

UK Shared Prosperity Plan Submission to Government

Meeting: Cabinet

Meeting date: Thursday 28 July 2022

Report by: Cabinet member environment and economy

Classification

Open

Decision type

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

This is a key decision because it is likely to be significant having regard to: the strategic nature of the decision; and / or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards) affected.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Wards affected

(All Wards);

Purpose

To seek cabinet approval to submit the UK Shared Prosperity Fund (UKSPF) Investment Plan to government on 1 August 2022. Government has allocated Herefordshire £7.6m of UKSPF, subject to the submission and approval of an Investment Plan.

Recommendation(s)

That:

- a) Cabinet approve the submission of the Herefordshire UK Shared Prosperity Fund Investment Plan to government, in order to secure up to £7.6m of funding for the county;**
- b) Authority to make technical amendments to the final Investment Plan submission is delegated to the Corporate Director for Economy and Environment;**
- c) Should the Investment Plan be approved, Herefordshire Council agrees to be the accountable body for the implementation of the UK Shared Prosperity Fund allocation and the resulting projects; and**
- d) Authority is delegated to the Chief Executive Officer and the Section 151 officer to formally submit the bids by the 1 August 2022 deadline**

Alternative options

1. Do nothing – The council could choose not to submit the Herefordshire UKSPF Investment Plan to government by 1 August 2022 deadline. However, this would result in the council being unable to access the up to £7.6m of funding allocated to the county, which is critical to supporting the economic growth of Herefordshire. This option is not recommended.
2. Alternative priorities in the Investment Plan – the council could choose to submit an alternative Investment Plan (to those set out in Appendix 2), identifying different priorities for the county. As required by the national guidance, the Investment Plan has been developed against a clear evidence base and in consultation and agreement with local stakeholders. Alternative priorities may not meet the county's needs, and is unlikely to meet the government's requirements for approval. This option is not recommended.
3. The council could choose to not be the accountable body for the funding. There is no other suitable organisation in the county to fulfil this role, it is likely that Herefordshire would not be able to access the funding. This option is not recommended.

Key considerations

4. In April 2022 government launched the UK Shared Prosperity Fund (UKSPF), to replace the European Union funded structural funds. The guidance for UKSPF can be found here: [UK Shared Prosperity Fund: prospectus - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/107142/ukspf-prospectus.pdf).
5. In accordance with the Levelling Up White Paper, government has launched the UKSPF to help address geographical disparities in economic performance and circumstances. The funds objectives are to;
 - a) Boost productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging
 - b) Spread opportunities and improve public services, especially in those places where they are weakest
 - c) Restore a sense of community, local pride and belonging, especially in those places where they have been lost

- d) Empower local leaders and communities, especially in those places lacking local agency
6. Each 'Lead Local Authority' has been allocated a three year funding commitment, subject to the development, submission and approval of a suitable Investment Plan. The council has been identified as the lead local authority for Herefordshire and the county has been allocated £7,545,330 between 2022/23 and 2024/25, of which £903,194 is for 'Multiply' adult numeracy support. Due to differing timeframes and requirements a separate Multiply investment plan has been developed and submitted to government, subject to the following Cabinet Member governance decision: [Decision - Multiply Local Investment Plan submission to the Department for Education - Herefordshire Council](#).
 7. The remaining £6,642,136 is the focus of this decision and accompanying Investment Plan. The majority of the funding is revenue (£5.5m), with the remainder (£1.1m) capital.
 8. The guidance states *'Within the context of the Fund's aims, each place will have flexibility to invest across a range of activities that represent the right solutions to improve local pride in place, increase life chances, to help spread and create opportunity, and a sense of community and belonging. The balance of priorities should reflect local need and opportunity. It should build on existing national provision to create the optimal mix of support for each place. This flexible approach represents a key shift from the previous EU system. These interventions will be set out in an investment plan submitted to the UK government for approval'*.
 9. The investment plan should identify priorities across three themes of communities and place, local business and people and skills.
 10. The guidance also states that Lead Local Authorities will be responsible for implementing the Investment Plan. *'In England, Scotland and Wales, local government is being given responsibility for developing an investment plan for approval by the UK government, and for delivery of the Fund thereafter. This recognises that pride in place and increasing life chances can be best achieved by delivery close to local people and businesses; by authorities that understand each place's unique local context and identity, and with established governance. Lead local authorities will receive an area's allocation to manage, including assessing and approving applications, processing payments and day-to-day monitoring'*.
 11. The guidance also states *'Lead local authorities for each area will have flexibility over how they deliver the Fund. They may wish to use a mix of competitions for grant funding (which is the default approach set out in Cabinet Office Grants Standards), procurement, commissioning or deliver some activity through in-house teams. For example, some community level interventions may require a commissioning or in-house approach, recognising that competitions for grant may create barriers to participation in left behind communities. Lead local authorities should also design their project selection and contracting processes so they have mechanisms to recover funding where beneficiaries do not comply with fund parameters, UK law or any local requirements'*.
 12. Lead Local Authorities can utilise up to 4% of the UKSPF allocation to administer the funds.

