

UK Shared Prosperity Fund

Date: 19 October 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

Brief Summary

This report provides an update on the UK Shared Prosperity Fund (UKSPF) based on current guidance from Government. The prospectus for the UKSPF was launched on 13 April 2022 by the Government's Department of Levelling Up, Housing and Communities. The UKSPF provides £2.6 billion of new funding for local investment between this financial year and up to 2024/25, with funds required to be spent by March 2025.

The primary goal of the UKSPF is to 'build pride in place and increase life chances across the UK'. Places will be empowered to identify and build on their own strengths and needs at a local level. The funding can complement other funding such as the Levelling Up Fund and West Yorkshire Combined Authority (WYCA) gainshare funding.

The UKSPF is to fund new activities and must demonstrate the impact it will have in communities to add value to the local offer. A Lead Authority was identified for each part of the UK. In West Yorkshire the Lead Authority is WYCA. A significant amount of the SPF has been allocated to Local Authorities. There are three priorities for the UKSPF. These are:

- Local Communities and Place
- Support for Business
- People and Skills

Whilst this allocated funding predominantly covers priorities for Priority 1 Local Communities and Place, it is not limited to that Pillar and can be used for other local UKSPF priorities which are set out in the report.

The paper sets out high-level priorities which have been submitted for Leeds which form part of the West Yorkshire Local Investment Plan (LIP). The paper also seeks authority to accept the funding subject to UK Government approval and authority to procure year 1 activities due to in year delivery pressures.

Recommendations

- a) Executive Board is asked to note and endorse the high-level UKSPF priorities for Leeds.
- b) Executive Board is asked to delegate authority to the Director of City Development to accept UKSPF funding (including Multiply) and contract with WYCA subject to our priorities being accepted by UK Government.
- c) Authorise procurement and spend for year 1 delivery of the interventions, outputs and outcomes of UKSPF as set out in the West Yorkshire Local Investment Plan, subject to approval by UK Government.

What is this report about?

- 1 This report provides an update on UK Shared Prosperity Fund (UKSPF) and sets out high-level priorities for Leeds. This paper is to seek Executive Board's endorsement of the priorities outlined and delegate authority to accept funding and authorise year 1 procurement due to the risk it presents to in year delivery. A further report focusing on spend and implementation for year 2 and 3 of UKSPF will be brought to Executive Board in spring 2023.

Background

- 2 An Executive Board paper including detailed background on UKSPF and EU Structural and Investment Funds (ESIF) was provided to Executive Board in April 2022 and can be seen [here](#).
- 3 The prospectus for the UKSPF was launched on 13 April 2022 by the Government's Department of Levelling Up, Housing and Communities. The UKSPF provides £2.6 billion of new funding for local investment between this financial year and up to 2024/25, with funds required to be spent by March 2025. All areas of the UK will receive an allocation via a funding formula rather than a competition. The funding is split across three years as follows:
 - FY22/23: £0.4bn (all revenue)
 - FY23/24: £0.7bn (£0.6bn revenue, £0.1bn capital)
 - FY24/25: £1.5bn (£1.3bn revenue, £0.2bn capital)
- 4 The primary goal of the UKSPF is to 'build pride in place and increase life chances across the UK'. Places will be empowered to identify and build on their own strengths and needs at a local level. The funding can complement other funding such as the Levelling Up Fund and WYCA's Single Investment Fund which aims to maximise devolution funding. The UKSPF Prospectus states that:

'The UKSPF will support the UK government's wider commitment to level up all parts of the UK by delivering on each of the Levelling Up objectives:

- Boost productivity, pay, jobs and living standards by growing the private sector, 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.'
- 5 UKSPF has three investment priorities: Local Communities and Place; Support for Business; and People and Skills (including Multiply, one of the first People and Skills programmes aimed at addressing low levels of adult numeracy).

Local Communities and Place

The objectives for 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 access to amenities, such as community infrastructure and local green space, and community-led projects.
- Building resilient, healthy, and safe neighbourhoods, through investment in quality places that people want to live, work, play and learn in, through targeted improvements to the built and natural environment and innovative approaches to crime prevention.

Support for Business

The objectives for this investment priority are:

- 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.
- Promoting 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.
- Increasing 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.

