

Cabinet

18 April 2023

UK Shared Prosperity Fund

Recommendations

That Cabinet:

1. Supports the use of the remaining European Match Funding and Rural Growth Network Reserves alongside investment via the District and Borough Councils from the UK Shared Prosperity Fund (UKSPF) in order to increase the scope and scale of specific joint programmes.
2. Subject to agreement with the District and Borough Councils:
 - i. Approves the Council acting as accountable body for specific elements of UKSPF funding and for the Council to lead on the commissioning of joint programmes.
 - ii. Authorises the Strategic Director for Communities to enter into UKSPF funding agreements with individual District and Borough Councils on terms and conditions acceptable to the Strategic Director for Resources.
 - iii. Approves varying and extending two contracts with Coventry and Warwickshire Chamber of Commerce for the ongoing provision of business start-up services and support to businesses in the tourism, leisure and hospitality sector using Council and UKSPF funding.
 - iv. Approves the commencement of appropriate procurement activity and/ or competitive calls for projects to deliver the priorities of the UKSPF funding.
3. Authorises the Strategic Director for Communities to negotiate and enter into all necessary contracts and agreements required to deliver the approved recommendations on terms and conditions acceptable to the Strategic Director for Resources.

1. Executive Summary

- 1.1 The UK Shared Prosperity Fund is designed to replace the European Structural and Investment Funds (ESIF) which have provided significant investment in Warwickshire over many years, and which continue to support

some of the Council's business support and employability and skills activities. The primary aim of the UKSPF is to build pride in place and increase life chances in support of the Government's commitment to level up all parts of the UK. There are three investment priorities: (1) communities and place; (2) supporting local business and (3) people and skills.

- 1.2 UKSPF is being delivered by identified lead local authorities. These are combined authorities, unitary authorities or district and borough councils in two tier areas for the core UKSPF funding and combined authorities or upper tier authorities (including unitary authorities) for the smaller Multiply Fund aimed at supporting adult numeracy.
- 1.3 Warwickshire has been awarded £18.67 million of UKSPF funding over the three years up to March 2025; £16.13 million of core UKSPF funding to the District and Borough Councils and £2.54 million of Multiply funding to the Council. North Warwickshire Borough Council and Stratford-on-Avon District Council have also been provisionally awarded a further £0.5 million and £1 million respectively from the Rural England Prosperity Fund.
- 1.4 It is difficult to make exact comparisons between the ESIF Funds and UKSPF due to the scope and timing of the new UKSPF funding. UKSPF funding can support a wider range of activities than the current ESIF funds which were focused on economic growth and support for business as well as employment and skills. The amount allocated to each local area also increases each year between 2022/ 2023 and 2024/ 2025, and the ESIF programmes themselves have been closing at different points from June 2021 up to December 2023. However, £20.1 million over three years (or an average of £6.7 million a year) represents an estimated 30% reduction on the ESIF Funds that have been available in Warwickshire. The removal of the previous ESIF requirement for 50% match funding is also likely to see a significant reduction in the total investment.
- 1.5 Each lead authority was required to work with local partners to develop and submit a separate investment plan for the relevant delivery geography and fund. The plan for Multiply developed and submitted by the Council was approved in August 2022. The five local investments plans developed and submitted by the District and Borough Councils were approved in December 2022.
- 1.6 Warwickshire's District and Borough Councils have collectively allocated £5.12 million to the supporting local business priority (32% of the total core funding awarded to Warwickshire) and £3.1 million to people and skills (19% of the total although it should be noted that the large-scale funding of people and skills activities was originally restricted by Government to just 2024/ 2025). These combined allocations represent significant reductions on the amounts previously available in Warwickshire via the ESIF Funds. There are particular reductions in the amounts available to support business growth, innovation and low carbon support. It is estimated that the total amount available over the next two years represents a 75% reduction on the amount previously available via the ESIF Funds over a typical two-year period. There

is also a significant reduction in the amount available for employment and skills with a particular reduction in support for the long-term unemployed in the second half of 2023/ 2024 when current ESIF funded programmes close and before new UKSPF activities were originally able to start.