Herefordshire UKSPF Investment Plan

13. Given the limited timescales to develop the Investment Plan (for submission to government on 1 August 2022), the council needed to quickly establish the capacity and expertise required to support the development of the Plan. Therefore the council have commissioned Metro Dynamic consultants to lead the development of the UKSPF Investment Plan for Herefordshire. Metro Dynamics have significant experience of working in the area both in terms of

establishing the required evidence base but also understanding local needs and opportunities, having recently led the development of the Marches Local Enterprise Partnership Strategic Economic Plan and Draft Local Industrial Strategy.

14. As required in the UKSPF guidance, the council has, in preparation to submit its application, also formed a strategic partnership board to oversee the development of the Investment Plan. The Herefordshire Sustainable Growth Strategy Board (HSGSB) was formed in June 2022, and includes representation from across the county's business sectors, geographies, communities, and the chairs of other local stakeholder groups such as the Herefordshire Business Board, Skills Board and Climate and Nature Partnership. The membership of the HSGSB can be found in appendix 1.
15. The Investment Plan can be found in appendix 2. In line with the guidance, initially Metro Dynamics have focussed on forming and analysing a local evidence base to identify issues and or opportunities. The analysis has identified possible local priorities, as a basis for consultation and engagement with local partners. The analysis of the evidence base has identified the following headlines;
 - i. Herefordshire is one of the most sparsely populated areas of the UK, with an ageing population and connectivity challenges characteristic of rural areas. The overall population of Herefordshire has increased by 2% over the past 10 years compared to 6.6% in England, and between 5.2% and 6.4% in neighbouring areas. This increase has been primarily amongst the over 65 population, with the working age population declining by 4.1% (ONS Census, 2021).
 - ii. A larger proportion of homes in Herefordshire (16.6%) are in fuel poverty than in the West Midlands (13.5%) and England (11%). This is particularly a concern for older people who are more susceptible to ill health (including the risk of death in the winter) as a result of residing in cold homes. An estimated 60% of people aged 65+ live in rural parts of Herefordshire, where access to mains gas may not be possible, and properties with poor thermal efficiency are more common, both of which increase the risk of fuel poverty. Applying the Government's new 'low-income low energy efficiency' measures, around 17% (14,000) of households in Herefordshire were in fuel poverty in 2019 (higher than England's 13%).
 - iii. The county's natural landscape and quality of life offer attracts retirees, but does not offer the range of high-quality employment opportunities or density of leisure and recreational services that attracts and retains young people and business talent. Young people are more likely to be less satisfied with the local area than the rest of the population, report lower levels of well-being, and feel they have less influence in their local communities¹.
 - iv. Low Skilled low wage economy -with a high proportion of employment in low value sectors such as retail, health and agriculture, average earnings are below the national average. The latest Annual Survey of Hours and Earnings (ASHE, 2021) reveals that the workplace-based median weekly earnings for people who work in Herefordshire is now £536; a 12% increase from the amount recorded for 2020 (£481). Herefordshire's weekly earnings however remain significantly lower than that in England £613, and the county has the lowest median earnings of all 14 West Midlands authorities.
 - v. The county has a lower proportion of working age people qualified at NVQ4+ (39% compared to 43% nationally) (ONS, 2021).

