
Report to: West Yorkshire Combined Authority

Date: 23 June 2022

Subject: **UK Shared Prosperity Fund, Multiply and Levelling Up Fund**

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Is this a key decision?	<input checked="" type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input checked="" type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

1. Purpose of this report

- 1.1 To summarise the purpose and scope of the UK Shared Prosperity Fund, and the responsibilities of the Combined Authority as the designated Lead Authority as defined by Government.
- 1.2 To update the Combined Authority on governance and the creation of the West Yorkshire UKSPF Local Partnership Group.
- 1.3 To authorise the Managing Director to finalise and submit the Local Investment Plan to Government for Multiply, part of the UKSPF, on behalf of the Combined Authority, in consultation with the Mayor and District Leaders.
- 1.4 To authorise the Managing Director to finalise and submit the Levelling Up Fund Round 2 bid as set out in **sections 2.24-2.29**, on behalf of the Combined Authority, in consultation with the Mayor and Council Leaders, and to approve the use of up to £4m of gainshare to support the bid.

2. Information

Background

- 2.1 Government have recognised that levelling up requires a multi-faceted approach, from supercharging city regions, to supporting struggling towns, to

catalysing industrial clusters in the sectors that will drive the future economy. The UK Shared Prosperity Fund and the Levelling Up Fund will contribute to delivery of complementary UK-wide interventions alongside other key Funds the region is benefitting from including Towns Fund, the UK Community Renewal Fund and devolved Adult Education Budget.

- 2.2 Following the EU Referendum in May 2016, the Government announced, once the UK was no longer part of the European Union (EU), they would replace the European Structural and Investment Funds (ESIF) with the UK Shared Prosperity Fund (UKSPF). The UKSPF is led by the Department for Levelling Up, Housing and Communities with a Lead Authority identified for each place. In West Yorkshire this is the Combined Authority working closely with the five local authorities who will have a crucial role in determining the approach for their local areas.
- 2.3 The £2.6bn Fund 22-25, was announced in the Budget April 2022 and aims to invest in domestic priorities and target investment where it is needed most, building pride in place with three pillars –
- Pillar 1 - Community and Place
 - Pillar 2 - Supporting Local Business and;
 - Pillar 3 - People and Skills (includes Multiply).
- 2.4 The allocation for West Yorkshire is **£80,486,557** (£68,002,877 for Core SPF and £12,483,680 for Multiply - one of the first People and Skills programmes aimed at addressing low levels of adult numeracy) made up of capital and revenue as detailed below. Government published a methodology note which also set out the make-up of the SPF element at a local authority district level – this is part of the methodology vs being formal allocations to local areas. Multiply has been based on local authority skills level, population and area cost uplift.
- 2.5 The Lead Authority can take a management fee from each element – max 4% for SPF and max 10% for Multiply – which, if the maximum allowed is taken, leaves the following for delivery - broken down by annual allocations and with capital and revenue split as follows:

Table 1.

	UKSPF			TOTALS
	2022-2023	2023-2024	2024-2025	ALL YEARS
Overall Allocation	8,252,776	16,505,553	43,244,548	68,002,877
Less Mngt fee max 4%	330,111	660,222	1,729,782	2,720,115
Balance left for Delivery	7,922,665	15,845,331	41,514,766	65,282,762

Table 2.

UKSPF – Capital and Revenue Split				TOTALS
	2022-2023 (90% R, 10% C)	2023-2024 (87% R, 13% C)	2024-2025 (80% R, 20% C)	ALL YEARS
Revenue	7,130,398	13,785,438	33,211,813	54,127,649
Capital	792,266	2,059,893	8,302,953	11,155,113
	7,922,665	15,845,331	41,514,766	65,282,762

Table 3.

MULTIPLY				TOTALS
	2022-2023	2023-2024	2024-2025	ALL YEARS
Overall Allocation	3,774,135	4,354,772	4,354,772	12,483,679
Less Mngt fee max 10%	377,414	435,477	435,477	1,248,368
Balance left for Delivery	3,396,722	3,919,295	3,919,295	11,235,311

- 2.6 The Government’s Investment Prospectus sets out in more detail a menu of options for local areas to select from. The Fund’s investment priorities allow a high degree of flexibility to respond to local needs. It will enable local decision making and allow targeting of the priorities for West Yorkshire.
- 2.7 In order to access the UKSPF funding, Lead Authorities are being asked to work with a range of local partners including MPs to develop Local Investment Plans, which need to be approved by Government. The deadlines for submitting Investment Plans to Government are:
- Multiply Investment Plan – **30 June 2022**
 - UKSPF main Investment Plan – **31 July 2022**
- 2.8 Lead Authorities can use this funding alongside other funding secured as part of the devolution deal, to help deliver renewed pride in our places and improve outcomes for all, aligned to the delivery of the West Yorkshire Investment Strategy.

