

UK Shared Prosperity Fund

Date: 20th April 2022

Report of: Director of City Development

Report to: Executive Board

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

What is this report about?

Including how it contributes to the city's and council's ambitions

- This report provides an update on the UK Shared Prosperity Fund (UKSPF) based on pre-launch information issued by the government in February 2022 alongside the Levelling Up White Paper.
- The report includes contextual information relating to the European Structural and Investment Funds (ESIF) which the UKSPF is intended to replace and sets out the preparations now underway ahead of the formal launch of the UKSPF anticipated in late June / early July 2022. Preparations are being led by the West Yorkshire Combined Authority (WYCA) as the lead authority. The Economic Development team at Leeds City Council is supporting WYCA and making initial preparations at the Local Authority level.
- All places across the UK will receive a conditional allocation from the UK Shared Prosperity Fund. To access their allocation, each place will be asked to set out measurable outcomes they are looking to deliver, and what interventions they are choosing to prioritise in an investment plan which will be submitted by WYCA on behalf of West Yorkshire this summer for UK Government approval.
- For West Yorkshire the investment plan will be based on the West Yorkshire Investment Strategy (WYIS) 2021-2024 which was approved by the Combined Authority Board in June 2021. The WYIS sets out clear strategic Investment Priorities for the region which are evidence and outcome led and intended to inform decision making including how resources are allocated and what funding to bid for.
- European Structural Funds have provided significant amounts of funding for supporting economic development for over 50 years and been readily accessible to many organisations who have to some degree become reliant on them – councils, third sector providers, skills and employment providers, private sector intermediaries, colleges, universities and the private sector. The funds have supported strategically important projects to help businesses to grow, individuals to gain, stay and progress in employment and communities to thrive. The introduction of the UKSPF therefore represents a major change for a wide range of organisations across Leeds including Leeds City Council.
- Between 2015 and 2023 the Leeds City Region Local Enterprise Partnership's (LCR LEP) ESIF notional allocation for ESIF and ERDF programmes– capital and revenue (for ESIF purposes covered West Yorkshire plus Craven, Harrogate, Selby and York) was around £350m to be matched with a further £350m (Total £700m). This was split approximately £179m European Regional Development Fund (ERDF), £166m European Social Fund

(ESF), £5.5m EAFRD. Of the total allocation approximately 95% of ERDF has been committed and 76% of ESF, with a total of £296m allocated to numerous programmes across the region. For Leeds an estimated £81m (£50m ERDF and £31m ESF) has been committed to deliver programmes across the city since 2015. Of this £81m, Leeds City Council are expecting to have received £46.5m across the life of the ESIF funding programme to December 2023 - £31m through ERDF and £15.5m through ESF.

- A number of significant programmes are still live across the City, with more than 120 Leeds City Council staff directly funded through ESF investment (totalling between £5-6m per annum) across a range of programmes. For example, The Employment and Skills service has staff costs of around £2.4m directly funded through ESF, with Business Support staff costs around £1.2m per year from ERDF).
- UKSPF will be a mainly revenue programme and the allocation is expected to be less than currently received through ESIF presenting a significant risk to the delivery of Leeds City Council's Inclusive Growth Strategy.

Recommendations

Executive Board is:

- a invited to note the contents of the report and the process, as outlined, in respect of the Shared Prosperity Fund.

Why is the proposal being put forward?

- 1 Following the EU Referendum in May 2016, the Government announced in the autumn that, 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 Fund has been a long time in its development over the last 6 years resulting in the UKSPF now set to be launched and devolved to local areas from April 2022.
- 2 ESIF – the current programme of EU Structural Funds, are the European Union's instrument for reducing inequalities and increasing cohesion across Europe. In line with the Brexit Withdrawal Agreement, the UK honoured its payments to the EU Budget after January 2020, with ESIF programmes allowed to continue to their end. The current 7-year funding period 2014-2020, (10-year investment period) is due to end in terms of delivery by December 2023.
- 3 Pre-launch information about the UKSPF was provided by the Department for Levelling Up, Housing and Communities (DHLC) in February alongside the publication of the Levelling Up White Paper. The information states that:

'The UK Shared Prosperity Fund will support the UK Government's wider commitment to level up all parts of the UK by delivering on each of the four parts of Levelling Up:

 - Boost productivity, pay, jobs and living standards, especially in those places where they are lagging.
 - Spread opportunities and improve public services, especially in those places where they are weakest.
 - Restore a sense of community, local pride and belonging, especially in those places where they have been lost.
 - Empower local leaders and communities, especially in those places lacking local agency.