¹ Community Wellbeing Survey (2021)

- vi. Productivity is below the national average, with GVA per hour worked at £23.79 which is much lower than the average of £35.15. GVA per hour has also grown at a slower rate than nationally which is resulting in the productivity gap widening.
- vii. Herefordshire's business base is growing more slowly than the UK as a whole. The number of active businesses increased by 6% over the past five years, compared to 13% nationally, and the start-up rate is 9.5% compared to 12% nationally (ONS Business Demography data, 2020).
- viii. The council is committed to reducing carbon emissions to net zero by 2030. Our carbon reduction strategy has identified that the adoption of energy efficiency measures will be a key factor in delivering our target. We are already making positive progress with our decarbonisation agenda, with data indicating that transport emissions per capita have reduced more rapidly over the past 5 years than in England (5.6% compared to 4% nationally) and are now in line with national averages. However our built environment is not energy efficient. We have fewer domestic properties with an EPC rating of A-C and higher incidence of fuel poverty.
- ix. Analysis of Indices of Multiple Deprivation (IMD) data (2019) indicates that 16 Lower Super Output Areas (LSOA) in Herefordshire are amongst the 25% most deprived in England in terms of adult skills and of these, five are within the 10% most deprived.

16. Following the analysis of the evidence base, consultation with the HSGSB and wider partners focussed on the future priorities for the county, against the three UKSPF themes (para 9 above). The consultation has identified four priority areas;
- a) **Place-making/ Vibrant places where people want to live, work and visit-** creating vibrant places which provide the quality of services, attractions, built environment, and activities that will attract visitors, encourage business growth and create more opportunities for residents. The events of recent years have highlighted the critical role community, engagement and social interactions play in health, well-being and productivity, and our network of market towns and local villages are vital to providing accessibility of services to an increasingly ageing population; providing the services, infrastructure and enlivenment which will attract SMEs, visitors, and young people; and raising the profile of Herefordshire as a vibrant place to live.
 - b) **Decarbonisation/ Sustainable communities** - In order to deliver the county's carbon reduction strategy and maximise the local impacts of this, we will need to ensure the workforce has the skills to deliver green jobs and support the growth of businesses able to benefit from new 'green' markets and supply chain opportunities. SPF funding will encourage businesses to increase their energy efficiency, supporting workforce development to meet green economy needs, and helping existing and new businesses to access new market opportunities the net zero agenda creates. We will also provide targeted support to households to improve their energy efficiency. We will also ensure that wider interventions funded through SPF adhere to sustainable growth principles. We expect all projects therefore to support the delivery of net zero objectives wherever possible.
 - c) **Higher skilled/ higher waged economy** - With the county experiencing slowing productivity growth, and a business base which is growing more slowly than nationally, there is a need to help our existing business base to scale, innovate and access new markets. This includes driving incremental innovation and improvement across our major employment sectors, as well as encouraging investment in R&D within priority growth sectors. There are also opportunities to expand our creative and digital sectors to support diversification, innovation and growth across other sectors – particularly agriculture, manufacturing and health – as well as build the vibrancy of urban centres through the

development of niche retailing and craft businesses which will support the visitor economy and cultural tourism.

- d) Future skills and inclusive growth** - headline statistics mask hidden inequalities across the county. Many young people within lower income households do not experience the same degree of social mobility as those from other backgrounds, and survey analysis suggests that people in disadvantaged communities more likely to be less satisfied with the area, feel like they have less influence, and experience lower levels of well-being. The county also has a higher proportion of employment in low skilled and low wage sectors which limits the number of opportunities for young people and makes residents more vulnerable to rising costs and in-work poverty. Provision is required to support people to progress in work and supplement local adult skills provision. We also need to build a future-focused workforce with the skills and qualifications able to meet the needs of key growth sectors and an increasingly digital and green economy.

