Cabinet

Thursday, 21 July 2022

Report of the Portfolio Holder for Skills, Planning, Economy & Waste

UK Shared Prosperity Fund

Exempt Information

None.

Purpose

To update Cabinet on UK Shared Property Fund (UKSPF / SPF) and the approach recommended for the Council in order to submit an investment plan and develop a process for awarding funding for agreed interventions.

Recommendations

It is recommended that:

1. Cabinet approves the outline approach to delivering Shared Prosperity Fund (SPF), in order to invest in local priorities, targeting funding where it is needed most: building pride in place, supporting high quality skills training, supporting pay, employment and productivity growth and increasing life chances.
2. Cabinet delegates authority to the Assistant Director Growth and Regeneration in consultation with the Leader of the Council, the Chief Executive and the Section 151 Officer, to submit the investment plan to HM Government by the submission deadline.
3. That a report be bought back to Cabinet setting out detailed resource requirements, governance including scrutiny, monitoring and evaluation processes and an update on the SPF programme by the end of 2022.

Executive Summary

The Shared Prosperity Fund (SPF) is part of the wider Levelling Up agenda and aims to deliver significant support for all areas of the UK. It seeks to invest in domestic priorities and targeting funding where it is most needed. The primary focus of SPF is on the following high level objectives:

- Building pride in place
- Supporting high quality skills training
- Supporting pay, employment and productivity growth
- Increasing life changes.

The SPF is defined in Government terms as a structural fund and therefore, is seen as a replacement for European Structural Investment Funds (ESIF), which primarily came in two forms – ESF (European Social Funds – people and skills) and ERDF – European regional Development fund – business and place). Please see **appendix one** for the Government prospectus giving in depth detail about the Shared Prosperity Fund.

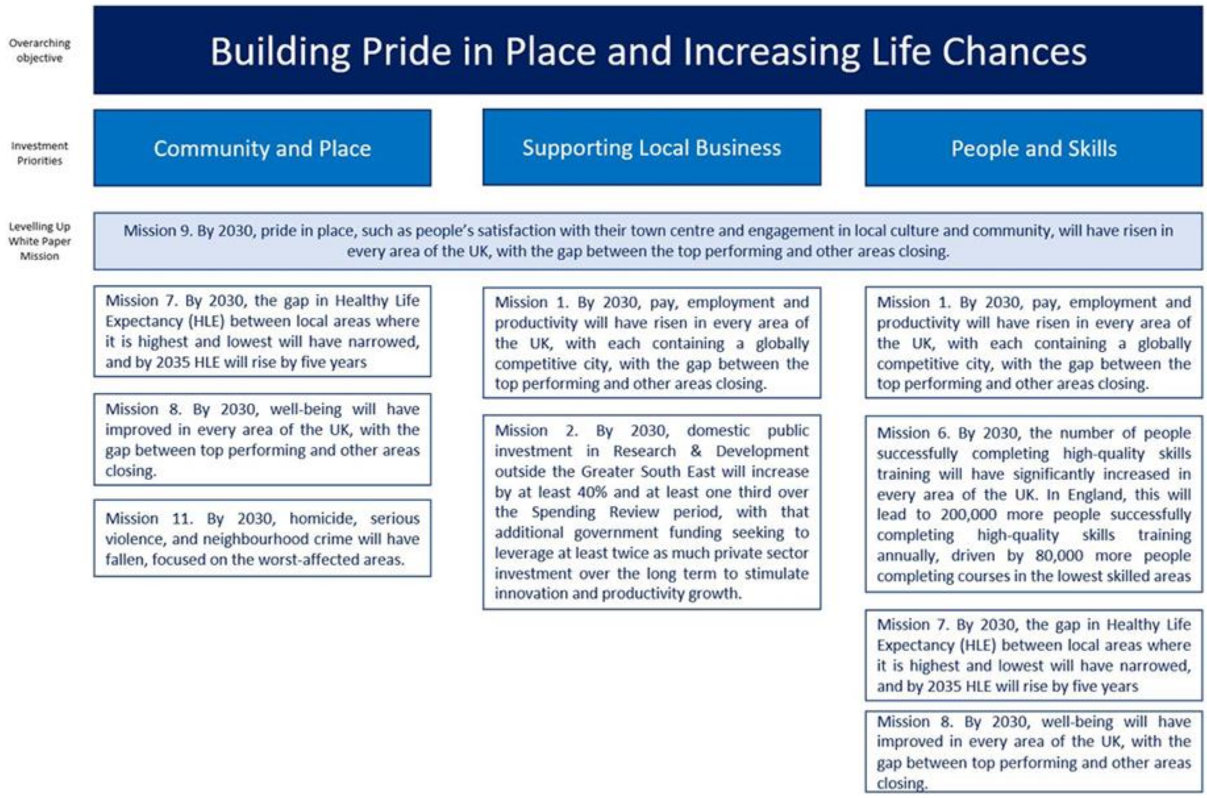
Tamworth Borough Council (The Council) has been defined as a lead authority and will be directly accountable for setting up the fund framework; commissioning and awarding projects; ensuring programme delivery; ensuring spend is on target and conducting monitoring and evaluation of the whole programme.