The primary goal of the UK Shared Prosperity Fund is to build pride in place and increase life chances across the UK'.

- 4 The fund will be overseen by DLHC and worth £2.6bn for the first three years with the majority of the funding being revenue.
- FY22/23: £0.4bn (all revenue)
 - FY23/24: £0.7bn (£0.6bn revenue, £0.1bn capital)
 - FY24/25: £1.5bn (£1.3m revenue, £0.2bn capital)
- 5 UKSPF will have three investment priorities: Communities and place; Local businesses; and People and skills (including Multiply). The information provided by DLHC to date is set out below:

‘Communities and place

The overall objectives of this investment priority are:

- Strengthening our social fabric and fostering a sense of local pride and belonging, through investment in activities that enhance physical, cultural and social ties and amenities, such as community infrastructure and local green space, and community-led projects.
- To build resilient and safe neighbourhoods, through investment in quality places that people want to live, work, play and learn in, through targeted improvements to the built environment and innovative approaches to crime prevention.

Example interventions may include, but are not limited to, visual improvements to town centres and high streets, cultural/visitor economy interventions, litter, waste and graffiti reduction, projects to fight antisocial behaviour, and capital funding to improve neighbourhoods or community projects and initiatives.

Local businesses

The overall objectives of this investment priority are to:

- Creating jobs and boosting community cohesion, through investments that build on existing industries and institutions, and range from support for starting businesses to visible improvements to local retail, hospitality and leisure sector facilities.
- Promote networking and collaboration, through interventions that bring together businesses and partners within and across sectors to share knowledge, expertise and resources, and stimulate innovation and growth.
- Increase private sector investment in growth-enhancing activities, through targeted support for small and medium-sized businesses to undertake new-to-firm innovation, adopt productivity-enhancing, energy efficient and low carbon technologies and techniques, and start or grow their exports.

Example interventions may include, but are not limited to, support to increase town centre footfall, outdoor markets, the development of cultural, visitor and heritage assets, targeted business growth and innovation support.

People and skills

The overall objectives of this investment priority are to:

- Boost core skills and support adults to progress in work, by targeting adults with no or low level qualifications and skills in maths, and upskill the working population, yielding personal and societal economic impact, and by encouraging innovative approaches to reducing adult learning barriers.
- Support disadvantaged people to access the skills they need to progress in life and into work, for example the long-term unemployed and those with protected characteristics through funding life, and basic skills where this is not delivered through national or local employment and skills provision.
- Support local areas to fund local skills needs and supplement local adult skills provision e.g. by providing additional volumes; delivering provision through wider

range of routes or enabling more intensive/innovative provision, both qualification based and non-qualification based.

- Reduce levels of economic inactivity and move those furthest from the labour market closer to employment, through investment in bespoke employment support tailored to local need. Investment should facilitate the join-up of mainstream provision and local services within an area for participants, through the use of one-to-one keyworker support, improving employment outcomes for specific cohorts who face labour market barriers.

Example interventions may include technical and vocational qualifications in areas where there are skills shortages locally; and intensive, wraparound one-to-one support to address barriers to employment, supplemented by additional services. Additional services may include life skills, basic skills and specialist support including achieving basic qualifications in alternative settings, work experience, supported employment, enrichment activities, counselling and advice, and community referrals. These interventions should be additional and complementary to existing employment and skills provision in each area.

Multiply

To meet the UK Government's priority of enhancing adult numeracy, each area will be required to invest a ring-fenced amount of the Fund in local Multiply interventions. This will be managed by the Department for Education and further information on how this element of the Fund will be delivered will be set out in due course.

The Department for Education will also deliver a national digital numeracy platform, giving people the ability to learn at their own place (including at work, or at home), and pace. It will undertake randomised control trials and evaluation activity to test innovative approaches to reducing adult learning barriers, and build the evidence base on what works. This will complement local Multiply interventions'.

