

Cabinet (Resources) Panel

16 November 2022

Report title	External Funding Update – UK Shared Prosperity Fund	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Obaida Ahmed Resources and Digital City	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All Wards	
Accountable Director	Charlotte Johns, Director of Strategy	
Originating service	External Funding and Digital Projects	
Accountable employee	Heather Clark	Head of External Funding
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Report to be/has been considered by	Regeneration Leadership Team	17 October 2022
	Strategic Executive Board	25 October 2022

Recommendations for decision:

The Cabinet (Resources) Panel is recommended to:

1. Delegate authority to the Cabinet Member for Resources and Digital City, in consultation with Director of Strategy and Director of Finance to:
 - a. Enter into a three-year Memorandum of Understanding and annual Grant Funding Agreements with West Midlands Combined Authority as lead authority, and accept grant allocation for our allocation for the UK Shared Prosperity Fund and Multiply.
 - b. Approve further changes to the proposed UK Shared Prosperity Fund local funding split based on ongoing discussions with the West Midlands Combined Authority.
 - c. Approve the establishment and spend of supplementary revenue and capital budgets in line with the funding agreement.
 - d. Approve payment of grants for delivery of local activity where appropriate and associated agreements.

1.0 Purpose

- 1.1 To provide an update on the approach to the local allocation of UK Shared Prosperity Fund (UK SPF) and seek delegated approvals relating to Wolverhampton's local allocation of the Fund to meet the City's priorities.

2.0 Background

- 2.1 The securing of external grants is important to funding the delivery of the Council's key priorities as set out in Our City: Our Plan and the Five-Year Financial Strategy.
- 2.2 The UK Shared Prosperity Fund (UK SPF) is replacing EU funding, in particular European Regional Development Fund (ERDF) and European Social Fund (ESF) which the Council and City have benefited significantly from and was an important source of revenue funding supporting key priorities.
- 2.3 UK SPF aims to increase life chances and build pride in place across the UK, by empowering places to invest in local priorities across three priority areas: communities and place, local business and people and skills. Interventions should lead to significant, visible and tangible improvements to the places where people work and live, supporting town centres, high streets, cultural assets and green spaces that have deteriorated over time. Nationally, funding available amounts to £2.6 billion by March 2025. A mixture of both revenue and capital funding will be available to invest in local priority projects.
- 2.4 The Fund will initially focus on communities and place and local business interventions in 2022-2023 and 2023-2024. Investment to support people and skills will follow from 2024-2025, however there is flexibility to fund voluntary sector organisations delivering people and skills provision, where there is a risk to their capacity due to the end of EU funds. Prior to 2024-2025, funding will be available for Multiply, aiming to increase the levels of functional numeracy in the adult population across the UK.
- 2.5 For Wolverhampton, funding will be allocated to and distributed by the West Midlands Combined Authority (WMCA). The West Midlands receive a conditional allocation via a funding formula based on 70% population and 30% needs (productivity, household income and skills). As lead, WMCA have produced an Investment Plan setting out high level measurable outcomes that reflect local needs and opportunities informing the interventions. Places are able to choose from investment across three investment priorities of communities and place, local business and people and skills.
- 2.6 WMCA have agreed circa 50% of the regional allocation be assigned to supporting business priority and circa 50% to be locally determined by individual local authorities to spend across priority areas according to local need. This allocation will need to cover locally determined investment in communities and place and people and skills (from 2024/2025) including flexibility for Voluntary Community Sector (VCS) organisations at risk from the loss of EU funding.

3.0 UK Shared Prosperity Fund

3.1 Wolverhampton's allocation based on the Government's methodology of 70% population and 30% need is circa £3.759 million, although there is ongoing discussions with the WMCA to lobby for an increased focus on need in regional allocations. In addition, Wolverhampton will benefit from £1.4 million Multiply funding, a proportion of which will be allocated to the Council. Funding can be allocated by direct delivery, procurement, commissioning or grants. Wolverhampton are proposing the following:

3.2 **Communities and Place:** a provisional ask of £2.02 million has been identified for this investment priority as outlined below. Due to the significant reduction in resources previously received through EU funding, other local priorities will be funded through existing WMCA resources including Adult Education Budget including digital inclusion – support to get residents online and improve digital skills and Multiply including financial literacy support. This priority also includes an allocation for Voluntary Community Sector (VCS) to protect VCS capacity where at risk from the end of ESF which has been moved under this priority at the recommendation of WMCA.

