



CABINET – 20TH SEPTEMBER 2023

**SUBJECT: UK GOVERNMENT SHARED PROSPERITY FUND –
PROJECT VIREMENTS**

**REPORT BY: CORPORATE DIRECTOR FOR ECONOMY AND
ENVIRONMENT**

1. PURPOSE OF REPORT

- 1.1 To update Cabinet on the position of CCBC with regards to the role of the UKSPF Programme Board in providing executive leadership to the delivery of the Local Investment Plan under the UK Government's Shared Prosperity Fund as part of the UK wide Levelling Up programme.
- 1.2 This report seeks Cabinet approval for revised Terms of Reference for the SPF Programme Board; and seeks appropriate delegation for the Board to make timely decisions on virement of funding within the Programme in recognition of the extremely tight time constraints associated with the delivery of the SPF Programme by March 2025.

2. SUMMARY

- 2.1 The UK Shared Prosperity Fund (UKSPF) is a central pillar of the UK government's ambitious Levelling Up agenda and a significant component of its support for places across the UK. It provides £2.6 billion of new funding for local investment by March 2025, with all areas of the UK receiving an allocation from the Fund via a funding formula.
- 2.2 The UKSPF is intended to support the UK government's wider commitment to level up all parts of the UK by delivering on each of the levelling up objectives. The primary goal of the UKSPF is to build pride in place and increase life chances across the UK.
- 2.3 Underneath the overarching aim of building pride in place and increasing life chances, there are three UKSPF investment priorities: **Communities and Place**; **Supporting Local Business**; and **People and Skills**.
- 2.4 Caerphilly County Borough has an allocation of £28,272,298, and an allocation of £5,901,499 for *Multiply (*UK Gov Adult numeracy programme).

- 2.5 Over the past year, Rhondda Cynon Taf (RCT) CBC (as lead for the Cardiff Capital Region) has coordinated and hosted a series of Regional Partnership meetings to establish, share, secure and embed the UKSPF programme criteria, through established frameworks, clarity of processes and procedures, and facilitate understanding of all funding stream requirements, to secure appropriate periodic reporting, claim submissions and payments.
- 2.6 The programme carries a significant budgetary challenge with the current resources that are available and there is a requirement to ensure there are appropriate and adequate levels of evidence collection, monitoring and retention of records for external evaluation and audit requirements. The Local Investment Programme currently consists of over seventy projects with Project Leads primarily drawn from existing staff resources, creating additional workload challenges.

3. RECOMMENDATIONS

- 3.1 That Cabinet:
- (i) Approve the up-to-date Terms of Reference for the SPF Programme Board included in **Appendix 1** that outlines the appropriate delegation for the Board to make timely decisions on virement of funding within the SPF Programme.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure that the Authority is fully prepared to maximise funding opportunities from the UK Shared Prosperity Fund for the benefits of its citizens and communities.
- 4.2 To ensure the Shared Prosperity Fund Programme Board has appropriate delegated powers to comply with the UKSPF Programme governance requirements.

5. THE REPORT

- 5.1 The UK Shared Prosperity Fund (UKSPF) is a central pillar of the UK government's ambitious Levelling Up agenda and a significant component of its support for places across the UK. It provides £2.6 billion of new funding for local investment between 2022-2025, with all areas of the UK receiving an allocation from the fund via a funding formula rather than a competition.
- 5.2 The UKSPF is intended to support the UK government's wider commitment to level up all parts of the UK by delivering on each of the levelling up objectives to:
- Boost productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging.
 - Spread opportunities and improve public services, especially in those places where they are weakest.
 - Restore a sense of community, local pride and belonging, especially in those places where they have been-lost.
 - Empower local leaders and communities, especially in those places lacking local agency.

The primary goal of the UKSPF is to; improve local pride in place; increase life chances; spread and create opportunity, enhance sense of community and belonging, across the UK.

5.3 Underneath the overarching primary goal, there are three UKSPF investment priorities: **Communities and Place**; **Supporting Local Business**; and **People and Skills**.

- The **Communities and Place** investment priority will enable places to invest to restore their community spaces and relationships and create the foundations for economic development at the neighbourhood-level. The intention of this is to strengthen the social fabric of communities, supporting in building pride in place.
- The **Supporting Local Business** investment priority will enable places to fund interventions that support local businesses to thrive, innovate and grow.
- The **People and Skills** investment priority can provide funding to help reduce the barriers people face to employment and support them to move towards employment and education. This theme can also target funding into skills for local areas to support employment and local growth.

