

**Report to:** West Yorkshire Combined Authority

**Date:** 22 July 2022

**Subject:** **UK Shared Prosperity Fund Investment Plan**

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Is this a key decision?	<input checked="" type="checkbox"/> Yes <input 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 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 provide a further update on progress made on developing the West Yorkshire UKSPF Local Investment Plans.
- 1.2 To update the Combined Authority on governance and to approve the establishment of the West Yorkshire UKSPF Local Partnership Group as well as the appointment of Mark Roberts as the Chair, in his capacity as interim Chair of the LEP.
- 1.3 To authorise the Managing Director to finalise and submit the Local Investment Plan to Government, for the core UKSPF programme, on behalf of the Combined Authority, in consultation with the Mayor, Leaders of each constituent Council and the Interim Chair of the LEP.

## 2. Information

### Background

- 2.1 Levelling up is an opportunity that needs to be approached in many ways, from supercharging city regions, to supporting struggling towns, to catalysing industrial clusters in the sectors that will drive the future economy.

- 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 runs from 2022-25. It was announced in the Budget April 2022 and aims to 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 - one of the first People and Skills programmes aimed at addressing low levels of adult numeracy).
- 2.4 The allocation for West Yorkshire is **£80,486,557** (£68,002,877 for Core SPF and £12,483,680 for Multiply) made up of capital and revenue as set out in the tables below.
- 2.5 The Lead Authority can take a management fee from each element to support the administration of the fund and enable Government's requirements to be met. This is up to 4% for SPF and up to 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
<b>Overall Allocation</b>	8,252,776	16,505,553	43,244,548	<b>68,002,877</b>
Less Mngt fee max 4%	330,111	660,222	1,729,782	<b>2,720,115</b>
Balance left for Delivery	<b>7,922,665</b>	<b>15,845,331</b>	<b>41,514,766</b>	<b>65,282,762</b>

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	<b>54,127,649</b>

Capital	792,266	2,059,893	8,302,953	<b>11,155,113</b>
	<b>7,922,665</b>	<b>15,845,331</b>	<b>41,514,766</b>	<b>65,282,762</b>

Table 3.

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

- 2.6 The management fee pays for the Lead Authority functions and can also cover costs incurred by the Local Authorities where they are supporting the running of the Fund. The Combined Authority is responsible and accountable for, the following tasks, working with the local authorities:
- 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.
- 2.7 The Government's Investment Prospectus set out 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 enabling local decision making and allowing priorities to be targeted within West Yorkshire.
- 2.8 To access the UKSPF funding, Lead Authorities are 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**
- 2.9 The Investment Plan(s) have been co-produced by the team of six authorities, with consultation, input and feedback from a range of stakeholders. The UKSPF Core Local Investment Plan has incorporated feedback from the Local Partnership Group.
- 2.10 The Multiply Local Investment Plan, as presented in draft, at the 23 June 2022 Combined Authority meeting, was finalised and submitted to Government in line with the deadline of the 30<sup>th</sup> June 2022. Feedback is expected by the Department for Education, who is the lead for this part of the Fund, in August

to allow Lead Authorities to commence delivery and maximise the opportunity the new academic year will bring for engaging learners. Following this submission work has progressed to develop the Local Investment Plan for the rest of the core funding – which is the focus of this report.

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

- 2.11 West Yorkshire is in a strong position to use the UKSPF 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.

### **Progress made on the UKSPF Local Investment Plans**

- 2.12 Since the launch of the Fund in April work has taken place at speed to consider, in partnership with the Local Authorities, and wider stakeholders 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.
- 2.13 The draft Local Investment Plan and the interventions summary (**Appendix 1**) has been developed using a set of design principles;
- led by outcomes the region wants to achieve set out within the West Yorkshire Investment Strategy and building upon the policy led pipeline development work to ensure we invest in the areas which are strategically important and will have the greatest impact.
  - developed through local engagement and collective agreement to achieve and benefit from economies of scale and level up across and within the region.
  - deliverability at the forefront to mitigate risk of losing funding to the region – pressure within year 1 to spend the profiled expenditure.
  - overall the LIP to not include specific projects at this stage (with a few exceptions to aid spend in year 1).
  - including a small number of headline interventions, with aggregated outputs and outcomes to the highest level to allow for flexibility in delivery over the 3 years of the Fund.
  - leverage – Government expect some leverage and alignment to other funding as a package of support. This should be encouraged at all stages.
  - using SPF for things which are eligible and where required maximising other available Funds within the region, in particular using gainshare, a key regional flexible funding stream, for the interventions external funding streams will not support (*funder of last resort principle*).
  - the LIP framework is designed on a mix of in house, commissioned and procured activity over the Fund lifetime- seeking best solutions to issues to

be addressed to help deliver the WYIS and to allow range of stakeholders to engage with the Fund.