People and Skills

The objectives for this investment priority are:

- Boosting 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 (Scotland, Wales, and Northern Ireland only. In England, this is delivered through the Department for Education's Multiply programme).
- Reducing levels of economic inactivity through investment in bespoke intensive life and employment support tailored to local need. Investment should facilitate the join-up of mainstream provision and local services within an area for participants using one-to-one keyworker support, improving employment outcomes for specific cohorts who face labour market barriers.
- Supporting people furthest from the labour market to overcome barriers to work by providing cohesive, locally tailored support including access to basic skills.
- Supporting local areas to fund gaps in local skills provision to support people to progress in work, 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. This should be supplementary to provision available through national employment and skills programmes.

6 A Lead Authority was identified for each part of the UK. In West Yorkshire the Lead Authority is WYCA. As the Lead Authority WYCA, in partnership with the five Local Authorities, developed a Local Investment Plan which sets out the priorities for West Yorkshire for approval by UK Government. The West Yorkshire Local Investment Plan is based on the West Yorkshire Investment Strategy (WYIS) 2021-2024.

- 7 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. This was approved by the Combined Authority Board in June 2021. The investment priorities are:
- Investment Priority 1: Good Jobs and Resilient Businesses (including entrepreneurialism)
 - Investment Priority 2: Skills and training for people
 - Investment Priority 3: Creating Great Places and Accelerated Infrastructure
 - Investment Priority 4: Tackling the Climate Emergency and Environmental Sustainability
 - Investment Priority 5: Future Transport
 - Investment Priority 6: Culture and Creative Industries.
- 8 WYCA Officers have undertaken work with Leeds City Council and the other West Yorkshire Local Authorities on the development of the WYIS pipeline and how that supports 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 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.
- 9 As the majority of UKSPF is revenue and 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 (devolution monies) 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.
- 10 The priorities in this paper relate to any funding of programmes that Leeds City Council will be accountable for delivering, subject to approval, and form part of the West Yorkshire Local Investment Plan.

The Funding Allocation for West Yorkshire

- 11 The Allocation for West Yorkshire is £80,486,557 (£68,002,877 for Core SPF and £12,483,680 for Multiply). The Lead Authority can take a management fee from each element – up to a maximum of 4% for SPF and 10% for Multiply. The management fee will be shared in proportion to the work required by Local Authorities.
- 12 It has been proposed that a significant amount of UKSPF will be allocated to Local Authorities to be delivered through a pooled funding pot, subject to WYCA approval. Whilst this funding would predominantly cover priorities for Pillar 1 Local Communities and Place, it is not limited to that Pillar and can be used for other local UKSPF priorities in Pillar 2 (Supporting Local Businesses) and Pillar 3 (People and Skills). Most of the delivery for Pillar 2 and 3 will be managed at a regional level and is subject to separate approval processes. This paper sets out the high-level Leeds priorities for the locally allocated element. It is proposed that a significant

proportion of any funding allocated to Leeds will be awarded as grants to relevant organisations to deliver against these priorities.

- 13 The Local Investment Plan (LIP) detailing the strategic approach to the programme, interventions, outputs, and outcomes was submitted by WYCA to UK Government on 26th July 2022 for approval, with a decision expected in October/November 2022.

Priorities for the Funding Allocation for Leeds

- 14 Due to the extremely tight deadlines set by UK Government for the submission of the WY Local Investment Plan, local priorities were required to be identified in a very short period of time. Priorities were required to align with those set out in the UKSPF prospectus to be eligible for funding.
- 15 Priorities were identified by aligning to strategic fit at a local (for Leeds the Best City Ambition and Inclusive Growth Strategy), regional (WYIS) and national (UKSPF prospectus) level and consultation with service areas across the council.
- 16 In developing priorities for Leeds, the focus has been on targeting areas that are most in need across the city, with an emphasis on equality and diversity.
- 17 Leeds' priorities for UKSPF are therefore themed around four key areas for the initial 3-year funding period:
- a) Cost of living

Measures to support residents which will include advice, signposting and financial support to minimise the number of residents in poverty, increase digital inclusion, increase energy efficiency and enable the development of local food strategies and exploring concepts such as community supermarkets.
 - b) Community Infrastructure