5.4 Within the context of the fund aims, each place will have the 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. This flexible approach represents a key shift from the previous EU system.

5.5 To enable access to the UKSPF funding, regional Lead Local Authorities (in Wales) needed to complete an Investment Plan, setting out, how they intend to use and deliver the funding. Rhondda Cynon Taf (RCT), as Lead Local Authority for the Cardiff Capital Region (CCR), submitted a Regional Investment Plan on behalf of the ten local authorities that comprise the Cardiff Capital Region in August 2022 to the UK Government with Cabinet endorsing the Local Investment Plan for Caerphilly County Borough, on 26 September 2023.

5.6 The UK Government announced the acceptance of investment plans across the UK in December 2022, delayed from October 2022. Draft funding agreements, based on the UK Government's Memorandum of Understanding, were subsequently circulated by Rhondda Cynon Taf Council in January 2023 and a final agreement was signed in April 2023.

5.7 In January 2023, CCBC established a Shared Prosperity Fund Programme Board (the Board), to provide executive leadership and oversight of the delivery of the projects within the Local Investment Plan. As part of the Boards Terms of Reference, it was determined that the Board will provide regular progress updates on the delivery of the Local Investment Plan for Cabinet.

5.8 Subsequently, timely progress have occurred in terms of mobilising a number of the projects identified in the Local Investment Plan, and further to Cabinet approving in June 2022, that schemes could proceed at risk in advance of the UK Government's formal endorsement of the Regional Investment Plan.

5.8.1 Consequently, officers were able to submit a claim at the end of the first year of the programme for the period 2022-23 of £2.041M against an effective allocated 2022-

23 budget of £5.131M, allowing for contributions to RCT for their administrative role as lead authority.

Table 1 – First Year Claim

Investment Pillar	Spend	Budget
Communities & Place	£625,511.86	£1,514,083.39
Local Business	£1,201,722.80	£1,397,760.00
People & Skills	£128,330.83	£382,016.79
Multiply	£82,827.16	£1,712,807.31
Management & Administration	£3,345.84	£125,166.69
Total	£2,041,738.49	£5,131,834.18

- 5.9 Due to the programme start delay incurred in 2022-23, across all Welsh Authorities, it was identified, that certain outputs and outcomes for Multiply, were not likely to be achieved in Year 1. It was therefore, originally agreed to reduce the Year 1 funding allocation by £906.360. It has been subsequently agreed by UK Government, that this allocation would be, carried forward to 2023-24 (Year 2 of the programme) along with other 2022-23 Multiply underspends, and either kept within the 2023-24 Multiply allocation or transferred to People and Skills interventions.
- 5.10 The ringfencing of unallocated and underspent budgets from the Multiply Investment Pillar in 2022-23, to the People & Skills Investment Pillar, has led to an increase in funding being available and allocated to certain regional and local intervention projects for the fiscal year 2023-24.
- 5.11 Delays in establishing a framework for regional commissioning (initiated by Torfaen CBC), together with the challenges faced in transferring ESF funded staff and recruiting staff to deliver against a range of People & Skills Interventions, has led the Board to identify a financial and delivery risk for a number of projects under this particular Investment Pillar and a risk to achieving the associated outputs and outcomes for the benefit of the local community.
- 5.12 The SPF Programme Board has also identified some new projects that could benefit from this programme, which could be considered alongside existing projects that are either oversubscribed or may require a change to their funding. Consequently the SPF Programme Monitoring Team have prepared a 'project pipeline template' to establish the cost and extent of new and existing projects that can deliver additional outputs and outcomes, if virement of funds occurs from existing project budget allocations.
- 5.13 Funding for the SPF Programme is allocated on an annual basis and is subject to an annual Grant Determination Approval from the UK Government in line with the original three-year allocation. Any potential underspends from 2023-24 (Year 2) to 2024-25 (Year 3) will be subject to RCT submitting a Credible Plan for the region to the UK Government. The Credible Plan will need to clearly outline, how the authorities within the region, can ensure that spend will occur within the time limit of the programme. The SPF programme prospectus is clear that the funding programme ends in March 2025.
- 5.14 The quantum of funding increases significantly from the period 2023-24 (Year 2) to 2024-25 (Year 3) with Caerphilly's overall allocation increasing from £8.9M to £20.3M (including Multiply allocations) and a carry forward of £3.09M of underspend from the period 2022-23 (Year 1) to 2023-24 (Year 2).

