recommended to:

i. Approve the submission of the UKSPF Investment Plan to the Department of Levelling Up Housing and Communities (DHLUC) to secure the West Midlands £88m allocation for the UK Shared Prosperity Fund, for the next 3 years. Note that the Investment Plan should be submitted as soon as possible, given that all other authorities have already submitted their Plans and that year 1 funds are to be spent by 31 March 2023.

ii. 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 the WMCA Section 151 Officer.

iii. Delegate to the Portfolio Lead for Economy and Innovation, in consultation with the Executive Director of Economic Delivery, Skills and Communities, and the WMCA Section 151 Officer, the final arrangements for the 4% administration allocation.

iv. Agree the next steps outlined at section 5 and delegate to WMCA officers and the Portfolio lead, the implementation of the Investment Plan.

1. UK Shared Prosperity Fund: Background

1.1 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).

1.2 WMCA has been identified as the lead authority and accountable body for UKSPF across the 7 Met area, with responsibility for developing its investment plan, and for delivery of the Fund thereafter. The CA welcomes the opportunity to lead a strategic and joined-up approach, working with local authorities to identify local and regional investment priorities that support our levelling up ambitions.

1.3 The overall UKSPF allocation for the WM 7 Met area is set out in the table below. While government has stressed that overall investment in UKSPF, including Multiply, is comparable at a national level with that previously available through European Structural Funds, directly available funding through UKSPF for the CA area is lower than previously available via ESF and ERDF, particularly in years 1 and 2.

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

1.4 As well as advocating for further investment in the region, it is therefore critical that we allocate existing funds where they can have most impact for places, residents, and businesses across the region. We have worked in partnership with Local Authorities and LEPs to develop an approach to UKSPF that enables strong locally focused delivery, embracing the principles of double devolution, whilst maintaining the need for overall regional impact.

1.5 We have also worked with local partners to identify the risks associated with the transition between EU funding and UKSPF and there is work underway to mitigate the impact of reduced funding on critical programmes and strands of work – for example, employment support. However, it is also clear that the quantum of funding will be significantly less.

1.6 We will continue to lobby government for additional investment in key areas, including through the Trailblazer Devolution process, and for maximum flexibility in the deployment of UKSPF. This is particularly pertinent given funding for 'people and skills' is not available until 2024/25, creating a potential 'cliff edge' with the end of current EU funds and the start of UKSPF that will impact on a number of projects, and presents risks to local partners, including LAs, Universities and the VCS, who have funded posts with this. We will also continue to lobby for an overall funding allocation for the Spending Review period, rather than three annual allocations, to provide us with more flexibility in meeting local need.

2. Our Approach

2.1 The July WMCA Board approved the submission of an outline initial investment plan by 1 August, recognising the need for further work to be undertaken to determine priorities, local allocations, and administrative costs. This outline investment plan was based on the working assumption that:

2.1.1 Up to 50% of UKSPF funds would be focused on 'Supporting 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 supporting businesses across the region, whilst also ensuring support is locally targeted and embedded with local delivery arrangements (eg in local authorities), complementing other local support and services to businesses.

2.1.2 50% would be prioritised individually by local authorities, particularly in terms of directing local place and communities, and people and skills provision.

2.2 It was agreed that a final detailed plan would be submitted to the October meeting of the CA Board for approval, and that there would need to be a clear rationale for any funds retained exclusively by the WMCA. It should be noted that all other regions have now submitted their Investment Plans, which are currently being assessed.

2.3 In developing our plan further, we have reflected the key principles agreed and the feedback received from Met leaders and officials:

2.3.1 *Provision for 'communities and place' and 'people and skills' should be directed by Local Authorities* – the investment in local provision in these areas will be determined by each local authority, in line with the principles of double devolution. The Investment Plan provides a summary of overall priorities and expected outputs. Funding for this activity will be passed directly to LAs through a back-to-back grant agreement. The CA will be responsible for overall monitoring and reporting to government on progress.

2.3.2 *Where possible, alternative sources of funding should be used to reduce the pressure on the UKSPF budget* – We have worked with each local authority to identify alternative sources of funding for activities relating to people and skills. This has enabled us to increase the overall amount of investment, reduce pressure on UKSPF, target funding on areas of need and support local skills priorities.

