

Cabinet

6 March 2025

UKSPF Transition Year 2025-2026

Recommendations

That Cabinet:

1. Supports the proposed use of Warwickshire's allocation of UK Shared Prosperity Funding (UKSPF) for 2025-26 as set out in the report including the allocation of a proportion of the Communities and Place funding to the District and Borough Councils and extensions to the Council's existing UKSPF business support and employment and skills programmes.
2. Authorises the Executive Director for Communities to enter into relevant agreements with the Ministry for Housing, Communities and Local Government (MHCLG) on terms and conditions acceptable to the Executive Director for Resources.
3. Approves the addition of a capital grant worth an expected £0.97 million of UKSPF to the Capital Programme.
4. Approves the commencement of commissioning activity including any procurement and/ or competitive calls for projects required to deliver the investment priorities of the UKSPF funding.
5. Authorises the Executive Director for Communities to allocate the UKSPF funding and such other funding as may be available to deliver the three UKSPF investment priorities and to negotiate, and enter into, all necessary agreements to effect the above recommendations including, but not limited to, Deeds of Collaboration with individual District and Borough Councils and Deeds of Variation with existing service providers on terms and conditions acceptable to the Executive Director for Resources.

1. Executive Summary

1.1 In March 2024, Warwickshire County Council become one of only four councils to secure a Level 2 Devolution Deal, following a decision by Cabinet on 5th March 2024 which authorised the Chief Executive, in consultation with the Leader, to negotiate and finalise a devolution agreement for Warwickshire. The Deal included the transfer of three sets of functions and funds:

- responsibility of allocating Adult Skills Fund delivering 19+ further education and skills provision from August 2026 onwards.
- devolution of Homes England compulsory land assembly/ purchase powers to be concurrently held with and exercisable by Homes England.

- planning and delivery of the UK Shared Prosperity Fund from April 2025 onwards.

UKSPF Background

- 1.2 Warwickshire's District and Borough Councils received £16.1 million of core UKSPF funding between 2022-23 and 2024-25 in support of local investment plans agreed with Government. Core UKSPF has three investment priorities: Communities and Place, Supporting Local Business and People and Skills. The funding available has increased each year (as the previous European funding programmes closed). The core UKSPF is expected to be worth £10.2 million to Warwickshire in 2024-25.
- 1.3 Warwickshire County Council (the Council), on behalf of the local authorities in Warwickshire, co-ordinated and led on the commissioning of £4.4 million of Local Business and People and Skills activities at the county level. These programmes have been successfully delivered between July 2023 and March 2025.
- 1.4 The Council also received a further allocation of UKSPF to support adult numeracy via the Multiply Fund (again in support of an agreed local investment plan). Multiply is expected to be worth £0.88 million to Warwickshire in 2024-25.
- 1.5 North Warwickshire Borough Council and Stratford District Council were also awarded a further £0.5 million and £1 million respectively from the Rural England Prosperity Fund.

2025-26 Transition Year

- 1.6 The October Budget confirmed that UKSPF will continue at a reduced level of £900 million for a further year (down from £1.5 billion in 2024-25 or a 40% reduction). This is a transitional arrangement to allow combined and local authorities to invest in local growth in advance of wider funding reforms.
- 1.7 MHCLG has confirmed that Warwickshire will receive £5.27 million in 2025-26 made up of £0.97 million capital and £4.3 million revenue.
- 1.8 MHCLG has also confirmed that the delivery of UKSPF will transfer to Warwickshire County Council as agreed in the Council's Level 2 Devolution Deal.
- 1.9 Multiply will not continue as a separate ringfenced programme. However, lead local authorities have the flexibility to use some of their 2025-26 allocation to support adult numeracy activities. The Department for Environment, Food & Rural Affairs is yet to confirm whether the separate Rural England Prosperity Fund will continue.