- 1.7 Government is strongly encouraging lead UKSPF authorities to work with other places where it meets the needs of a place and where joint delivery achieves value for money or better outcomes for residents and businesses. In particular, lead authorities are encouraged to work with other or neighbouring authorities (district, county or unitary) to agree and commission business support and people and skills activities over a larger scale representative of the business base or local labour market.
- 1.8 Council officers have worked with the District and Borough Councils to identify common challenges and opportunities under the local business and people and skills priorities and to develop a small number of programmes that would be commissioned jointly. All five local plans include these joint programmes (with variations to address specific local issues). The five plans also include a commitment to joint commissioning where it makes sense for them to operate at scale and for one local authority to lead on Warwickshire-wide procurement or a small number of calls for projects.
- 1.9 The Council and District and Borough Councils also agreed to commission an external review of business support in Warwickshire in order to inform the detailed design and implementation of UKSPF activities. This review was managed and led by the Council, and it reported at the end of March 2023. The review has recommended that the following six programmes should be jointly developed and commissioned at county-level:
 - Start-Up – A programme of support for local residents looking to start a business and new businesses in their first two years of trading.
 - Business Resilience and Growth – A programme of support to help established businesses in all sectors become more resilient and address a wide range of barriers to growth including export.
 - High Growth and Innovation – A programme of support for early stage and high growth potential businesses that would also address barriers to innovation and improve access to knowledge.
 - Net Zero – A programme of support to help established businesses in all sectors respond to climate change.
 - Manufacturing – A programme of specialist support for the manufacturing sector.
 - Tourism, Leisure and Hospitality – A dedicated programme for small businesses in the tourism, leisure and hospitality sector.
- 1.10 Consideration was given to the commissioning routes for each programme; a mixed model has been recommended involving extensions to current service contracts where they exist and are delivering successfully (such as current Council's contracts with Coventry and Warwickshire Chamber of Commerce for both the provision of business start-up services and support to the tourism,

leisure and hospitality sector) and joint procurement and/ or competitive calls for projects where new suppliers or project deliverers are required.

- 1.11 The review also recommended the establishment of a new strategic and operational governance structure involving all six local authorities and other relevant partners which would have oversight of business support across Warwickshire (including UKSPF funded activities). Finally, it recommended that one lead authority should lead on the commissioning, procurement, contract management and performance of the joint activities including ensuring appointed suppliers and project deliverers deliver agreed outputs and outcomes for each local area.
- 1.12 It is, therefore, recommended that Cabinet approves the Council acting as accountable body for specific elements of UKSPF funding (as and when agreed with groups of, or all of, the District and Borough Councils) and for the Council to lead on the commissioning of joint county-level programmes. In the first instance, this is expected to be for the joint business support programmes as set out in 1.9 above subject to decisions by the District and Borough Councils (and their local UKSPF partnership groups where they are in place) about which of the joint programmes they wish to support (if at all) and the financial allocations to each programme. It could also include specific people and skills programmes in due course.

2. Financial Implications

- 2.1 Elected members will need to consider the level of future investment by the Council in business support and employment and skills given the reductions in funding set out in 1.4 and 1.6. This will need to be in the context of both other Council priorities (and financial pressures) and decisions taken by the District and Borough Councils about which activities and programmes they wish to support via UKSPF.
- 2.2 In the first instance, it is expected that the UKSPF will fund some of the Council's costs in acting as accountable body for the business support programmes. The remaining costs are expected to be met by revenue budgets within the Communities Directorate. This includes the initial procurement and commissioning costs.
- 2.3 The UKSPF is also expected to fund the majority of the costs of the joint business support programmes as set out in 1.9. However, there is a need to use the remaining European Match Funding and ex-Rural Growth Network (RGN) Reserves strategically in order to increase the scope and scale of specific programmes and meet needs identified as part of the business support review. As of 31st March 2022, the two Reserve balances were European Match Funding (£0.166m) and ex-RGN (£0.242m) – totalling £0.408m. These are existing Reserves which members have previously agreed to use as match funding for the Council's ESIF-funded business support programmes.

- 2.4 It is also likely that there will be additional funding requirements if the Council is to deliver on its ambitions in the Council Plan and emerging Warwickshire Strategic Economic Plan. The Council will continue to explore opportunities for other Government or external funding. Any new investment by the Council to increase the scope or scale of the joint programmes agreed with the District and Borough Councils (e.g., via the revenue or capital investment funds) will be subject to the Council's usual approvals and considered in the context of the Medium-Term Financial Strategy.
- 2.5 Any investment by the Council in the joint people and skills programmes will also be subject to the usual approvals and considered again in the context of the Medium-Term Financial Strategy.