2.3.3 *The proposed investment in business support should be co-designed with Local Authorities, taking forward the key recommendations of the WM Business Support Review, with a clear commitment to local delivery and alignment with other business support and services. While a working assumption was made that 50% of funds would be used to support local business, this activity should be properly costed as the model is* developed – A costed approach to business support has been developed in partnership with local authorities based on these principles. The overall amount of funding for business support activities is £42.4m – which equates to 50% of UKSPF, but 37.5% of the overall investment pot. (See table at paragraph 2.5)

2.3.4 Within this, £20.2m will be passported to local authorities to fund business advisers and provide direct support for businesses to improve competitiveness, growth and productivity. These will be embedded with local arrangements – for example, local authorities or Growth Hubs (where these remain, subject to local preference). In line with the recommendations of the West Midlands Business Support Review, previously agreed at Board, the advisors will work within an agreed regional framework or hub and spoke arrangement which will be overseen by the Economic Growth Board. The intention is to have a consistent offer to businesses across the region, which will include signposting to other services, whilst maintaining maximum local flexibility and links to other local support. The detail of how the hub and spoke arrangement will work is being developed with local authorities and will be brought to the Economic Growth Board for approval.

2.3.5 £22.2m of the business support funding will be for cross-regional specialist programmes. This includes supporting cluster leadership across the region linked to the Plan for Growth, commissioning support for foreign direct investment, support to decarbonise businesses and help secure additional growth capital. These programmes will be designed and commissioned with local authorities and activity will be signposted through local SME business advisers and delivered locally.

2.3.6 *There needs to be a clear rationale for any funds for business support held by and delivered through the CA.* Of the £42.4m allocated to business support activity, the majority will be delivered locally – through a network of local SME advisors – and/or will be targeted at local businesses. This is consistent with the direction of the West Midlands Business Support Review and decisions of the WMCA Board.[1] Of this, a minimal amount (c.£0.8m, or 1.9%) will likely be held and delivered by the WMCA as the central hub, helping the network of locally embedded SME advisors. Further detail about that model is being co-designed and will be brought to the Economic Growth Board for decision. The model also builds upon the direction of the Levelling-Up White Paper, integration of LEP functions into the WMCA (ahead of a decision by the WMCA Board in January 2023) and pursuit of more devolved powers and funding through the Trailblazing Devolution Deal. For example, the cross-regional network of locally embedded SME Growth Advisors and a small coordination hub within the WMCA will:

- align the cohesive, universal offer which is overseen by the Economic Growth Board, using advice from private and university partners and the Directors of Economic Development.
- connect strongly with offers from the private sector, business organisations and universities to ensure this is targeted at the needs of the region's businesses;
- champion how further powers and resources can improve support for businesses;
- use data and analysis to proactively target businesses according to regional and local priorities;
- support overall co-ordination and professional development of the network of business advisors, in line with the West Midlands Business Support Review;
- support the development of the clusters previously prioritised by Board in the West Midlands Plan for Growth;
- co-ordinate marketing activity to promote support available to businesses.
- provide required reporting and assurance to government.

2.3.7 *There should be an open and transparent approach to the use of the 4% admin fee, reflecting the balance of work required locally and regionally* – The details of this are being finalised, and we recommend that the final plan is signed off by the Portfolio Lead in consultation with the Executive Director of Economic Delivery, Skills and Communities, and the WMCA Section 151 Officer. However, our expectation is to allocate funds to each Local Authority, as well as the Combined Authority, to support the management, monitoring and evaluation of UKSPF. This will be fair and proportionate to activity. This fund will also cover monitoring and evaluation and additional legal costs, including guidance to local authorities on the management of subsidy control.

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[1] The four major changes set by the WMCA Board following the West Midlands Business Support Review:
- 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 ecosystem.
- 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.

2.4 The West Midlands Investment Plan for UKSPF is set out in **Annex A.** This has been developed through the Economic Growth Board, and with the support of officers from across each local authority and LEP. The plan is deliberately high level, setting out the broad priorities and outcomes that we want to achieve, but leaving us with sufficient flexibility to respond to changing needs.

3. Funding Methodology

3.1 The WMCA allocation is based on a national approach that adopted a 70:30 methodology, of population and 'need/economic resilience'. As part of the more detailed work undertaken over the summer, the Portfolio Lead for Economy requested officers consider how we might achieve a more equitable split of UKSPF funds across the region. **Annex B** sets out further details on the methodology used by HMG to determine the initial calculations of funding for the region. It also sets out the implications of changing the balance away from population and the impact on investment in local areas. Other local Leaders have been clear that they do not expect to see a decrease in UKSPF investment their areas.