Lead Local Authority Role

- 1.10 Lead local authorities receive an area's allocation to manage including assessing and approving applications or business cases, processing payments, and day-to-day monitoring. Lead local authorities are also required to comply with Subsidy Control requirements and the Procurement Act 2023 (where relevant).
- 1.11 Lead local authorities are not required to submit a new investment plan for 2025-26. This also applies to any newly appointed lead authorities. MHCLG have simply asked that all lead local authorities provide an update on their plans for 2025-26 as part of their routine reporting.
- 1.12 Local authorities that no longer act as lead local authority for UKSPF from 2025-26 are required to close down their current programmes. New lead local authorities are encouraged to collaborate with local authorities that have delivered UKSPF between 2022 and 2025 and to view the additional 12 months as a continuation of the fund.
- 1.13 All lead local authorities are strongly encouraged to engage with, and seek support from, local partners to deliver UKSPF. A local partnership group is encouraged. Council officers are currently looking at both the strategic and operational governance needed to deliver UKSPF and wider responsibilities such as those around the new Economic Growth Strategy. Council and District and Borough officers are also meeting regularly to manage the transition of the lead local authority role and to plan the commissioning and delivery of activities for 2025-26.

Scale of the Challenge

- 1.14 £5.27 million represents a 53% reduction in the value of UKSPF to Warwickshire compared to 2024-25 (including Multiply).
- 1.15 An allocation of £7 million was expected based on the previous methodology for allocating the funding and following confirmation in the new Government's Budget that Multiply would close. However, there is a higher proportion of capital funding compared to previous years. MHCLG has also used a new methodology for 2025-26 which shifts the available capital funding towards Mayoral Combined Authorities and protects the revenue allocations to more deprived local authority areas (whilst ensuring funding in all areas is high enough to remain viable).
- 1.16 In addition to the significantly reduced budget, there is also limited time for managing the transition of the lead local authority role from the District and Borough Councils to the Council, determining the use of the funding, engaging local partners and stakeholders, commissioning activities, and commencing delivery by April 2025.

Use of the Funding

- 1.17 The use of the 2025-26 allocation has been considered in two stages; first of all, the use across the three investment priorities and then, secondly, how the available budget is used to deliver specific priorities under each investment priority.

Allocations by Investment Priority

- 1.18 First of all, it is recommended that the Council takes a balanced approach to the delivery and splits the overall funding broadly equally between the three investment priorities. However, it is also recommended that the funding for People and Skills is reduced in recognition of other, new Government investment in employment support including WorkWell and Connect to Work in order to maximise the funding available to support the Local Business and Communities and Place priorities.
- 1.19 It is also recommended that the capital is allocated to the Communities and Place priority (rather than the capital and revenue budgets being split equally across the three priorities). This will help maximise the revenue available to support business support and employment and skills programmes. It also recognises the availability of other capital budgets, the timescales involved in delivering new skills capital projects, and that the capital allocation is best deployed in support of the Communities and Place priority including a new 'high streets and town centre improvements' sub-theme.
- 1.20 The proposed funding allocations by investment priority are in the table below:

	Communities & Place (36%)	Business (36%)	People & Skills (24%)	Admin (4%)	Total
Capital	£974,103	£0	£0	£0	£974,103
Revenue	£938,422	£1,912,525	£1,239,845	£211,037	£4,301,829
	£1,912,525	£1,912,525	£1,239,845	£211,037	£5,275,932

Delivery by Investment Priority

- 1.21 Secondly, it is recommended – given the significantly reduced budget and just 12 months for delivery – that the Council builds on the current local UKSPF investment plans and delivery where possible and also simplifies the process for allocating funding to project/ programme activities as much as possible.
- 1.22 Each investment priority has been considered separately given their specific circumstances. The proposed commissioning and delivery routes are in the table below:

Investment Priority	Recommended Commissioning Route
Communities and Place	Delegation of the majority of the funding to the

	five District and Borough Councils whilst retaining some funding for commissioning/ delivery by the Council.
Supporting Local Business	Extension of six UKSPF programmes developed and commissioned jointly by the Council and the District and Borough Councils. Coventry and Warwickshire Chamber of Commerce, University of Warwick Science Park, Coventry City Council and Oxford Innovation Advice were appointed in 2023 to deliver current Business Growth Warwickshire programmes after competitive procurement exercises. Any remaining budget would be used to commission some modest new activities.
People and Skills	Extension of four UKSPF employment & skills programmes developed and commissioned jointly by the Council and the District and Borough Councils (at a reduced level).