UKSPF – Funding to help deliver the West Yorkshire Investment Strategy (WYIS)

- 2.9 West Yorkshire is in a strong position to use this funding alongside other funding to help champion the region to achieve the best outcomes for all

aligning work to the delivery of the West Yorkshire Investment Strategy – demonstrating the outputs and outcomes for the region which all six authorities support. With sufficient flexibility, UKSPF will be a key part of achieving that strategy.

Role of Lead Authorities and development of the Investment Plans

- 2.10 Whilst it is the Lead Authority's responsibility, the intention is for the Investment Plan(s) to be co-produced by the team of six authorities.
- 2.11 The Combined Authority, as the Lead Authority, working with our five local authority partners is responsible and accountable for:
- developing the Investment Plans for approval by UK Government
 - receiving an areas allocation to manage.
 - selecting, and assessing where required project applications.
 - monitoring, assurance and processing payments.
 - reporting to Government.

Progress made on the UKSPF Local Investment Plans

- 2.12 As Lead Authority, the Combined Authority was given a mandate to engage with local stakeholders on the Shared Prosperity Fund, particularly in relation to ensuring the Local Investment Plan(s) tackle local challenges and respond to local opportunities.
- 2.13 Since the launch of the Fund in April work has taken place at speed to consider, in partnership with the Local Authorities, the investment frameworks for both SPF and Multiply. This builds upon work being undertaken to realise the ambition of the WYIS and looks to identify those investment priorities which best lend themselves for SPF purposes seeking to complement and add value to other funding available in the region.
- 2.14 As highlighted above, the Multiply Investment Plan is required first – to be submitted to Government by 30 June 2022. Multiply is one of the first skills and employment programmes under Pillar 3, People and Skills. It is an adult numeracy programme led by the Department for Education (DfE), with the aim of engaging more adults with numeracy levels below level 2 (GCSE C/4 pass) in informal learning to boost their maths skills for life and work.
- 2.15 The £12.4 million allocated to West Yorkshire must not duplicate existing numeracy activity funded through the Adult Education Budget (AEB). To ensure the maximum impact of the investment of both AEB and Multiply, care has been taken through the Investment Planning process to ensure that the funds are focussed on different target groups and activity. It is hoped that due to the devolution of AEB potential risks of duplication can be addressed.
- 2.16 Whilst the Multiply Local Investment Plan (LIP) has been developed ahead of the Core UKSPF Plan it is important that both align and add value to one another. The governance set out below will also assist in looking at the contribution of Multiply to the delivery of the wider SPF and WYIS ambitions.

The Multiply LIP has been developed in partnership with the Local Authorities, the AEB Performance Group and the Employment and Skills Panel with contributions from many stakeholders through the development phase.

- 2.17 The *draft* Multiply LIP is attached for approval by members of the Combined Authority at **Appendix 1**. **Appendix 2** provides an overview of the activity and funding plans for Multiply. Given the deadlines for submission, and that codesign work is still being undertaken with Local Authority colleagues and in consultation with stakeholders, the Combined Authority is asked to authorise the Managing Director to finalise and submit the Local Investment Plan to Government, in consultation with the Mayor and District Leaders.
- 2.18 Engagement with local stakeholders will continue as the work progresses to both inform local partners and allow them to input to the shape of the Investment Plans.

Governance

- 2.19 In order to access the UKSPF Funding, Lead Authorities are being asked to work with a range of local partners to develop the investment plans. This includes setting out a governance model for UKSPF that is acceptable to Government which is a comprehensive and balanced local partnership.
- 2.20 To allow the Combined Authority to put in place the required governance a *UKSPF West Yorkshire Local Partnership (Advisory) Group* is to be created in the next month – otherwise to be known as the WY LPG, and will report to the Finance, Resources and Corporate Committee (FRCC) and ultimately to the Combined Authority. The Terms of Reference are still in development but the role of the LPG is expected to include;
- developing and endorsing the Investment Plans – SPF and Multiply.
 - once plans are approved provide advice on strategic fit and deliverability of schemes avoiding conflicts of interest throughout the lifetime of the Fund.
 - recommending projects for approval to the FRCC and to the Combined Authority and to defer projects for further development and clarification and/or reject projects as required.
 - supporting officers on determining ‘routes to market’ to help best deliver West Yorkshire Investment Strategy priorities and the wider Strategic Economic Framework.
 - supporting a robust project appraisal/Fund management and review of performance scheme.
 - undertaking a robust review of Fund performance, ensuring targets and strategic objectives of West Yorkshire are met through efficient delivery and to escalate concerns to the Combined Authority as required.
- 2.21 Membership of the LPG is currently being sought from across the existing Committees of the Combined Authority and will need to cover the breadth of partners eg, but not exclusive, business, third sector/civil society, Local Enterprise Partnership, education and skills providers, nature, environmental