3.2 We have therefore looked at ways of maintaining overall levels of investment but moving to a methodology that is more weighted to local need. This includes:

3.2.1 *Ensuring a minimum level of investment in business support services in all areas*. This includes:

- Taking a more sophisticated approach to business support, recognising that specialist services will be available to all businesses across the region.
- Establishing a 'floor' for the number of locally embedded advisors to ensure a minimum service is available.
- Integrating support for local enterprise, entrepreneurship and start up within the business support offer.

3.2.2 *Maximising the use of other funds and ensuring these are targeted on areas of most need.* This includes:

- Focusing Multiply investment in areas with poor numeracy and with low levels of existing spend on adult numeracy. It should be noted however, that these are notional allocations, with actual spend determined by learner demand. We will work with LAs and providers to stimulate demand across the area.
- Using alternative funding streams, such as the Adult Education Budget, to support local skills priorities.

3.3 This has enabled us to increase the overall level of targeted investment in the region, while ensuring a greater focus on need than the UKSPF funding formula, as outlined in the table below.

	Notional UKSPF allocations: HMG methodology[1]	UKSPF: local allocations	Multiply[2]	AEB investment on local skills priorities[3]	UKSPF: Business Support		Total spend
					Spend through Local Authorities	Specialist programmes delivered across the WM	
Birmingham	36,375,301	17,460,144	5,670,266	tbd	7,223,891	9,000,000	39,354,301
Dudley	9,367,406	4,496,355	2,299,220	1,800,000	2,233,830	2,300,000	13,129,405
Sandwell	9,817,228	4,712,269	1,886,555	2,600,000	2,279,633	2,500,000	13,978,457
Walsall	8,374,365	4,019,695	1,785,434	1,200,000	2,132,714	2,100,000	11,237,843
Wolverhampton	7,831,883	3,759,304	1,434,078	2,600,000	2,077,476	2,100,000	11,970,858
Solihull	5,310,432	2,549,007	1,126,312	1,200,000	1,660,731	1,400,000	7,936,050

Coventry	11,331,741	5,439,236	2,565,268	2,125,000	2,591,726	2,800,000	15,521,230

[1] 4% top slice for administration has been removed prior to the budget being allocated across investment priorities or geographical areas.
[2] Notional Multiply allocations for adult numeracy training spend in each area have been calculated using a model based on need, existing provision, and our assessment of likely take-up based on previous procurement. Figures include training funds granted to LAs as well as funds to be procured. Multiply investment is focused on adults in work. LAs are also able to use AEB investment to support unemployed or inactive adults.
[3] These figures for AEB spend on training in local areas are based on proposals for local skills priorities put forward by each LA. We will continue to work together to identify further opportunities to use AEB funds to relieve pressure on UKSPF.

3.4 It should be noted that Sandwell remain concerned about the methodology and believe the distribution of UKSPF funding to be unfair. They are discussing their position with their leader.

4. Focus on business support

4.1 The 'Supporting Local Business' theme of the SPF Investment Plan has been developed based on the West Midlands Business Support Review, led by LEPs, the WMCA and Local Authorities in 2021. The overall vision is to boost business growth and jobs across the region by providing businesses with an integrated customer journey through a consistent West Midlands offer, with specialist programmes and a campaign to boost take-up. Here we elaborate on the necessary ingredients of the overall approach across:

- Strategy – what we're committed to achieve through our shared plans and principles
- Economic conditions – the major changes underway in our economy and future unknowns
- Funding mix – quantum, timescales, levers we control, options
- Powers and institutions – aligning with the Trailblazing Devolution Deal discussions to boost local delivery and influence
- Understanding impact in places.

4.2 Our strategy is to boost business growth using the approach that set our economic Trailblazing Devolution aims and tackles the relatively low levels of firm productivity in the West Midlands by:

- Catalysing additional growth in high-value clusters where the region has comparative advantage and private sector confidence to create good jobs[2].
- Attract more firms at the productivity frontier using FDI, particularly where they are able to add further strategic value to the region.
- Help indigenous frontier firms to expand.
- Help firms with mid-level productivity to move to improve through innovation, investment, internationalisation and excellent management and leadership.
- Prompt firms with low productivity to assess their business models and strengthen incentives to change.