- 1.23 The allocations of the Communities and Place funding to the District and Borough Councils have been calculated using the new MHCLG methodology. This allocates funding to lower tier authorities in two tier areas (or unitary authorities elsewhere) before aggregation to the delivery level. The proposed allocations to the District and Borough Councils are in the table below:

	Capital	Revenue	Total	% of Total
NWBC	£89,262	£85,992	£175,253	12.22%
NBBC	£182,927	£176,226	£359,153	25.04%
RBC	£138,639	£133,560	£272,199	18.98%
SDC	£163,302	£157,321	£320,623	22.35%
WDC	£156,448	£150,718	£307,166	21.41%
	£730,577	£703,817	£1,434,394	

- 1.24 Finally, it is recommended that 25% of the Communities and Place funding (£478,131 in total made up of £243,526 capital and £234,606 revenue) is retained for the commissioning/ delivery of activities at the local level by the Council.

2. Financial Implications

- 2.1 MHCLG has confirmed that the Council will receive £5.27 million of UKSPF funding in 2025-26 made up of £0.97 million capital and £4.3 million revenue.
- 2.2 It is expected that the Council will receive two Grant Determinations from MHCLG (one for the capital and one for the revenue funding) and that the Council will be asked to enter into a Memorandum of Understanding with MHCLG. Both funding allocations will be paid in full in early 2025-26. The Council will be able to pass relevant grant conditions onto the District and Borough Councils, suppliers and other grant recipients as appropriate including any community or business applicants under specific projects.
- 2.3 Lead local authorities are able to use up to 4% of their allocation to undertake Fund administration. At this stage, this budget of £211,037 is considered sufficient to cover the Council's additional costs including all legal costs.
- 2.4 It is expected that additional management and administration costs at the project or programme level will need to be funded out of the allocations to the investment priorities. This is being considered in more detail as further guidance is received from MHCLG. Any of the 4% budget for Fund administration not required by the Council will be used to commission additional activities or to support management and administration at the project level either by the Council or other organisations.
- 2.5 It should also be noted that Council officers are in discussions with West Midlands Combined Authority (WMCA) and the Department for Energy Security and Net Zero (DESNZ) about a possible, one year extension to the Warwickshire Business Energy Advice Service (BEAS) pilot. The BEAS is currently funded by UKSPF (via the five District and Borough Councils), DESNZ (via WMCA) and the Council.
- 2.6 Any underspends in the UKSPF funding at the end of 2025-26 will need to be repaid by the Council to MHCLG. Processes will be put in place to recover any monies unspent by the District and Borough Councils and other grant recipients.

3. Environmental Implications

- 3.1 The UKSPF funding will continue to support the delivery of key priorities in the new Economic Growth Strategy for Warwickshire and the Sustainable Futures Strategy.
- 3.2 The UKSPF will also support the delivery of Key Deliverables in the Council Delivery Plan. In particular, it is being recommended that some of the UKSPF grant (depending on any grant available from DESNZ via WMCA) is used to extend the Warwickshire Business Energy Advice Service. The extensions to the Council's skills programmes also include activities to support green skills.