	2022/23 £000's	2023/24 £000's	2024/25 £000's	Total £000's
Community interventions aligned with key local priorities including financial resilience, digital inclusion, net zero and place based activities including VCS flexibility where capacity at risk from the end of ESF	375	462	385	1,222
Vibrant High Streets: improvements to high streets and local arts, cultural, heritage & creative activities that stimulate footfall	60	240	300	600
Improvements to local green spaces as match to a larger Heritage Lottery Bid.			200	200
TOTAL	435	702	885	2,022

3.3 **Local Business:** although the majority of activity will be funded through the regional allocation, a provisional ask of £681,226 has been allocated from our local allocation as set out in the table below. The Council will be passported further funding from the regional allocation to fund business advisers and provide direct support for businesses to improve competitiveness, growth and productivity.

	2022/23 £000's	2023/24 £000's	2024/25 £000's	Total £000's
Start up support: grow and sustain businesses /start up support targeting areas of high deprivation and unemployment		150	200	350
iGNITE: establishment of enterprise hub including funding for expansion in 2024/25.	21	60	250	331
TOTAL	21	210	450	681

- 3.4 **People and Skills:** a provisional ask of £1.056 million has been identified to this investment priority which is only available from 2024/2025 except for VCS flexibility where capacity is put at risk from the end of ESF funding which has been moved under Communities and Place. Due to the significant reduction in resources previously received through EU funding, there is an ask for other local priorities to receive funding from existing WMCA resources including a contribution towards the cost of Wolves at Work employment support for unemployed targeting 18-24 and over 50s. WMCA are also making available £316,397 from Multiply to support financial literacy for those in work with Adult Education Budget being available to support unemployed residents.

	2022/23 £000's	2023/24 £000's	2024/25 £000's	Total £000's
VCS led employment programme			406	406
Intensive and wrap round one-to-one support for economically inactive residents			450	450
Support for residents not eligible for adult education budget			100	100
Specific vocational training for priority sectors			100	100
TOTAL UK SPF			1056	1056
Multiply – Financial Literacy	101	107	108	316

- 3.5 In addition, there will be additional funding from the ringfenced element of UK SPF for Programme Management resource to run the local UK SPF element.

4.0 Mitigating Risks and Issues

- 4.1 External funders require the Council to enter into a back-to-back three-year Memorandum of Understanding and annual Grant Funding Agreements for our local allocation outlining what the resource can be used for and rules and regulations relating to the funding source. There is a risk of clawback of grant if rules and regulations are not

followed. Therefore, it is proposed to create an External Funding Programme Manager as set out below to minimise risk of clawback using funding which has been allocated for administration costs. The annual nature of Grant Funding Agreements could present a further risk in relation to uncertainty of annual funding allocations.

- 4.2 Strong programme and project management is essential to maximise benefit from external funding. Four percent of the regional allocation is ringfenced for administration of the grant, and the City of Wolverhampton Council have been clear that this should be proportionately distributed across the region. WMCA have allocated one officer in each local authority to work with the WMCA team providing project management, monitoring and evaluation capability for local delivery activity. The proposed External Funding Programme Manager role will oversee delivery of the local element, ensure compliance and spend against profile and work with finance to submit claims and collate evidence to draw down the grant. However, there is a risk that our allocation will be insufficient to cover all the costs of project management, therefore where possible we will align expenditure with existing initiatives with existing project management.
- 4.3 There is likely to be an impact on other teams within the Council including delivery teams, finance in respect of reviewing and signing off claims, legal in relation to agreeing back-to-back agreements with WMCA and procurement relating to procuring activities. This reiterates the importance of the 4% administrative funding to the WMCA be appropriately distributed across the region.
- 4.4 UK SPF is set out in annual allocations with no carry forward of funds between financial years other than where a firm plan to spend is in place. This could potentially put at risk the grant in year 1 2022/2023, due to the probability of late approval and need to spend resources in the financial year. Since we are able to claim for spend from 1 April 2022, it is proposed we explore local priority areas where spend is underway that could be ultimately funded via UK SPF. The Leader of the Council and Mayor of the West Midlands have also written to government to seek great flexibility in carry over of funds to support a more strategic approach.
- 4.5 UK SPF resources can be allocated by procurement, grants or commissioning. Independent legal advice sought for the pre-runner to UK SPF, the Community Renewal Funding, suggested we could treat as a grant if delivery partners “designed” the content and below the threshold for services. The Council would act as an enabling body and receive no direct benefit from the provision undertaken/no direct services to the Council.