Programmes to support pride of place and develop the social fabric of communities, including small capital investment and support for resident-led activity through increased engagement. Examples of this include, but are not limited to, Capable guardian programme which aims to reduce crime and improve confidence of local residents through officers supporting residents and local businesses, community safety and antisocial behaviour initiatives, the delivery of social action projects in communities, volunteering support and high street and district centre improvements.
 - c) Culture, Heritage and Engagement

Expanding our inclusive cultural and creative offer across the city to engage a wider and more diverse audience focusing on equality and diversity, social cohesion, celebrating difference and culture for health and wellbeing. Examples of this include expanding the museums offer to communities who do not typically access Leeds Museums and Galleries, increasing the amount of grant funding available to cultural organisations and initiatives.
 - d) Supporting Innovation, Businesses and Productivity

Measures to support the delivery of our Innovation Vision which is to 'stimulate innovation which drives and delivers measurable impact towards a healthier, greener and inclusive future for Leeds and the world'. This will include programmes to encourage

local businesses to adopt and develop innovative practices, attract investment, engage in knowledge transfer activity and bring new products to market, leading to increased productivity, business growth and enabling people to reach their potential. Measures also to support new and existing SMEs to support growth and viability, skills programmes and the city's talent pipeline. This includes the development of angel investor networks to increase investment, targeted SME start up support and growing the social economy.

We anticipate a significant proportion of the funding will be allocated through grants and commissioning to Voluntary, Community and Faith (VCF) Organisations, and Arts organisations.

- 18 Priorities for business support and employment and skills programmes previously funded through European Structural and Investment Fund (ESIF) are being separately developed regionally and are not included in the proposals detailed in this report. It is proposed that we will build on the core regional offer where there are Leeds specific priorities we need to support, for example providing support for start-ups from libraries in specific neighbourhoods.
- 19 The economic landscape has changed profoundly over the past few years as we recover from the pandemic, live with Covid, experience geopolitical impacts including higher inflation, high energy costs, supply chain problems and businesses adjusting to the post Brexit operating environment. We have also seen the acceleration of longer-term changes, including the move to net zero, the growing importance of digital in all sectors, the growth in online retail and the impact of changing working and shopping patterns on footfall.
- 20 Despite the current challenges, we continue to focus on building long-term resilience in the economy including through the review of the Inclusive Growth Strategy.
- 21 The current short term economic picture in the UK is very volatile. As of the end of September 2022, we see a lack of confidence in the markets following the Financial Statement on Friday 23 September. The result of this is currently being seen in higher borrowing costs for UK government and expectations of much higher interest rates in 2023. The current estimates are 6% by May 2023. CPI Inflation is currently at 9.9% and the Bank of England expects this to peak in October 2022. There is an expectation that the energy support for households will impact to reduce inflation, but we don't yet know by how much. However, we can say that this winter will see significant challenges for people and the cost of living crisis will continue to be felt in high interest rates and high inflation costs.
- 22 This financial year there is therefore a need for us to focus Leeds City Council's allocation of the Shared Prosperity Fund on activities that directly help with the cost of living crisis and resilience in our communities. For example, significant support will be provided to directly support residents through financial advice, signposting and financial support to minimise the number of people in poverty, increased focus on digital inclusion, support for energy efficiency measures and the development of local food strategies, as well as community infrastructure and support for volunteering programmes.
- 23 The programme of activities that will be delivered through SPF funding best meet our local needs, the Best City Ambition and the Council's key strategies, including our Inclusive Growth ambitions. The programmes are aligned to UKSPF interventions, outputs, and outcomes. For Year 1 we have where possible focused on projects and initiatives that are already in development to ensure we can meet delivery timelines and maximise the funding available to Leeds.

What impact will this proposal have?

- 24 The priorities that have been developed for UKSPF for Leeds enable investment in areas that are important to communities and to the future economy of Leeds over the next three years. Endorsing the priorities and enabling the acceptance of the funding means that we can implement the proposals quickly, ensuring in year spend and delivery of the priorities in a timely and efficient manner. A full implementation plan detailing programmes for year 2 and 3 will be presented to Executive Board for approval in Spring 2023.
- 25 A screening form for equality, diversity and inclusion is also available at Appendix 1,

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing Inclusive Growth Zero Carbon