3. Environmental Implications

- 3.1 UKSPF provides a key opportunity to deliver priorities and activities identified in the Council Plan, new Sustainable Futures Strategy and emerging Warwickshire Strategic Economic Plan as well as individual District and Borough strategies and plans. In particular, it is expected that the UKSPF net zero programme will support delivery of the following action in the Integrated Delivery Plan: *“Work with partners to develop and commission a future programme to support Warwickshire businesses with the transition towards a net zero economy and the growth of the low carbon sector in Warwickshire.”*
- 3.2 UKSPF is also an opportunity more widely to support the development of green skills as well as place improvements, green tourism and active travel.

4. Supporting Information

- 4.1 Support for the Warwickshire economy faces the triple challenge of a significant reduction in support, likely gaps in support (the majority of UKSPF funding is not available until 2024/ 2025) and a loss of delivery capacity and expertise across a range of public, private and third sector business support and employment and skills delivery organisations (most ESIF-funded projects and programmes end in June 2023). There are also expected to be significant variations in the level of UKSPF funding available in different areas for specific business support and people and skills activities.
- 4.2 The joint local authority commissioning approach as set out in the five local UKSPF investment plans and this report along with the pooling and alignment of UKSPF, Council and other local resources is considered the best way to mitigate these risks to the Warwickshire economy and to achieve best value for money and outcomes for residents and businesses. A strategic and co-ordinated yet flexible approach is also considered the best way to address both common challenges and opportunities across the county and specific local issues.

- 4.3 Alternative options have been considered. However, commissioning business support and people and skills activities at a local level does not usually offer value for money. It is unlikely to have the critical mass needed to attract suppliers and delivery organisations of the required quality and number. It could also lead to very different offers across the county and potentially a proliferation of local programmes or a postcode lottery of support (causing either confusion in the market or gaps in support).
- 4.4 The Council playing a purely strategic role and individual District and Borough Councils leading on the commissioning of activities has also been considered. However, it is the Council which already has many of the systems and processes needed to deploy the UKSPF funding including existing service contracts which can be extended (and which were tendered with the ability to deploy UKSPF) and the Dynamic Purchasing System (DPS) for Business Support Services which can be used for flexible and accelerated procurement. The Council also has many years of experience in commissioning and managing Government and European funded business support and employment and skills programmes. That experience and infrastructure is considered important in ensuring successful and effective delivery of UKSPF business support and employment and skills programmes.

5. Timescales associated with the decision and next steps

- 5.1 The District and Borough Councils (and their local UKSPF partnership groups where they are in place) are expected to make decisions on which of the joint business support programmes they wish to support (if at all) and the financial allocations to each of the programmes between April and the end of June. The exact scope and scale of the joint programmes will, therefore, be known by the end of June along with the additional investment required by the Council.
- 5.2 The Council is expected (as and when agreed) to enter into funding agreements with individual District and Borough Councils for the UKSPF funding between May and July. It is, however, recommended that the Council commences with the procurement of new services or calls for projects at risk in order to minimise – and where possible avoid – a gap between the majority of ESIF-funded business support ending in June and the new UKSPF funded programmes starting. This will involve the Council incurring some costs in terms of officer time. However, the Council will not enter into contracts or agreements with external suppliers or deliverers until funding agreements with the District and Borough Councils are in place. The financial risk to WCC is, therefore, very low.
- 5.3 Negotiations with Coventry and Warwickshire Chamber of Commerce to vary and extend the contracts for the provision of business start-up services and support to the tourism, leisure and hospitality sector will also run in parallel with the District and Borough Council decision-making on the UKSPF funding. It is expected that both contracts will be extended to March 2025.

5.4 The development of people and skills programmes has been taking place over a longer period of time as Government originally delayed the funding of large-scale employment and skills support until 2024/ 2025. In the first instance, it is expected that the Council together with the District and Borough Councils will undertake a review of employment and skills support in Warwickshire in order to inform the detailed design and implementation of the new UKSPF activities. This could result in some activities being brought forward following the recent removal of a restriction on people and skills spending in 2023/ 2024.

Appendices

None

Background Papers

None

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The report was circulated to the following members prior to publication:

Local Member(s): n/a

Other members: Councillors Clarke, Chilvers, Fradgley and D'Arcy