or associated representatives etc. Members of the LPG will be expected to work in the best interests of West Yorkshire and also to speak on behalf of their sector or theme. The LPG member will also act as a conduit between the LPG and their committee, council or sector, to promote the SPF programme. This will ensure the Combined Authority is accountable, open and transparent with other local partners and with Government. The inaugural meeting will be held by early July 2022 and will exist for the lifetime of the Fund.

- 2.22 The Lead Authority is also required to engage with local MPs closely in both the design and delivery of the Fund. In order for MPs to engage with the Fund a new *West Yorkshire SPF MP Engagement Group* will be established and will advise on the investment plan prior to submission and will be engaged proactively in the delivery phase once the Investment Plan is signed off by Government in the autumn.
- 2.23 A further report will be presented to the July meeting, which will seek approval for the core SPF £68m Local Investment Plan, with a more detailed report to follow late summer/early autumn, including an implementation plan, which will provide more detail on process and how the Fund will be operationalised.

Levelling Up Fund

- 2.24 The Levelling Up Fund (LUF) was originally announced in the 2020 Spending Review as a new cross-departmental fund under the oversight of the Treasury, Department for Transport (DfT) and Department for Levelling Up, Housing and Communities (DLUHC).
- 2.25 The Fund offers a total of £4.8 billion investment over four years (2021/22 to 2024/25) in infrastructure that improves everyday life in England, Scotland, Wales and Northern Ireland. supporting town centre and high street regeneration, local transport projects, and cultural and heritage assets. The fund is open to submissions from local and combined authorities.
- 2.26 A second round of funding was launched in March 2022 with a deadline for applications due by midday 6th July, and announcement expected in autumn 2022. The Combined Authority is eligible to submit one large transport bid (up to £50 million) with spend needing to be incurred by March 2025 and expectation of at least 10% local contribution. MPs have a formal role in the bidding process to reflect their local perspective. All MPs can provide formal priority support to one bid for their constituency.
- 2.27 A proposed Combined Authority large transport bid is being developed which proposes a range of measures to support bus and other sustainable transport modes across the region. The proposed package of three schemes combines corridor and targeted hotspots-type highways interventions with improvements to bus stations and stops to enable a safer, more accessible and effective bus network.
- 2.28 Details of the proposed Combined Authority Levelling Up Fund bid are provided in **exempt Appendix 3**.

2.29 Work to finalise the application is underway and in order to submit the bid by the deadline of 6th July 2022, the Combined Authority is asked to authorise the submission of the final bid to the Managing Director in consultation with the Mayor and District Leaders.

3. Tackling the Climate Emergency Implications

3.1 As a minimum, any investments under the UKSPF should meet the Government's clean growth principle and must not conflict with the UK's legal commitment to cut greenhouse gas emissions to net zero by 2050.

3.2 Tackling the Climate Emergency is at the heart of the objectives for the West Yorkshire Investment Strategy and tackling the climate emergency is a key investment priority, which will be used to guide our investments under the UK Shared Prosperity Fund.

3.3 Tackling the Climate Emergency implications relating to the Levelling Up Fund bid are provided in exempt Appendix 2

4. Inclusive Growth Implications

4.1 Inclusive Growth is core within the Investment Priorities of the WYIS to ensure everyone benefits from the investments made across the region. In addition, the Inclusive Growth Framework forms a core part of the Strategic Economic Framework which guides the priorities of the WYIS, which will be used to guide our investments under the UK Shared Prosperity Fund.

4.2 Inclusive Growth implications relating to the Levelling Up Fund bid are provided in exempt Appendix 3

5. Equality and Diversity Implications

5.1 Reducing inequality is a cross cutting theme within the Investment Priorities of the WYIS to ensure that investments made across the region support equality and diversity, and these principles will be used to guide our investments under the UK Shared Prosperity Fund.

5.2 Equality and Diversity implications relating to the Levelling Up Fund bid are provided in exempt Appendix 3

6. Financial Implications

6.1 The Lead Authority, as outlined above, will be responsible for the devolved funding of £80.48m UK Shared Prosperity Fund – core SPF £68m and £12.48m Multiply.