4.3 The Business Support Review emphasises that business support must be agile to stay relevant to economic and business conditions in West Midlands. In doing so, support will need to react to immediate needs whilst positioning for long-term sustainability and growth. This means:

- Providing immediate help and advice to help SMEs weather the spike in costs of doing business, covering energy, raw materials, finance and wage increases.
- Proactively targeting firms and supply chains to shift to higher value added and more resilient activities like decarbonising business processes or adapting to new Rules of Origin requirements.

[2] As set out in the West Midlands Plan for Growth - https://wmca.euwest01.umbraco.io/media/vd3fjeot/plan-for-growth.pdf

4.4. The SPF is a major funding stream, but it is important to reflect how this sits as part of a cohesive system of public and private support with different connected components including:

- Private sector activity from business organisations, banks, accountants and professional advisers – both paid for and free
- Charity and non-profit activity, such as The Prince's Trust on young people's entrepreneurship and Business in the Community toolkits and support.
- National programmes such as the national business helpline for basic signposting advice about starting a business, the Help to Grow programmes delivered by Business Schools, DIT export support, British Business Bank and the Intellectual Property Office's work on patents.
- Paid-for and free support from universities and Catapult centres, including Knowledge Transfer industry partnerships and spinout support.
- Locally funded activity, including support to BIDs, local markets and high-streets and social enterprises.

4.5 The amount of SPF dedicated to the business support system (£42.4m) over the SPF period is heavily backloaded. The universal view of Directors of Economic Development is to seek to smooth the funding profile over 2023/4 and 2024/5 because 2022/3 sees significant activity through existing Growth Hubs and ERDF-funded programmes. While comparisons with previous support is very difficult, the balance of the proposed position reflects a deliberate decision to invest in **locally embedded** SME Advisor capacity for intensive relationship management to drive the integrated customer journey. With limited SPF resources, this means there will be significantly fewer specialist commissioned programmes than are currently funded through ERDF.

4.6 The new delivery model address fragmentation and lack of capacity in some areas (e.g. data and promotion). SME Advisers will work as a coordinated network across the region but be locally embedded in a way that works; potentially in local authorities, a university, Chamber, charity or Growth Hub with neighbouring areas. Through a Business Support Officers task and finish group, the WMCA will co-design with local authorities the specialist programmes to deliver the strategic priorities of net zero transition, investment readiness and business competitiveness and tailor commissioning and delivery options. Decisions will be made by the Economic Growth Board and WMCA Boards, according to the level of financial commitment. The WMCA will also use Trailblazer Devolution Deal discussions to empower the delivery model by embedding as far as possible nationally commissioned activity.

4.7 The final dimension is a robust impact and evaluation system to capture the effect in places and ensure this is visible and accountable to local partners and business groups. Our ambition is for this to capture both the impact of WMCA-commissioned activity, wider national / publicly funded support and private and third-sector offers.

4.8 Using the structures and priorities from the West Midlands Business Support Review, local authorities, the WMCA and LEPs have shaped a costed model for activity to begin in April 2023. Details and commissioning specifications need to be developed over the next three months, along with a chance to respond to any decisions on funding by central government or regional partners. This model sees £20.2m delivered locally over the next two years, within a connected regional system under the direction of the Economic Growth Board.

	Function	Detail	Proposed SPF allocation (p.a. in years 2 and 3)
Core system	**SME Growth Advisors and Strategic Relationship Management:** • *Provide locally-embedded support, diagnostic and signposting to local small and medium-sized businesses and entrepreneurs / social enterprises.* • *Works proactively with (<500) most significant firms[1], linking local, regional and national conversations and intelligence to catalyse growth opportunities*	• 70 Advisors in places (100% funded): • 22 in Birmingham • 9 in Coventry • 8 in Dudley, Sandwell, Walsall & Wolverhampton • 7 in Solihull • Small coordination/mgmt team • £0.5m for campaign to drive take-up	£7.4m
	FDI and Internationalisation: *FDI activity (reactive and proactive) along with capital attraction work and profile-raising*	Commissioning of West Midlands Growth Company.	£1.6m
	Cluster Leadership: *Funding for organisations convening firms within primary clusters and levering additional investment.*	Support to be developed following West Midlands Plan for Growth priorities	£0.9m
	Specialist advice and grant support to improve SME competitiveness, resilience and create jobs	Programmes to be developed to help firms in current cost of doing business crisis, emphasising practical support to boost efficiency/productivity.	£4.5m
Specialist targeted programmes	**Decarbonisation advice and grants**	Programmes to be co-developed with LAs and agreed by Economic Growth Board	£4.5m
	Investor readiness training	Programmes to be co-developed with LAs and agreed by Economic Growth Board	£1.1m
	Advice and services to support trade and export	Connect to other funded provision	£0
	Business leadership, management and workforce planning	Connect to other funded provision	£0
	Advice and grants for entrepreneurs and start-up	Determined and delivered locally	SME Advisors
	Health and wellbeing advice	Connect to other funded provision	£0