- 26 This proposal is in line with the Best City Ambition and its mission to tackle poverty and inequality and improve quality of life; focusing on an economy that works for everyone; improving the health of the poorest the fastest and improving standards of living in all the city's communities. We work through our Team Leeds approach, working together with our partners to deliver on the UKSPF.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted? Yes No

- 27 The priorities and programmes have been developed with key officers from across the council including Communities, City Development, Adults and Health and Resources. Services have put forward programme and priority proposals across a wider range of areas which have been included where these are in line with WYIS and UKSPF priorities and where these are deliverable within the funding timetable.
- 28 At a regional level a Local Partnership Group has been established, made up of representatives of the 5 Combined Authority Committees, (Business, Economy and Innovation Committee, Employment and Skills Committee, Climate, Energy and Environment Committee, Place, Regeneration and Housing Committee and Culture, Arts and Creative Committee.) In addition, each Council has nominated an elected member for the group, and nominees have also been sought to represent Public Health, Policing and Crime, and the Voluntary, Community, and Faith (VCF) Sector.
- 29 There is a requirement to consult MPs on priorities for the UKSPF. WYCA have consulted on the UKSPF priorities with MPs and Leaders and have established an MP engagement group, made up of the 22 West Yorkshire MPs and Chaired by the Mayor of West Yorkshire. The MP Engagement group has met twice to date to gather views on the development of the West Yorkshire UKSPF Local Investment Plan and the overall approach to be taken, with the final draft circulated to all MPs for comment prior to submission to UK Government. The Group will continue to be engaged with throughout the delivery phase of SPF.

30 Further engagement on the programme and delivery will be carried out with the VCF sector and other partners during autumn/ winter 2022, which commenced with a webinar on 29th September hosted by WYCA to regional stakeholders outlining all Local Authorities priorities, approach, and commissioning intentions. This will be followed up with further local engagement led by LCC throughout the autumn.

What are the resource implications?

31 We anticipate that a significant proportion of UKSPF will be allocated to local organisations through a grant/commissioning process to deliver against our agreed priorities. This will comprise of a limited amount of capital as well as revenue funding. Local organisations will play an important role in ensuring the UKSPF achieves its aims and objectives due to the expertise held by these organisations in a range of areas such as directly supporting residents, their geographical location and their level of trust with residents in the community. A paper on resources and implementation will be brought to Executive Board in Spring 2023 once we have confirmation that UK government have agreed the priorities set out in the West Yorkshire Local Investment Plan. This paper will set out any grant programmes that will support partners across the city to deliver UKSPF programmes for 2023/24 and 2024/25.

32 The UKSPF is to fund new activities and provide additionality and must demonstrate the impact it will have in communities to add value to the existing local offer.

33 The UKSPF provides greater freedom and flexibility on what can be funded and delivered when compared to previous funding programmes covering wider communities and place priorities such as community safety, cultural programmes, and capital improvements. It also allows greater flexibilities in supporting a wider range of people who need it, not just those claiming unemployment related benefits. However, priorities still require strategic alignment to the West Yorkshire Investment Plan and UKSP priorities which has influenced the priorities put forward by LCC.

34 It must be noted that UKSPF represents a significant reduction in funding, compared to previous ESIF funding. With a significant number of council programmes and staff currently funded through ESIF schemes, UKSPF creates a significant risk to key employment and skills and business support programmes.

35 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. Funding for Employment and Skills and Business Support programmes, currently funded through ESIF are subject to separate funding applications and risk levels are being managed accordingly.

36 This round of UKSPF provides less funding than current levels of ESIF. UKSPF also includes the additional priority focusing on Community and Place.

37 A programme board will be established with a range of stakeholders to provide strategic oversight of the programme and ensure continued alignment to the city's strategic objectives. This will be complemented by a small programme office that will oversee day to day management of the programme and will be funded through the management fee drawn down by WYCA.

38 It is proposed that a significant proportion of Leeds UKSPF allocation will be commissioned to local community-based organisations to deliver Leeds City Council's UKSPF priorities. This will comprise of primarily revenue funding, with a small amount of capital funding. The VCF sector will play an important role in ensuring the UKSPF achieves its aims and objectives due to the expertise held by these organisations.

- 39 Due to the value a key decision is required to authorise the procurement for Year 1 activities. All subsequent procurements and the awarding of contracts for Year 1 will take the form of Significant Operational Decisions which flow as a direct result of this key decision.