The Council will receive a direct allocation of **£2,328,244** to run the programme over three financial years over, starting from April 2022, up until the end of March 2025. Please see the resource implications section for more detailed financial information.

SPF is primarily a revenue fund with limited ability to spend capital. In order to secure these funds, the Council must produce a high-level investment plan, to be submitted by the 1st of August. This must be signed off by the Chief Executive, Section 151 officer and Leader of the Council. A template of the investment plan can be found at **appendix two,** with further information in the options considered section below. The Council will be notified in October 2022 if the submitted investment plan has been approved and can commence spend.

The Council must allocate funding both in collaboration and partnership with key stakeholders and manage this through a local partnership group. This means that the Council cannot make decisions in isolation or based solely on its own needs. It also means that Council based projects / interventions submitted to the local partnership group are not guaranteed to be successful.

Shared Prosperity has three core pillars around which delivery is focused, as per the diagram below:



Government has stated that the main focus of SPF must be on the Community and Place and Supporting Local Business pillars in the first two years of the scheme, with People and Skills being a more significant focus from April 2024 onwards only. The Council cannot award funding for projects and interventions on People and Skills until this point in time. More detailed information on each pillar with objectives and rationale can be found in **appendix one.**

Under each “pillar” the Government has given a list of intervention types it requires projects to deliver, see **appendix three,** and the outcomes these projects should realise, see **appendix four.**

Options Considered

The Council has two primary options at this current moment in time with regards the completion and submission of the investment plan.

1. **Complete a detailed investment plan by proactively engaging partners and stakeholders in the development of live projects, collating and assessing these to be submitted as worked up ideas for the investment plan.**

Some authorities are currently taking this approach; however this comes with a very high level of risk. Until the investment plan is approved by Government, the Council does not have authority to spend or commit monies until October 2022. It is therefore unwise to agree or identify any project at this stage without having the investment plan approved by Government.

Based on extensive experience of Government schemes of a similar nature over the last 3 years, there are often regular or last-minute changes to guidance, criteria and monitoring requirements that cannot be predicted, increasing uncertainty about decision making.

As a lead authority the council will also have a requirement to ensure that all projects are commissioned correctly; with a contract; have the right outcomes and the right spend profile, or SPF funds can be clawed back by the Government at the end of each financial year. There is not enough time during this application window to ensure a robust process is established.

2. **Complete the investment plan, by providing the only the high-level information Government required at this stage, then develop a commissioning, assessment and evaluation framework whilst waiting for notification of approval of the investment plan.**

This approach ensures that the Council takes its time to ensure it has the right processes and criteria in place to both generate a pipeline of appropriate projects but also award and monitor them in stages, and is the approach recommended. The investment plan will be completed to the quality required to satisfy Government, then further work will commence in detail between August and the end of October 2022. This approach also allows for resourcing to be established to support the workload.

Further detailed reports will be brought to Cabinet and relevant governance committees once the initial investment plan has been submitted and more in-depth work on processes and actual resources commitments has been decided.

Resource Implications

There will be the following resource implications:

The Council will be given a fixed amount £20,000 to contribute to the development of the bid. This will only be paid to the Council when it receives it first SPF allocation, in October. As such the Council is using existing budgets to fund development up until this point.

Of this development funding £10,000 has already been committed to support an evidence-based highlighting what the local challenges and opportunities are that the funded projects and interventions will seek to address. This is a critical piece of work as without a baseline position the Council cannot justify its rationale for funding and successfully complete the investment plan by the submission date. This has been procured through an existing contractual agreement with AspinallVerdi using agreed economic data experts. Any underspend on the £20k development funding will be used to support additional administration duties and staffing costs during delivery.

To deliver the SPF priorities, as set out by Government, the Council has been allocated **£2,328,244 million** to spend over the next three financial years.

4% of the total amount allocated to Tamworth, or in cash terms £93,130, can be used specifically for administration duties as detailed below:

- Project assessment
- Contracting
- Monitoring and evaluation
- Ongoing stakeholder engagement

The Council has the ability to ask for a larger % top slice. The current top slice allows just enough funding for an officer at the starting at the bottom of grade 6 full time, however it does not take into consideration any other costs. It is proposed to ask for 7% of the overall allocation to be top sliced for administration. This has been based on that fact that the Borough Council has limited capacity within its existing teams and significant existing commitments in terms of workstreams that it cannot change. 7% or c. £163,000, would allow the Council to cover the cost of a relevant graded and experienced officer dedicated solely to the project and a small proportion of additional existing officer time to support the process. Practical experience on other projects in the past, albeit funded by ESIF monies, have had a top slice of anywhere between 7% and 15%.