[1]strategic relationship management has previously been considered by the Strategic Economic Development Board (November 2021). It agreed that strong, coordinated relationship management with the most strategically important firms provides important benefits to the region's communities and supply chains. Further detail on the delivery models should be developed as/when resources are available and Strategic Relationship Management has been a significant element of Trailblazer Devolution Deal discussions.

5 Next Steps

5.1 Subject to the approval of this report, WMCA will submit the UKSPF Investment Plan to release its £88m allocation. A draft version is set out in Annex A, reflecting the ambition and priorities of the region at the current time. The Plan does not require details of local allocations or project proposals.

5.2 Our UKSPF allocation is comprised of 3 annual allocations, against the following profile, with limited flexibility to carry funds between years.

2022-2023	2023-2024	2024-25	Total

£10,729,170	£21,458,339	£56,220,848	£88,408,357

5.3 WMCA will continue working with key stakeholders including DLUHC to identify options to accelerate the availability of funding in the first year, particularly in relation to business support activity. Here, the availability of Growth Hub and ongoing ERDF programmes means that there is a fairly good business support offer in the region, before a cliff-edge in April 2023. Directors of Economic Development have therefore recommended that UKSPF funding for business support should be focused on financial years 2023/24 and 2024/25 to the value of c.£21m per year.

5.4 WMCA will also continue to work with key stakeholders to develop the details underpinning the 4% administration arrangements for approval under delegations, as documented within the recommendations to this report.

5.5 Recognising the challenges associated with maximising spend in year 1 and avoiding any clawback, the WMCA are keen to progress mobilisation of delivery activity as a priority. In order to support this the following steps/actions will need to progress by the CA and Local Authority Partners.

End Oct	WMCA Submit Investment Plan and Supporting Annexes to Government for review/approval
Oct – Nov	WMCA to work with LA partners to develop/refine delivery schedules for inclusion in back-to-back agreements – building on data already provided for the development of the Investment Plan Annexes to align with DLUHC M&E requirements
Oct – Nov	A Business Support Officers task and finish group (CA and LA partners) will draft specifications for business support (for yr2 delivery), with the intention to procure in good time to ensure smooth transition from existing to new funds and progs. This group will report into the monthly Directors of Economic Development standing meeting.
Nov	Government review/clarification questions issued on Investment Plan submission for WMCA response
End Nov (est)	Government approval of the Investment Plan and Deliverables and issue Funding Award Letter/Agreement to WMCA
Early Dec	WMCA Legal, Finance, Procurement, Data and Assurance leads to carryout a review of the funding agreement issued and subject to no issues/clarifications, approve receipt of funding/sign agreement.
Early Dec	WMCA Legal to begin work drafting back-to-back agreement templates for issuing to LA partners
Mid Dec	Back-to-Back Agreements and schedules of delivery activity issued to LA partner legal teams to review, sign off and return to WMCA
Late Dec/ early Jan	Subject to receipt of signed funding agreements from LA partners delivery activity can commence
Jan/Feb	Commissioning of Business Support activity for Yr 2 / Yr 3 to commence

5.6 DLUHC recognise that the Plan has been produced quickly and will be subject to change as projects are further developed and agreed, and investment responds to changing local priorities. Negotiations for our Trailblazer Devolution Deal (TDD) are also ongoing, which includes asks around additional flexibility within / between funds. If relevant additional sources of funding are secured through the TDD process, we will look to reassess priorities and re-deploy UKSPF funds in light of this. DLUHC have confirmed that there will be opportunities for review throughout the funding period.

5.7 As set out in the UKSPF prospectus, we are required to seek support for our approach from local partners and MPs. This process is underway, led by the portfolio holder, and is advisory only. Approval of the final Investment Plan is the responsibility of the CA Board.

6 Financial Implications

6.1 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

6.2 Currently there are expected to be restrictions to UKSPF around carrying over funds between years; and the ineligibility of spend on 'people and skills' before 2024/25. We have challenged this through a letter to the Minister and have received a response to confirm that no changes will be made. We will continue to seek flexibilities here through our engagement with the new ministerial team. Therefore, any changes to profile are at the risk of WMCA and the Local Authorities.