5.0 Evaluation of alternative options

- **Option one:** allocate local UK SPF allocation to align with city priorities in line with UK SPF intervention areas, outputs and outcomes tackling key challenges and enabling more support to be provided.
- **Option two:** not spend our allocation of UK SPF would result in a loss of external funding to the city and impact on our ability to address key challenges.

6.0 Reasons for decision(s)

6.1 Option one was chosen since external funding enables priority projects to proceed, at a faster pace and with greater impact on key challenges within the city.

7.0 Financial implications

- 7.1 The financial implications for local UK SPF allocations are outlined in the tables below. Activity will be fully funded by the Grant or supported by existing budgets. It should be noted there may be amendments to the proposed projects as detailed in this report, key project changes and any associated financial impact will be reported and approved through the Council's Individual Executive Decision Notice (IEDN) process in line with the delegation requested above. UK SPF does not require match funding.
- 7.2 The City of Wolverhampton Council will be required to enter into a back-to-back three-year Memorandum of Understanding and annual Grant Funding Agreements with the WMCA which outlines the project and also sets out rules and regulations that must be complied with.
- 7.3 It is anticipated that the profiled revenue and capital spend will be as per the table below. A more detailed budget breakdown will be provided in the IEDN.

Communities and Place	2022/23 £000's	2023/24 £000's	2024/25 £000's	Total £000's
Community interventions aligned with key local priorities including financial resilience, digital inclusion, net zero and place based activities				
Capital	50			50
Revenue	325	462	385	1,172
Vibrant High Streets: improvements to high streets and local arts, cultural, heritage & creative activities that stimulate footfall				
Capital	60	20	50	130
Revenue		220	250	470
Improvements to local green spaces as match to a larger Heritage Lottery Bid.				
Capital			200	200
TOTAL	435	702	885	2,022

Local Business	2022/23 £000's	2023/24 £000's	2024/25 £000's	Total £000's
Start up support: grow and sustain businesses /start up support targeting areas of high deprivation and unemployment				
Revenue		150	200	350
iGNITE: establishment of enterprise hub including funding for expansion in 2024/25.				
Capital			250	250
Revenue	21	60		81
TOTAL	21	210	450	681

People & Skills (revenue)			2024/25 £000's	Total £000's
VCS led employment programme			406	406
Intensive and wrap round one-to-one support for economically inactive residents			450	450
Support for residents not eligible for adult education budget			100	100
Specific vocational training for priority sectors			100	100
TOTAL UK SPF			1056	1056
Multiply – Financial Literacy	101	107	108	316

[LD/20092022/C]

8.0 Legal implications

- 8.1 The Council will be required to enter into a back-to-back three-year Memorandum of Understanding and annual Grant Funding Agreements with the WMCA for both UK SPF and Multiply which outlines the project and also sets out rules and regulations that must be complied with. Legal Services will review the Memorandum of Understanding and the Grant Funding Agreements to ensure that the Council is aware of its obligations to the WMCA.
- 8.2 Where delivery of the services are undertaken by external organisations, the Council will be required to comply with the Contract Procedure Rules and enter into agreements setting out the Suppliers responsibilities and ensuring compliance with the funder's rules and regulations to mitigate any risk to the Council.

[SZ/25102022/P]

9.0 Equalities implications

9.1 The Communities and Place priority within the UK SPF will include community interventions which meet the needs of diverse groups within Wolverhampton.

10.0 All other implications

10.1 UK SPF interventions will fund initiatives that add value to existing initiatives including climate change and environment, digital and Health and Wellbeing through net zero, digital inclusion, financial wellbeing and place-based initiatives being within the local priorities identified within the Communities and Place intervention. They will support the Wolverhampton Pound by procuring local organisations including VCS organisations to deliver funded provision.

10.2 Human Resources: an External Funding Programme Manager is proposed from 50% of the four percent allocation together with project support.

11.0 Schedule of background papers

11.1 None.