Community impact

17. UKSPF will support local people to improve their skills, to access new employment opportunities, to grow local businesses, and create a better place for people to live, work, study and visit.
18. Should the Investment Plan be approved, either through the availability of grant funding or the commissioning of local services, funding will be utilised to help local people in to employment (replacing some of the services provided currently through the European Social Fund) specifically targeted at assisting those Not in Education , Employment or Training (NEETs). Local colleges and businesses will work together to address local skills gaps, helping local people to gain the training they need to access new employment opportunities. For example, the investment plan has identified a critical need for people with the skills needed to support the retrofit of both residential and business premises, which will help address fuel poverty, address escalating energy cost, and support decarbonisation of the county.
19. The UKSPF Investment Plan will address the following County Plan 2020 to 2024 priorities;
 - a) Invest in education and the skills needed by employers
 - b) Protect and promote our heritage, culture and natural beauty to enhance quality of life and support tourism
 - c) Protect and improve the lives of vulnerable people
 - d) Build understanding and support for sustainable living Invest in low carbon projects
20. The UKSPF Investment Plan will support the implementation of the following council Delivery Plan actions;
 - a) Address the climate and ecological emergency in the county (supporting objectives EN3 EN4, EN6 & EN7)
 - b) Invest in creating affordable net zero carbon housing (supporting objective CO3)
 - c) Work to minimise inequalities in our communities (supporting objective CO4)
 - d) Support economic opportunity through business support (supporting objectives EC2 & EC6)

- e) Work with partners to increase the Skills and Workforce in the county (supporting objective EC3)
- f) Support Tourism and Cultural Sector in the county (supporting objective EC5)

Environmental Impact

20. A key priority of the UKSPF Investment Plan is to focus support at decarbonising the county, in terms of enabling the retrofit of residential and business premises through the development of appropriate local skills to meet the current gap in capacity, the provision of specialist business support advice and audits, as well as seeking to support the provision of grant funds to support energy efficiency.

Equality duty

Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
21. The Equality Act 2010 established a positive obligation on local authorities to promote equality and to reduce discrimination in relation to any of the nine 'protected characteristics' (age; disability; gender reassignment; pregnancy and maternity; marriage and civil partnership; race; religion or belief; sex; and sexual orientation). In particular, the council must have 'due regard' to the public sector equality duty when taking any decisions on service changes.
22. The UKSPF Investment Plan will ensure that support is made available to help those not currently in employment, education and training to develop the skills they need to access employment opportunities.
23. As the accountable body for the fund, the council will ensure that any available grant funding or commissioning of services is open to any and all who wish to be considered for support, that the criteria and selection process are transparent and fair. Equality Impact Assessments will be required by anyone who seeks UKSPF funds from the council, and will be a key consideration in the assessment of grant funding applications.

Resource implications

24. The council has been identified as the Lead Local Authority for UKSPF and the county has been allocated £7,545,380 between 2022/23 and 2024/25, of which £903,194 is for 'Multiply' adult numeracy support. Due to differing timeframes and requirements a separate Multiply investment plan has been developed and submitted to government, subject to the following Cabinet Member governance decision: [Decision - Multiply Local Investment Plan submission to the Department for Education - Herefordshire Council](#).

25. The following profile is based on the national UKSPF guidance, which identifies a minimum capital allocation of 10.4% in 2022/23, rising to 17.9% in 2024/25. The national guidance also identifies an increasing profile of allocation over the three years, with the majority of skills activity commencing in 2024/25 as existing European Social Fund activities come to an end.

Revenue or Capital cost of project (indicate R or C)	2022/23	2023/24	2024/25	Future Years	Total
UKSPF (R)	£645,776	£1,325,548	£3,308,282	£000	£5,279,606
UKSPF (C)	£71,753	£198,070	£827,071		£1,096,894
UKSPF Administration (R) (4%)	£88,562	£88,562	£88,563		£265,687
TOTAL	£806,091	£1,612,180	£4,223,916		£6,642,187

Funding streams (indicate whether base budget / external / grant / capital borrowing)	2022/23	2023/24	2024/25	Future Years	Total
UKSPF (R)	£645,776	£1,325,548	£3,308,282	£000	£5,279,606
UKSPF (C)	£71,753	£198,070	£827,071		£1,096,894
UKSPF Administration (R) (4%)	£88,562	£88,562	£88,563		£265,687
TOTAL	£806,091	£1,612,180	£4,223,916		£6,642,187