- 6 UKSPF is expected to be **split annually**, with detailed guidance on allocations expected imminently, together with the more detailed Investment Prospectus. West Yorkshire's share could be between £50m to £70m for the three years, roughly 40-60% less than the equivalent ESIF funding over the same period. However, ESIF programmes will be running alongside the introduction of UKSPF and it is anticipated that future rounds will be more in line with ESIF funding levels.
- 7 In FY22/23 and FY23/24 the focus will be on communities and place and local business interventions, alongside support for people through the **Multiply** adult numeracy programme targeting adults over 19 - worth **£560 million** UK wide led by the Department of Education (DfE) - (**£129m** allocated to DfE up to March 2025 for national interventions with the remaining **£430m for local delivery**).
- 8 All places across the UK will receive a conditional allocation from the UK Shared Prosperity Fund. To access their allocation, each place will be asked to set out measurable outcomes they are looking to deliver, and what interventions they are choosing to prioritise in an investment plan.
- 9 WYCA has been named as the Lead Authority for our region. As the Lead Authority WYCA will be responsible for: developing the Investment Plans for approval by UK Government; receiving an area allocation to manage; assessing and approving project applications; and, processing payments and day to day monitoring.
- 10 For West Yorkshire it has been agreed that the investment plan will be based on the West Yorkshire Investment Strategy (WYIS) 2021-2024 which was approved by the Combined Authority Board in June 2021. The WYIS sets out clear strategic Investment Priorities for the region which are evidence and outcome led and intended to inform decision making including how resources are allocated and what funding to bid for.

- 11 The intention is to use UKSPF alongside other funding to help deliver the WYIS. However, the extent to which Government policy will allow for this flexibility is dependent on any constraints that may be put in place by DLHC.
- 12 WYCA is undertaking work within the Combined Authority and with Leeds City Council and the other partner Local Authorities on the development of the WYIS pipeline and how that should support the development of the UKSPF Investment Plan. This includes discussions on what and how projects should be developed to help deliver the Investment Priorities. The proposed approach is that projects are prioritised based on the WYIS and then funded through a 'menu of eligible options', choosing the best funding route to fit the project. However, as the majority of UKSPF is revenue and it is likely the Fund allocation will be split annually, there will be increased pressures, if not allocated properly, to spend funding in-year i.e. UKSPF will be constrained on how much can be rolled over into the next financial year and may be at risk of being 'lost' – whilst for gainshare there is some flexibility but Government will equally wish to see funding being spent. The role of local partners to help deliver the Fund therefore will also be a key factor in this consideration to ensure all resources are fully maximised and Leeds City Council needs to ensure that we have a position in relation to our own priorities and how we want to support the wider region to maximise the opportunity.
- 13 It should be noted that unlike the Levelling Up Fund Leeds City Council will not simply 'bid' for money against eligibility criteria set by WYCA. Instead, it is likely to be a blended model based on the best way to deliver target outcomes. For example, employment or business support programmes may be designed at a regional level with delivery devolved to Local Authorities. Alternatively WYCA may commission third parties to deliver programmes once for the region.

What impact will this proposal have?

Wards Affected:

Have ward members been consulted?

Yes

No

- 14 European Structural Funds have provided significant amounts of funding for supporting economic development for over 50 years and been readily accessible to many organisations who have to some degree become reliant on them – councils, third sector providers, skills and employment providers, private sector intermediaries, colleges, universities and the private sector. The funds have supported strategically important projects to help businesses to grow, individuals to gain, stay and progress in employment and communities to thrive. The introduction of the UKSPF therefore represents a major change for a wide range of organisations across Leeds including Leeds City Council.
- 15 For the period 2015-2023, the LEP ESIF *notional* allocation – capital and revenue (for ESIF purposes covered West Yorkshire plus Craven, Harrogate, Selby and York excluding Barnsley) was around **£350m to be matched with a further £350m (Total £700m)** (subject to exchange rate fluctuations) – split approx. £179m ERDF, £166m ESF, £5.5m EAFRD.
- 16 Across the Leeds City Region **110 projects have been funded** in total, committing approximately 95% of the ERDF and 76% of ESF, totalling £296m to numerous programmes across the Leeds City Region. A number of projects are still live and will run until the end of 2023. Of this £81m, Leeds City Council are expecting to have received £46.5m across the life of the ESIF funding programme to December 2023 - £31m through ERDF and £15.5m through ESF.

- 17 For Leeds, an estimated £81m (£50m ERDF and £31m ESF) has been committed to deliver programmes across the city since 2015. A number of significant programmes are still live across the City, with more than 120 council staff directly funded through ESF investment (totalling between £5-6m per annum) across a range of programmes including schemes supporting Employment and Skills, Business Support, Sustainable development and net zero programmes, as well as a large number of smaller community led development programmes delivered by third sector organisations and our partners. For example, the Employment and Skills service has staff costs of around £2.4m directly funded through ESF, with Business Support staff costs around £1.2m per year from ERDF.
- 18 Consequently, there is the potential for a large number of jobs associated with ESIF delivery to be at risk as EU funding ends next year.
- 19 Before the third year of funding - local areas will be required to consider using some of the first two years allocation to support Voluntary Sector Organisations (VSOs) at risk due to the ending of EU funding and which deliver support in line with local priorities. WYCA is currently undertaking a survey to check to what extent the VSO currently deliver in European projects and which may fall in to this category.

