

Mayoral Combined Authority Board

06 June 2022

UK Shared Prosperity Fund

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| Is the paper exempt from the press and public? | No |
| <i>Reason why exempt:</i> | Not applicable |
| Purpose of this report: | Discussion |
| Funding Stream: | Not applicable |
| Is this a Key Decision? | No |
| Has it been included on the Forward Plan? | No |

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Executive Summary:

This paper presents an update on the release of the UK Shared Prosperity Fund allocations and prospectus. The paper provides commentary on the amount of funding allocated, an option for how this could be accessed, and the issues identified. It also highlights next steps.

What does this mean for businesses, people, and places in South Yorkshire?

UKSPF is the replacement for EU funding. How this is allocated and spent could have a profound impact on the quality of life and growth opportunities of residents, businesses, and places in South Yorkshire in the years ahead.

Recommendations:

1. That Members note the guidance and actions required in its capacity as lead authority.
2. That Government priorities for the SPF outlined in 2.1 and the additional principles to be applied locally outlined in paragraph 2.3. are to be discussed and agreed between the Mayor and MCA Members through further discussions
3. Following agreement to the framework and set of principles and priorities, Chief Executives oversee an inclusive process to develop an investment plan to be presented in draft to the MCA Board in July.
4. Members endorse the submission of a plan for the Multiply programme into Government and delegate leadership of this plan to the Education, Skills and Employability Board.

Consideration by any other Board, Committee, Assurance or Advisory Panel

Local Enterprise Partnership

1. Background

1.1 The UK Shared Prosperity Fund (UKSPF) is the major economic development fund, replacing EU Structural and Investment Funds (ESIF). The UKSPF aims to contribute to 'Levelling Up'; by providing financial assistance (largely revenue) to boost productivity, tackle geographical inequalities and improve life chances, especially in deprived areas.

1.2 The UKSPF allocation to the SY MCA provides an opportunity to further develop the intention and purpose of the South Yorkshire Renewal Fund (SYRF), as the UKSPF becomes an integral part of this. The principles of the SYRF (as set out in the January 2022 MCA paper on Investment Strategy) and the outcomes framework jointly developed by the MCA and LAs will inform the MCA submission to central government.

This will ensure strategic alignment with the SEP, through the Transformational Impact Investment Plan and the four Place Plans.

1.3 This paper sets out for Members a synopsis of the guidance, outlining government objectives, the accountabilities of the MCA in both the development of the plan and in delivering the Fund.

The paper highlights the decisions needed by Members as the options to develop the Plan are developed.

2. Key Issues

2.1 Government Objectives

The Government's objectives for UKSPF are set out as:

- boosting "productivity, pay, jobs and living standards by growing the private sector...in those places where they are lagging";
- spreading "opportunities and [improving] public services...in those places where they are weakest;
- restoring "a sense of community, local pride and belonging"; and
- empowering "local leaders and communities [where they are] lacking local agency".

There are three investment priorities: community and place; supporting local business; people and skills. All of these have strong alignment with the SEP and the resulting outcomes for the Renewal Fund, as set out and agreed by the MCA. The plan and process will need to demonstrate this alignment in the investments made.

2.2 **Accountability – The MCA as lead Authority**

The UKSPF guidance sets out the responsibilities of MCA to be the Accountable Body for the funds and administer the fund at a local level as the lead authority for South Yorkshire. This involves:

- setting out the Plan for the funds, in collaboration with partners and stakeholders,
- managing the funding allocation,
- assessing and approving applications,
- processing payments,
- day-to-day monitoring,
- reporting into central government, and
- evaluation.

2.3 **Developing the Plan**

SY MCA must submit an investment plan which should focus on three broad sections:

1. Local Context
2. Selection of outcomes and interventions
3. Delivery

The plan must confirm alignment of outcomes and interventions and must also indicate how funds will be allocated across the main Levelling Up Objectives (see paragraph 2.1 above). A decision will need to be made on which investment priorities to focus on and the weighting allocated to them. Options will be brought forward for Members to consider.