4. Supporting Information

- 4.1 Other options have been considered and discounted, both for the allocations by investment priority and the delivery.
- 4.2 Other options for allocating the funding by investment priority included using the current allocations for 2024-25 as the basis for 2025-26, placing a greater focus on growth (i.e. higher proportions to the Local Business and People and Skills priorities) and allocating the capital and revenue allocations equally by investment priority.
- 4.3 Using the current allocations for 2025-26 could potentially help ensure continuity during a transition year of UKSPF. However, the current allocations were agreed by the District and Borough Councils with little or no involvement of the Council. Some of the local allocations are also very heavily weighted towards the Communities and Place priority so this would have led to a disproportionate reduction in the funding available to support Local Business and People and Skills activities.
- 4.4 A focus on growth would recognise both Government and Council priorities as well as correct the previous imbalance in some of the current local UKSPF plans. However, this approach would have disproportionately impacted the delivery of the Communities and Place priority given the overall reduction in the funding and made the proposed delegated model with the Districts and Boroughs unviable in some areas. Allocating the capital and revenue equally by investment priority was also discounted for the reasons in paragraph 1.19 above.
- 4.5 Other options for delivering the funding by investment priority included holding open calls for projects and allocating more or less of the Communities and Place funding to the District and Borough Councils.
- 4.6 Holding open calls for projects would have given more organisations the opportunity to access the funding. However, this option would have involved significant expectation management across the county given the reduction in the overall funding and the number of projects funded by the District and Borough Councils using UKSPF. It would also have been administratively burdensome. The 4% for Fund administration is relatively modest and would have been unlikely to cover the Council's costs under this option. An open call process would also have taken significant time and left significantly less time for delivery.
- 4.7 Targeted open calls for projects could still be held as part of the delivery of specific projects at either the local or Warwickshire level. However, it is recommended – given the significantly reduced budget and 12 months for delivery – that we build on current UKSPF investment plans and delivery where possible. This includes extending existing contracts where possible and performance has been satisfactory. It is also recommended that the six local authorities in Warwickshire collaborate in the delivery of the transition year

rather than the District and Borough Councils having to apply to the Council for an allocation of funding.

- 4.8 Finally, allocating more or less of the Communities and Place funding to the District and Borough Councils was considered. However, a 75%/25% split is considered the appropriate balance between the District and Boroughs being able to manage the transition at the local level and the Council having a budget to commission/ deliver additional local activities. It is also recognised that the District and Borough Councils need a budget that is high enough for the proposed delivery model to be viable.

5. Timescales associated with the decision and next steps

- 5.1 MHCLG have confirmed that UKSPF allocations will be paid in full upon successful completion of an initial report for 2025-26 and agreement of a Memorandum of Understanding (MOU). Reports will be commissioned on 1st April 2025. Lead local authorities will be asked to provide an initial forecast of how they expect to allocate their 2025-26 UKSPF allocation and the outputs and outcomes they expect to achieve under the twelve UKSPF 2025-26 sub-themes. MHCLG have stated that they are aiming to pay lead local authorities as soon as possible following receipt of their completed reports and signed MOUs.
- 5.2 The Council has commenced work to extend or commission new project and programme activities in order to minimise delays or gaps in services/ support and to avoid the loss of delivery staff and capacity. This is expected to include the commencement of some procurement activities and the making of some conditional grant offers (e.g. to the District and Borough Councils) or non-binding commitments to extend contracts. Both will be subject to obtaining further procurement and legal advice.
- 5.3 Clearly, this work is involving the Council incurring some costs in terms of officer time. However, the Council will not extend contracts or enter into any new agreements including the Deeds of Collaboration with individual District and Borough Councils until all relevant agreements are in place with MHCLG. The financial risk to the Council is, therefore, considered to be low.

Level 2 Devolution Deal

- 5.4 The Council is currently working with the MHCLG to agree the draft Regulations that will devolve the Homes England compulsory land assembly/ purchase powers to the Council. Subject to Cabinet approval in March 2025, the Council will consent to the Regulations, and they will be laid before Parliament for approval. It is anticipated that this will happen before the Summer Recess of Parliament, but this is dependent on Parliamentary scheduling.
- 5.5 In respect of the devolution of Adult Skills functions, the Department for Education will take forward separate legislation later in the year to confer

these functions, subject to the Council meeting readiness conditions in May 2025. A further report on this aspect of the Devolution Deal is, therefore, expected to be brought to Cabinet in the autumn.

Appendices

None

Background Papers

None

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The report was circulated to the following members prior to publication: Chair and Party Spokes of the Communities Overview and Scrutiny Committee