What consultation and engagement has taken place?

- 20 WYCA has established an Officer Advisory group to ensure key stakeholders are engaged and informed during the development of the Investment Prospectus and preparing for delivery. Martyn Long, Head of Employment and Skills will represent Leeds City Council on this group. Martyn will represent the interests of Leeds City Council as a whole and will liaise with colleagues across the City Development Directorate, Communities and Strategy and Policy as necessary. This group will also include other key partners including Yorkshire Universities, College Consortium, voluntary / community organisations representative, rural diversity, business etc.
- 21 Following the publication of the Governments Investment Prospectus local partners will be invited by WYCA to attend a local webinar where officers will provide an update and describe on how they can engage with the Fund over time.
- 22 DLHC is likely to set out that local Investment Plans will require the support of local MPs. WYCA will provide MPs with a briefing note in early April to commence engagement and share design principles and this will be followed up with a meeting once Investment Plan drafts are ready. It is unlikely formal endorsement will be required or that the funding approval will be conditional on all MPs lending their support.
- 23 A number of workshops have already taken place across WYCA and the 5 Local Authority Districts to align key priorities and ensure investment plans are representative of our collective priorities and ambitions.

What are the resource implications?

- 24 The exact resource implications of UKSPF will not be clear until the publication of allocations and the National Investment Prospectus by UK Government which is expected by 13 April. However, it is expected that for 2022-25 UKSPF could represent 40-60% reduction in funding compared to previous ESIF funding. Currently more than 120 council staff are directly funded through ESF investment (totalling between £5-6m per annum) across a range of programmes including schemes supporting Employment and Skills, Business Support, Sustainable development and net zero programmes, as well as a large number of smaller community led development programmes delivered by third sector

organisations and our partners. Consequently, there is the potential for a large number of jobs associated with ESIF delivery to be at risk as EU funding ends next year.

What are the legal implications?

- 25 The Council has the power under the Localism Act 2011 to do anything an individual can do provided that it is not otherwise prohibited from doing so. Compliance with any restrictions that the Council is subject to in relation to the proposals outlined in this report will be monitored as matters progress.

What are the key risks and how are they being managed?

- 26 With a significant number of council programmes and staff currently funded through ESF schemes, UKSPF offers a significant risk to key employment and skills and business support programmes. A programme team will be established to determine our key priorities and develop an approach to how the council informs key WY investment priorities, and works with WYCA, the other WY Districts and our public and third sector partners to maximise funding for Leeds.
- 27 Risk assessments are in place for services with significant exposure to ESIF funding, to mitigate against potential loss of funding and the resulting impact on staff and programme delivery.

Does this proposal support the council's 3 Key Pillars?

- Inclusive Growth Health and Wellbeing Climate Emergency

- 28 Any bids and programmes that LCC develops or supports as part of UKSPF proposals will be subject to approval by Executive Board.
- 29 The UKSPF themes of Communities and place; Local businesses; and People and skills align well with our key pillars of Inclusive Growth, Health and Well Being and Climate Emergency

Options, timescales and measuring success

a) What other options were considered?

- 30 The UKSPF is a UK Government Fund meaning there is no alternative option.

b) How will success be measured?

- 31 All programmes funded through UKSPF will be subject to appropriate performance reporting.

c) What is the timetable for implementation?

- 32 Expected milestones are shown in the table below:

Government Levelling up White Paper plus UKSPF Pre Launch Guidance	2nd Feb 2022
Stakeholder Webinar	31 March 2022
Govt Publish National Investment Prospectus UKSPF and Multiply including allocations	Est. 13 April 2022

Stakeholder engagement events/Sounding Groups held – aligned to Pipeline Development work	Apr - May
Further technical Guidance published for Lead Authorities – UKSPF/Multiply	Spring/Summer 22
Sign off of Investment Plans – Combined Authority	23 June 22
Submit IPs to Government for approval <i>via Portal</i>	30 June 22
Government approve Investment Plans	Sept/Oct 22
Delivery commences at earliest (<i>depends on approach taken in Inv Plan</i>)	Nov 2022

Appendices

Equality, Diversity, Cohesion & Integration Screening

Background papers

None