6.3 A maximum of 4% of the total allocation can be utilised to support the administrative costs of managing the fund and options around the utilisation of this funding are being considered.

7 Legal Implications

7.1 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.

7.2 Should the final grant terms and conditions place at risk the full award being realised by WMCA (i.e. through under performance in year), then the impact of this will need to be passed on to project sponsors (LAs) through appropriately worded funding agreements. Mitigations around the impact of those risks crystallising would also need to considered at a local level (i.e. by LAs).

8 Equalities Implications

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

9 Inclusive Growth Implications

9.1 As outlined in section 3, we have sought to utilise UKSPF, and align it with wider funds, to ensure a greater focus on need than the UKSPF funding formula adopted by HMG. This includes ensuring a minimum level of investment in business support services in all areas and maximising the use of other funds and ensuring these are targeted on areas of most need.

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: Draft UKSPF Investment Plan (attached)

Annex B: Allocations methodology

1. Launched as part of the Levelling Up White Paper, UKSPF is a central pillar of the UK Government's Levelling Up agenda, with a primary goal of building pride in place and increasing life chances across the UK.

2. Allocations for each area of the UK have been determined through a national methodology [UK Shared Prosperity Fund: allocations methodology - GOV.UK (www.gov.uk)], through which:

   - Total allocations, at a minimum, match the size of some EU structural funds across the UK
   - Funding is distributed across all four UK nations, and to all MCAs and LAs within England.
   - The share of total funding allocated to LEPs matches what they were notionally allocated under ERDF and ESF in real terms (once Multiply has been added in)
   - The share of funding allocated to each delivery geography (MCA or LA) is distributed on the basis of both population and need.

3. The distribution of allocations is based on 70% of the total allocation to each LEP being distributed based on LA population size and 30% using a needs-based index developed for the Community Renewal Fund. The needs-based index seeks to prioritise places that suffer from weak economic performance and are less equipped to resist and recover from shocks, and includes metrics relating to productivity, skills, unemployment, population density and household income.

WM 7 Met allocation

4. The West Midlands 7 Met area is considered to be a single delivery geography, in which WMCA is identified as the lead authority. Using the national methodology outlined above, our UKSPF allocation is as follows:

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

5. The allocation of funds across different geographies within the 7 Met area and between investment priorities can be locally determined. However, given HMG published LA level figures to illustrate how our allocation was arrived at, most LAs have used these to underpin their assumption of spend in their area.

6. Assuming 50% of overall funds would be distributed as local allocations (as agreed by CA Board), these would be distributed as follows:

Birmingham	Coventry	Dudley	Sandwell	Solihull	Walsall	Wolves
£17,460,144	£5,429,236	£4,496,355	£4,712,269	£2,549,007	£4,019,695	£3,759,304

7. However, some LAs have requested that, in determining local allocations, we explore an alternative methodology to that used by central government, 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.

8. In modelling this, we have developed a range of alternative scenarios, including basing allocations on 50:50 population/need and 30:70 population/need. Each of these adjustments

involve reducing allocations for Birmingham and Coventry and increasing allocations elsewhere. Implementing this would require political agreement from the leaders of these authorities.

	HMG model - 70% population, 30% need	50% population, 50% need	Difference from 70:30 model	30% population, 70% need	Difference from 70:30 model
Birmingham	£17,460,144	£12,417,598	-£5,042,546	£9,588,568	-£7,871,576
Coventry	£5,439,236	£5,043,436	-£395,800	£5,013,245	-£425,991
Dudley	£4,496,355	£5,735,002	£1,238,647	£6,176,942	£1,680,588
Sandwell	£4,712,269	£5,978,519	£1,266,250	£6,519,683	£1,807,413
Solihull	£2,549,007	£2,503,253	-£45,754	£2,970,364	£421,356
Walsall	£4,019,695	£5,269,014	£1,249,319	£5,893,777	£1,874,082
Wolverhampton	£3,759,304	£5,489,189	£1,729,885	£6,273,432	£2,514,128

9. In addition to these local allocations, we are also exploring how we can use wider UKSPF funds – Business Support Funds and Multiply – to rebalance investment towards areas of greatest need.

10. Furthermore, because it is not possible to invest in People and Skills interventions until 2024/24, the CA has been working with LAs to identify how it can deploy its wider skills investment to meet local priorities. This involves looking at how we use existing AEB and Community Learning grant funding in each area to meet skills and employment support priorities.