- to govern the Fund in an open and transparent way – Core and Multiply to ensure integrated alignment and delivery – see section below on Governance.
- notwithstanding the ability to report to Government manage the Fund in a manner to reduce overly complex bureaucracy but an approach which mitigates risk of claw back and ability to delivery – one approach for the whole Fund.
- allocating a significant proportion of the funding to the local authority level to help run part of the Fund for hyper local delivery of approximately £30m, operating on a pooled basis with the ability to address underspend over the lifetime of the Fund : mechanism of which to be co designed with council officers over the next six months.

2.14 Members of the Combined Authority are asked to consider the draft Local Investment Plan together with the deliverables and expenditure summary and provide feedback. Given the submission date is the 26<sup>th</sup> July, the Combined Authority is asked to authorise the Managing Director to submit the Local Investment Plan to Government, in consultation with the Mayor, Leaders of each constituent Council and the Interim Chair of the LEP.

2.15 Following submission of the Investment Plan, work will continue to develop an implementation plan over the summer/early autumn to allow delivery to commence at pace.

### **Governance**

2.16 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.

2.17 To allow the Combined Authority to put in place the required governance, as previously reported, a *UKSPF West Yorkshire Local Partnership (Advisory) Group* has been created - otherwise to be known as the West Yorkshire LPG, reporting to the Finance, Resources and Corporate Committee (FRCC) and ultimately to the Combined Authority. The draft Terms of Reference set out in **Appendix 2** explains the proposed role of the LPG which includes ;

- developing and endorsing the Investment Plans – SPF and Multiply.
- once plans are approved providing 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.

- 2.18 Recruitment to the LPG has now taken place – the membership is attached at **Appendix 3**. The Membership was sought from across the existing committees of the Combined Authority, and covers the breadth of partners including, business, councils, third sector/civil society, Local Enterprise Partnership, education and skills providers, nature, environmental and associated representatives. Members of the LPG are expected to work in the best interests of West Yorkshire and to speak on behalf of their sector or theme. There remains a vacancy for a representative from Policing and Crime which is expected to be filled shortly.
- 2.19 In order to brief representatives, and given the tight deadlines set out by Government, an initial meeting of the LPG took place on the 6<sup>th</sup> July 2022 in order to brief partners about the Fund and the work which has been carried out to date. At this meeting, Mark Roberts, the current Interim Chair of the LEP Board was nominated as the Chair of the LPG. The interim LEP Chair is well placed to take on this role given he is a member of the Combined Authority's Finance, Resources and Corporate Committee, working alongside the five district Leaders and the Mayor, the committee which the LPG reports into as well as because of his knowledge and experience of both the local economy and the key strategic plans of which SPF which will help deliver. This will enable him to effectively report into the FRCC and vice versa. A Deputy Chair is to be sought from within the LPG within the next month.
- 2.20 The Combined Authority is asked to agree the establishment of the West Yorkshire Local Partnership Group as well as the appointment of the Chair.
- 2.21 The Lead Authority is also required to engage with local MPs 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* has been 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. The MP Engagement Group has met twice - in mid-June and early-July and has been consulted on the draft Local Investment Plan and been asked confirm whether they endorse or do not endorse the Plan prior to it being submitted to Government.

### **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.

#### **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.

#### **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 and target our investments under the UK Shared Prosperity Fund.

#### **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.
- 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 the work required to develop and submit the Core Investment Plan (Not Multiply). This will be paid by Government on sign-off of each place's plan.

- 6.5 The Combined Authority can use up to 4% of their allocation 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.

## **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.

## **8. Staffing Implications**

- 8.1 Whilst some resources are in place, given the work required to administer the new Fund additional posts will be required, to be funded from the management fee.

## **9. External Consultees**

- 9.1 The core UKSPF Local Investment Plan sets out the list of external consultees in the development of the Investment Plan.

## **10. Recommendations**

- 10.1 That the Combined Authority note the progress made on developing the West Yorkshire UKSPF Local Investment Plans.
- 10.2 That members approve the establishment of the West Yorkshire UKSPF Local Partnership Group as well as the appointment of Mark Roberts as the Chair in his capacity as Chair of the LEP.
- 10.3 To authorise the Managing Director to finalise and submit the Local Investment Plan to Government, for the core UKSPF programme, on behalf of the Combined Authority, in consultation with the Mayor and District Leaders.

## **11. Background Documents**

- 11.1 **Draft** Core SPF Local Investment Plan - [https://www.westyorks-ca.gov.uk/media/8681/item-7-ukspf\\_investment\\_plan\\_drafting\\_template.pdf](https://www.westyorks-ca.gov.uk/media/8681/item-7-ukspf_investment_plan_drafting_template.pdf)

## **12. Appendices**

Appendix 1 – LIP Interventions Summary



Appendix 2 – WY UKSPF Local Partnership Group *Draft* Terms of Reference

Appendix 3 – WY UKSPF Local Partnership Group Membership