Alongside the Government criteria, it is recommended that a local principles framework is discussed and agreed by Members for South Yorkshire's UKSPF. This will be subject to further discussion but could include:

- Proposals must demonstrate how they further the goals and the outcomes of the SEP.
- Proposals must be consistent with the priorities of the MCA.
- Schemes should avoid the simple replication of existing programmes where more effective and efficient delivery mechanisms can be designed, including the ability to deliver across South Yorkshire.
- The principle of subsidiarity will apply. The MCA will be the deliverer of last resort with pan South Yorkshire schemes being delivered by a Local Authority, the Third sector or the private sector wherever possible.
- Funding will be allocated according to greatest need and greatest impact.

2.4 **Governance and Engagement Arrangements**

Engagement must be meaningful in that it helps determine the shape of proposals at the outset, and that our approach is not pre-determined. Whilst the Government guidance makes clear that there is no formal statutory consultation required, nor a requirement to establish a new formal "board", every effort must be made to engage meaningfully. Following further discussion and agreement of the principles and priorities by the Mayor and Members, it is recommended that Chief Executives are asked to take forward an inclusive approach to development of the plan.

2.5 **Allocations**

Government has pre-allocated funds for every part of the UK for the years 2022-23, 2023-24 and 2024-25, for both the core UKSPF and the adult numeracy programme, Multiply (see section 2.3 below). The figures below are the sum totals for all three years. The South Yorkshire UKSPF allocation totals £46.162m, made up of £7.256m Multiply and £38.906m “Core” UKSPF.

The allocations were determined on the formula for the previous 2014-20 ESIF and based on population (70%) and a formula (30%) previously used to select UK Community Renewal Fund priority places (using levels of productivity, household income and skills).

Within the allocations, local area Core SPF headline sums have also been provided (these add together to the SYMCA total):

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| Barnsley | £7,287,599 |
| Doncaster | £8,960,876 |
| Rotherham | £7,083,489 |
| Sheffield | £15,574,166 |

Government has stressed that these local area sums were published to illustrate how the allocation for SYMCA was arrived at. They are not intended to be indicative allocations to each local authority. That will be for MCA Members and the Mayor to decide.

Whilst the SPF scales up to what the UK used to receive annually from ESIF (£1.5bn per year) in 2024/25, it is still nearly half (c.£15m) of what the region used to receive (c.£25m per annum) over the three-year period.

In developing and approving the plan and in recognition that the allocation cannot replace ESIF, Members are asked to consider the challenge in clearly determining the focus for the investment, the need to align with the broader place plans and the engagement regionally and locally with partners, for whom ESIF has been a lifeline.

2.6 **Accessing Funding**

The Government suggests that the deployment of funds should be a mix of competitions for grant funding (recognised as the default approach set out in Cabinet Office Grants Standards), procurement, commissioning or to deliver some activity through in-house teams.

The Transformational Impact Investment Plan and four Place Plans will need to be fully aligned with the UKSPF Investment Plan but it is also essential that deployment of resource is at the most appropriate geographic level and ensures that all partners (especially outside the MCA and LAs) who meet the agreed criteria, have a fair opportunity to access funding.

2.7 **Multiply Programme**

‘Multiply’ is a programme to offer adults who do not already have a GCSE grade C/4 or higher in Maths and need to improve their numeracy, free flexible courses that fit around their lives. A separate investment plan (alongside the UKSPF investment plan) will need to be submitted to Government and work is underway on options for this submission. Members are asked to delegate oversight of this to the Education, Skills and Employment Board, prior to a final draft being presented to the MCA.

3. Options Considered and Recommended Proposal

- 3.1 Government has designated the MCA as the lead body for delivering the UKSPF. This is in line with the MCA feedback on the consultation on UKSPF that decisions should be made locally and not by national departments, not close to the local context. The guidance from Government is therefore welcome and enables the MCA Board to build the SY Renewal Fund around multiple funds, beyond Gainshare and borrowing.

4. Consultation on Proposal

- 4.1 The guidance documentation sets out that in developing the plan, collaboration with a breadth of stakeholders including local authority, the third sector, HE and FE, and other partners who have delivered previous EU investments, is required. This should be with a “local partnership group” including local MPs, business, and the third sector.

The guidance does not suggest a new Board must be created if these components are in place in current local arrangements.