- 5.15 RCT have communicated to Local Authorities, that if an authority wants to change project budgets within an Investment Pillar, either within an intervention, or between interventions, then this would be a decision for each authority in line with the SLA Funding Agreement. However, if there is a requirement to move project budgets between an Investment Pillar, for example, from Communities and Place to Supporting Local Business, then RCT need to be notified as there is potential for changes across the region to trigger a 'material change' which is set as a *de minimis* level of £5M and which would require UK Government approval.
- 5.16 In order to ensure that the Council maximises the funding, output and outcome opportunities, in line with financial regulations. The SPF Programme Board has requested that delegated powers are conferred on the Board, to allow it to agree to changes to the project budgets, facilitating funding virements across the programme. Including: between Investment Pillars, and from Revenue to Capital allocation of project budgets, up to a value of £1M per project change.
- 5.17 Without the delegated authority, there is a substantial risk of the existing oversight arrangements under current financial regulations, slowing the process, as amounts exceeding £100,000 require a Cabinet decision. The lead in time for Cabinet Reports is highly likely to impact on the ability of Project Officers to maximise the delivery of the programme objectives and to capitalise on emerging opportunities in line with evolving corporate objectives.

Table 2 – Current Virement Process

Amount	Approved by
under £20,000	Head of Service
£20,000 - £50,000	Service Director
£50,000 - £100,000	Head of Corporate Finance and Service Director
over £100,000	Cabinet

Table 3 – Proposed Virement Process for SPF Programme Budgets

Amount	Approved by
Up to £1M	SPF Programme Board

Conclusion

- 5.18 The UK Shared Prosperity Fund (UKSPF) is a central pillar of the UK Government's ambitious Levelling Up agenda and a significant component of its support for places across the UK. It provides £2.6 billion of new funding for local investment by March 2025. This funding provides a significant but challenging opportunity for the region, and to ensure delivery of the most effective outcomes and outputs for the residents, stakeholders and communities of Caerphilly County Borough, flexibility, for effective and timely decision making and leadership, is essential within the constraints of a compressed programme timetable.

6. ASSUMPTIONS

- 6.1 This report follows the implementation of the CCR Regional Investment Plan previously submitted to the UK Government.

- 6.2 Delivery of the programme is now in its second year (Year 2), with increasing pressures put on services, partnerships, and collaboration arrangements, to ensure funding opportunities are maximised, and not lost, and that extended benefits continues to be available and delivered to our communities.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

- 7.1 All projects will seek to improve the economic, social, and cultural well-being of the community and leave a lasting positive impact. The SPF Programme has developed interventions and outputs that respond to local issues. This is intended to:

- Boost productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging.
- Spread opportunities and improve public services, especially in those places where they are weakest.
- Restore a sense of community, local pride and belonging, especially in those places where they have been-lost.
- Empower local leaders and communities, especially in those places lacking local agency.

Link to: [IIA](#)

8. FINANCIAL IMPLICATIONS

- 8.1 There is a financial risk of underspending the authority's funding allocation (which is currently set at £34.17M over 3 years), if funding is not appropriately allocated, spent, and accounted for by March 2025. Within this funding, up to 4% of the allocation may be allocated and spent on administration. 40% of which, is payable to RCT as the Lead Authority.
- 8.2 The fund supports investment in interventions that started from 1 April 2022 through to March 2025.
- 8.3 The UK Government has recently agreed to RCT's request for underspends from 2022-23 to be carried-forward into 2023-24, including all unallocated and unspent Multiply funding.
- 8.4 Including the 2022/23 carry forward underspend, CCBC's allocation is £11,714,951 for 23/24 across all four pillars.

9. PERSONNEL IMPLICATIONS

- 9.1 This programme is significant and challenging in terms of delivery and is placing additional pressure on those service areas engaged in the programme, to provide the necessary staff support, in particular, Regeneration and Finance. A small team is already in place to support the administration and monitoring requirements of the programme, with further fixed term appointments needed to cover engagement, evaluation, and financial administration, to support the extensive compliance requirements of this programme. These posts will be funded from the

UKSPF programme accordingly.

10. CONSULTATIONS

10.1 Consultation responses have been included in this report.

11. STATUTORY POWER

11.1 Local Government Acts 1972 and 2000, Local Government (Wales) Measure 2011 and the Local Government and Elections Act 2021.

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Appendix 1 Revised Terms of Reference for SPF Programme Board

Background Papers Cabinet Reports [29 June 2022](#) and [26 September 2022](#).