Core SPF

- 6.2 The Combined Authority will receive a grant determination letter and Memorandum of Understanding setting out Fund requirements and obligations for the amount confirmed with Government and will be responsible for managing these funds accordingly – the format of which is still to be finalised. The Combined Authority will be liable for any expenditure the Secretary of State determines to be ineligible and any ineligible expenditure will be recovered from the Combined Authority. The Combined Authority will consequently need to enter into funding agreements with any successful local delivery partners and will pass on any government contractual obligations to the delivery partner to manage risk, as set out in the Governments technical guidance yet to be published.
- 6.3 Funding will be paid to the Combined Authority annually in advance. The Combined Authority will need to consider how delivery partners are to be paid to manage any risk to the authority, although it is expected this will be based on quarterly claims submitted. In 2022-23, funding will be paid once the local investment plan has been signed off. In 2023-24 and 2024-25, the Combined Authority will be paid at the start of the financial year. Lead local authorities will be asked to return any underspends at the end of the three years or if significantly under delivering payments could be at risk in year.
- 6.4 As Lead Authority the Combined Authority will receive capacity funding of £40,000 to undertake initial preparatory work for the Fund, including developing their core SPF Local Investment Plan for submission. This funding is in addition to each place's allocation and will be paid on sign-off of each place's plan.
- 6.5 The Combined Authority can use up to 4% of their allocation by default to undertake necessary Fund administration, such as project assessment, contracting, monitoring and evaluation and ongoing stakeholder engagement. Some of this funding will be allocated to partner local authorities to assist with the management of the fund.

Multiply

- 6.6 Multiply which will be paid through a ring-fenced Section 31 ringfenced grant and payments will be made on a profile across the financial years, in instalments, and reconciled each year. In 2022-23, funding will be paid on predicted spend, years 2023-24 and 2024-25 will be subject to adjustment based on performance. Under Multiply up to 10% will be permitted for administrative expenditure, in order to build the necessary capacity for successful delivery of the Multiply programme. The percentage of funding permitted for use on administrative expenditure will also be reviewed by the Department for Education ahead of Years 2 and 3 based on delivery and may be subject to change in future years. Separate reporting and monitoring will be required for Grant payments which will be made via the ESFA's automated payment system.

Levelling Up Fund

- 6.7 With regard to the submission of the Levelling Up Fund bid a contribution of up to £4 million of gainshare funding will be required to support the application, depending on other private sector or local authority contributions that can be secured.
- 6.8 Other financial implications relating to the Levelling Up Fund bid are provided in exempt Appendix 3

7. Legal Implications

- 7.1 The Combined Authority will receive a grant determination letter and Memorandum of Understanding setting out Fund requirements and obligations for the amount confirmed with Government and will be responsible for managing these funds accordingly – the format of which is still to be finalised. As the accountable body, the Combined Authority will put in place a funding agreement with each local delivery partner as the Fund is established. To manage risks any contractual obligations set out by Government will be passed down accordingly.
- 7.2 Separate reporting and monitoring will be required for Multiply which will be paid through a ring-fenced Section 31 grant.
- 7.3 The information contained in Appendix 3 has been identified as exempt under paragraph 3 of Part 1 to Schedule 12A of the Local Government Act 1972 as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that the public interest in maintaining the content of the appendix as exempt outweighs the public interest in disclosing the information as publication could prejudice current and future negotiations.

8. Staffing Implications

- 8.1 Whilst some resources are in place, given the work required to administer the new Fund additional posts are likely to be required, to be funded from the management fee.
- 8.2 Staffing implications relating to the Levelling Up Fund bid are provided in exempt Appendix 3

9. External Consultees

- 9.1 The Multiply Investment Plan sets out what consultation with partners has occurred.
- 9.2 Details of external consultees involved in the Levelling Up Fund bid are provided in exempt Appendix 3.

10. Recommendations

- 10.1 That the Combined Authority note the purpose and scope of the UK Shared Prosperity Fund, and the responsibilities of the Combined Authority as the designated Lead Authority as defined by Government.
- 10.2 That members note the creation of the advisory West Yorkshire UKSPF Local Partnership Group.
- 10.3 To authorise the Managing Director to finalise and submit the Local Investment Plan to Government for Multiply, part of the UKSPF, on behalf of the Combined Authority, in consultation with the Mayor and partner authority Leaders.
- 10.4 To authorise the Managing Director to finalise and submit the Levelling Up Fund Round 2 bid as set out in **paragraphs 2.24-2.29**, on behalf of the Combined Authority, in consultation with the Mayor and partner authority Leaders, and to approve the use of up to £4m of gainshare to support the bid.

11. Background Documents

- 11.1 There are no background documents referenced in this report.

12. Appendices

Appendix 1 – Multiply Local Investment Plan

Appendix 2 – Multiply: overview of activity and funding

Exempt Appendix 3 – Levelling Up Fund Proposal