Following agreement to the principles by the Mayor and Members, it is recommended that Chief Executives take forward the inclusive development of the draft plan. An engagement plan will be developed to support this approach.

5. Timetable and Accountability for Implementing this Decision:

- 5.1 The submission window for the investment plan opens on 30 June and ends on 1 August. Plans will be agreed between the MCA and UK government to unlock the allocations. A plan can be brought to the next MCA meeting on 25 July for sign-off before submission to Government. An informal session with Leaders will be arranged before this prior to the meeting. Subject to the submission of a satisfactory investment plan, the first payments to MCAs to commission, procure or directly deliver activity are expected to be made as early as October 2022.

6. Financial and Procurement Implications and Advice

- 6.1 Funding is confirmed for three financial years; 2022-23, 2023-24 and 2024-25. The Government will pay SY MCA annually in advance on a “use it or lose it basis”. In 2022-23, funding will be paid once the local investment plan has been signed off. In 2023-24 and 2024-25, funding will be released at the start of the financial year. SY MCA will receive a grant determination letter and Memorandum of Understanding setting out Fund requirements and obligations. Lead authorities will be asked to return any underspends at the end of each financial year. Alignment to the SY Renewal Fund, should mitigate risks of underspend.
- 6.2 A small allocation of £40k has been made to the MCA to cover specialist support required to develop the Investment Plan.
- 6.3 The resourcing requirements associated with being a Lead Authority will necessitate a resource plan is developed setting out the implications. The Government guidance states that all lead authorities can use “up to 4% of their UK SPF allocation to support the delivery of their chosen interventions and by exception, lead authorities will be able to use more than 4% if required”.

7. Legal Implications and Advice

- 7.1 The MCA is tasked with designing the project selection and contracting processes such that there are mechanisms to recover funding where beneficiaries do not comply with fund parameters, UK law or any local requirements. The MCA is also being asked to notify Government of any current or emerging operational or financial risks, or issues, and any contingency measures put in place. This will form a section in the investment plan and in monitoring reports thereafter.

SYMCA will have to evidence "their capacity and capability to manage" subsidies as part of the investment plan. Investment plans will only be approved where SYMCA has satisfied Central Government that they have appropriate processes in place. In practical terms, this will involve demonstrating that there is sufficient expertise to identify when a subsidy is present and to compliantly award such funding within the Subsidy Control rules.

- 7.2 The Assurance Framework sets out for Government how the MCA complies with these requirements for other funding regimes. The proposal is to review the requirements of UKSPF and ensure the current Assurance Framework of the MCA is updated, if necessary, and to use this as the basis of governance assurance and compliance.

8. Human Resources Implications and Advice

- 8.1 Administering the requirements of a Lead Authority will require additional capability and capacity is secured to deliver the fund and maximise the impact and uptake of the fund. As part of the development of the Plan a gap analysis of capability and capacity will be undertaken to consider any risks or appointments required.

9. Equality and Diversity Implications and Advice

- 9.1 The Investment plan will need to consider this and given its prominence in the SEP would be expected to be identified throughout. A recommendation is that an Equalities Impact Assessment be undertaken on the final plan.

10. Climate Change Implications and Advice

- 10.1 The MCA is in the unique position of being able to contribute strategically to climate action for South Yorkshire, whilst also being able to facilitate local action across all areas. In developing the plan and options for investment, the MCA should undertake an Environmental Impact assessment to ensure the plan contributes to the MCA desire for actions to mitigate climate change.

11. Information and Communication Technology Implications and Advice

- 11.1 It is expected that the functions of the Lead Authority can be contained within the current technology available to the MCA, eg the utilisation of VERTO for programme and project management. This will be monitored for sufficiency, and any gaps considered as part of the MCA Executive Business Planning process.

12. Communications and Marketing Implications and Advice

- 12.1 The UK SPF prospectus provides clear guidance on how projects should be branded and how communications should be made. This is usual for government funds and was closely monitored as part of the recent Local Growth Fund programme. A schedule of branding and communication requirements will be developed and added to any funding agreement issued and monitored as part of regular contract monitoring.

List of Appendices Included

None

Background Papers

None