The Head of Economic Development and Regeneration has been appointed to lead this process corporately with the support of the Assistant Director Growth and Regeneration, however it is recognised that the delivery of this fund will require input from most parts of the Council in one way or another and as is develops, some areas may have to incorporate SPF projects into their day-to-day operations.

Further details on roles and responsibilities will be developed by the end of September, however this will be subject to Government approving the uplift in top splice from 4% to 7% or by £70,000. Whilst these decisions are being made the project will be supported from officers across the wider Economic Development and Regeneration Team and the Community and Partnerships Team, including the Assistant Director for partnerships. Other officers, dependent upon their skill set may be required to support.

The total allocation of SPF in Tamworth to spend solely on interventions would be different dependent upon the top slice.

See below:

Top slice for administration	**SPF project allocation**
4%	£ 2,235,114.24
7%	£ 2,165,266.92

The Council also must follow these spend profiles as stated by Government:

- Fy 2022 / 2023: 15% of allocation
- Fy 2023 / 2024: 27% of allocation
- Fy 2024 / 2025: 58% of allocation

The revenue cashflow profile as detailed above, is currently being verified with Government as guidance may have recently changed to allow Councils to set their own profile. This will be updated verbally at the Cabinet meeting.

Capital expenditure caps are as follows.

- Fy 2022 / 2023: 10% of annual cashflow profile
- Fy 2023 / 2024: 13% of annual cashflow profile
- Fy 2024 / 2025: 20% of annual cashflow profile

Please see **appendix five** for modelling of cashflow at 4% top slice and 7% top slice.

Legal/Risk Implications Background

With the support of externally appointed advisors, Officers are currently preparing a thorough, high level programme risk register that will be submitted as an appendix to Government with the investment plan. This will be shared with the Leader, CEO and Section 151 officer for approval before submission.

At this current stage of implementation there are a number of key risks to be aware of:

- Any underspend on SPF at the end of each financial year has to be paid back to Government. There is a risk to reputation if the Council does not spend all of its allocation each year and dependent upon performance may attract in depth audit of its processes by government above and beyond standard practices. The mitigation for this is to ensure that the process for selecting projects is transparent, thorough and based on them being able to prove delivery within set timescales, with regular monitoring and evaluation.

- The SPF requires strong collaboration and partnership working across local authority areas, due to capacity across authorities and differing local priorities there is a risk that this is not fully realised. The mitigation for this is to ensure relevant officers are connected to other relevant authorities and the selection process for projects reflects this needed.

- As with similar schemes the Council is currently and has been involved with, Future High Streets Fund and the Levelling Up Fund Round 2, the monitoring and evaluation requirements of this fund have not yet been made clear, other than stating it will be less arduous than ESIF. There is a risk that the monitoring requirements for the fund will take up significant resource. The mitigation for this is to ensure staff with key experience of this type of work are utilised correctly on the project and that during the project selection process and during commissioning projects evidence and detail how they will monitor, report and evaluate on their agreed outcomes.

- Linked to the point the above, the level of detail required by government on overall programme monitoring and delivery is yet unclear, as such the resource impact with regards staffing is difficult to predict. To mitigate the impact of this, it is proposed to increase the top slice ask for administration from 4% to 7%. In the gap between now and when the investment plan has been approved and an dedicated officer has been appointed, staff with existing relevant skills and experience will be used to develop the project selection process. These staff will be drawn primarily from the Economic Development and Regeneration Team and the Community and Partnerships Team, but support from other services may be needed.

Equalities Implications

As an essential criteria in the investment plan, the Council must evidence how it will consider the public sector equality duty both in designing the plan and implementing it by selecting projects. For the purpose of submitting the investment plan an equality impact assessment will be conducted to ensure where possible it surpasses the requirements of the duty and other connected legislation.

Whilst the process for selecting and implementing projects has not yet been designed, equality assessments will form a critical part of an embedded process for all proposals. Further details on equalities implications will be submitted in future more detailed Cabinet and governance reports.

Environment and Sustainability Implications (including climate change)
All three pillars of SPF have strong connections through their interventions to sustainability and the environment.
Whilst the process for selecting and implementing projects has not yet been designed and projects not identified, environment and sustainability implications will form a critical part of an embedded process for all proposals. Further details on this will be submitted in future more detailed Cabinet and governance reports.

Background Information
None – see appendices.

Report Author
Matthew Fletcher – Head of Economic Development and Regeneration

List of Background Papers
None – see appendices

Appendices
Appendix 1 – UKSPF Prospectus
Appendix 2 – UKSPF Investment Plan template
Appendix 3 - UKSPF Interventions list
Appendix 4 - UKSPF Outcomes and Outputs
Appendix 5 – TBC SPF cashflow profiles