Revenue budget implications	2020/21	2021/22	2022/23	Future Years	Total
N/A (100% funded from UKSPF allocation)	£000	£000	£000	£000	£000
TOTAL					

Total Funding Allocation Per UKSPF Theme

UKSPF Theme	Interventions	Total Funding Allocation
Communities and place	<ul style="list-style-type: none"> Funding to support the delivery of our culture strategy and encourage engagement in arts, culture and heritage-based activities Growth of the creative economy and niche retailing to support placemaking Interventions which support the delivery of net zero targets and rising energy prices 	£2.5m revenue

Supporting business	<ul style="list-style-type: none"> • Funding which supports productivity growth, supports the transition to a higher skilled / higher waged economy, and the delivery of net zero targets including: • Business and innovation support for start-ups and scale ups • Growth of creative industries and the visitor economy • Supporting businesses to improve energy efficiency 	£1.6m revenue £1.1m capital
People and skills	<ul style="list-style-type: none"> • Funding which supports inclusive growth, the transition to a higher skilled / higher wage economy, and the delivery of net zero targets including: • Workforce development to facilitate career progression and meet employer recruitment and growth needs • Interventions which support those facing barriers to employment and training to achieve their potential • Experiential learning opportunities and access to basic/life skills which support community well-being, improve access to services and employment, and reduce social isolation 	£1.1m revenue
Admin	<ul style="list-style-type: none"> • Accountable Body administration of the programme, 4% as defined in the national guidance. 	£0.265
Total		£6.6m

Legal implications

26. The council has the power to act as the Accountable Body for the UKSPF under s 1 -4 of the Localism Act 2011 and although there is no statutory requirement for the council to act as Accountable Body the UK Shared Prosperity Fund prospectus makes it clear that it is anticipated that the council will fulfil this role.
27. Any funding awarded to the council following the submission of the Investment Plan will be provide by way of a Section 31 ring-fenced grant under the Local Government Act 2003. The grant determination letter will be accompanied by a Memorandum of Understanding which will set out the fund requirements and obligations. These requirements and obligations will be included in any onward grant agreements with those delivering the interventions to mitigate any risk to the council.

Risk Management

28. The following are considered to be the key risks;

Risk / opportunity	Mitigation
The Herefordshire UKSPF Investment Plan is not approved by government.	The council has commissioned Metro Dynamics with the skills and experience required to develop the Investment Plan against the national government guidance.
Partners do not agree with the priorities identified in the Investment Plan, given the reduced availability of public funding compared to previous EU programmes.	The Investment Plan has been developed in accordance with the national guidance, overseen by the HSGSB, including consultation with a wide range of partners, is based on an evidence base and aligned to other local strategies such as the County Plan 2020 to 2024.
If the Investment Plan is approved, no-one applies for the grant schemes/ responds to the commissioning of activity.	The county has significant experience of successfully delivering previous EU funded schemes, with a high number of organisations indicating they would like to apply for UKSPF.
The council fails to deliver its role as accountable body.	The council has significant experience of being the accountable body for a wide range of similar grant funds. For example the council is currently the accountable body for the £22.4m of Stronger Towns funding allocated to Hereford.

Consultees

29. Political Groups have been consulted on the decision paper through a virtual meeting held on the 15th July. Cllrs were broadly supportive of the high level priorities identified, but expressed a strong desire to be further engaged as the specific deliverables/ activities are developed once the Investment Plan is approved by government. Cllrs also said it is essential that rural areas are supported, not only Hereford and the market towns.

Appendices

Appendix 1 – Members of Herefordshire Sustainable Growth Strategy Board

Appendix 2 – Herefordshire UKSPF Investment Plan

Background papers

None

Report Reviewers Used for appraising this report:

Governance	John Coleman	Date 14/07/2022
Finance	Louise Devlin	Date 18/07/2022
Legal	Alice McAlpine	Date 13/07/2022
Communications	Luenne Featherstone	Date 12/07/2022
Equality Duty	Carol Trachonitis	Date 12/07/2022
Procurement	Lee Robertson	Date 13/07/2022
Risk	Kevin Lloyd	Date 14/07/2022

Approved by Ross Cook Date 20/07/2022