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

- 40 The majority of UKSPF is revenue and 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'.
- 41 Another risk is the coordination of the programme of activities across the organisation. The proposed UKSPF activities will take place across several directorates and to maximise the value being delivered throughout the programme it is important that where possible activities are aligned, complement one another, and continue to meet the needs of the organisation.
- 42 To mitigate the above a Programme Office funded through the management fee to manage the funding will be established. The Programme Office will monitor performance, manage risk, issue monitoring, and manage communications to ensure spending is delivered, maximum value is delivered, and funding is not lost, as well as liaising with WYCA to ensure we meet funding compliance and contracted targets.
- 43 There is a risk that the West Yorkshire Local Investment Plan is not agreed by UK Government. We have mitigated this by linking our priorities and the programmes within these to the outcomes specified by government in the UKSPF Prospectus.
- 44 Timing – we are currently in year one of funding and there is a challenge to delivery this year as any unspent funds will be reclaimed. The programmes have been structured in a way that minimises year one delivery challenges; and builds on successful approaches and programmes. This report seeks authority to proceed and procure with year 1 spend to mitigate this risk, and ensure we maximise the funding allocated to Leeds in Year 1. A full implementation plan will be presented to Executive Board in Spring 2023 for delivery in 2023/24 and 2024/25.

What are the legal implications?

- 45 A further report focusing on spend and implementation for year 2 and 3 will be brought to Executive Board in spring 2023. That paper will be a key decision.
- 46 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.
- 47 In administering any funding it receives from UKSPF the Council will have to ensure that it complies with the Subsidy Control Act 2022 (which sets out the circumstances in which subsidies can be provided). Subsidies occur when financial assistance is provided from public resources – whether directly or indirectly - and the assistance (a) confers an economic advantage on one or more enterprises (b) specifically benefits one or more enterprises over other enterprises in relation to the production of goods or the provision of services and (c) the assistance has, or is capable of having, an effect on competition or investment within the UK, trade between the UK and another country or territory or investment as between the UK and

another country or territory. The Act sets out the circumstances in which subsidies can be provided.

Options, timescales and measuring success

What other options were considered?

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

49 We considered other possible priorities for the UKSPF, however the need for priorities to fit with WYIS and UK government priorities and delivery timescales means that the high-level priorities in this paper are the more viable.

50 We considered more extensive consultation with wider partners at this point. This was not viable given the timescales to submit the Local Investment Plan to Government. Greater consultation will be carried out as part of the implementation process.

How will success be measured?

51 All programmes funded through UKSPF will be subject to appropriate performance reporting. More detailed information on performance reporting will be given in the implementation paper later this year.

52 We will take the UKSPF to Strategy and Resources scrutiny committee later this Municipal year.

What is the timetable and who will be responsible for implementation?

53 The overall responsibility for management of the UKSPF for Leeds sits with Director of City Development. Responsibility of the delivery of individual programmes sits with relevant Directors.

54 Responsibility for the management and delivery of UKSPF in West Yorkshire is with WYCA.

Timing	UKSPF Milestone
13-Apr	UKSPF launched
June to late July	WYCA consultation and co-production with Local Authorities
16-Jun	MP Engagement Group
23-Jun	Combined Authority approval of Multiply Investment Plan for submission to government
30-Jun	SPF Multiply Investment Framework Submitted to Government
1-8 July	WYCA consultation on UKSPF
14-Jul	Combined Authority Papers Published
22-Jul	Approval of UKSPF Investment Plan for submission to Government
26-Jul	UKSPF Investment Plan submitted to Government
Summer 2022	Plan operational delivery of priorities
End of August	Investment Plan for Multiply signed off by UK Government
Sep-22	Delivery starts for Multiply
29 th September	WYCA hosted webinar for UKSPF stakeholder engagement
Oct-22	Investment Plan for Core UKSPF signed off by UK Government
October / November 2022	Delivery starts for Core UKSPF

Spring 2023

Detailed Implementation Plan for Leeds to Executive board for Year 2 and 3 delivery.

Appendices

55 Appendix 1 - Equality, Diversity, Cohesion and Integration Impact Assessment

Background papers

56 None.

Related Information

[UK Shared Prosperity Fund Prospectus](#)

[West Yorkshire Investment Strategy](#)