



CABINET – 3RD APRIL 2024

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

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

1. PURPOSE OF REPORT

- 1.1 To update Cabinet on the delivery of the UK Shared Prosperity Fund (SPF).
- 1.2 To provide feedback to Cabinet on the effectiveness of the SPF 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.
- 1.3 To seek Cabinet approval for 2 proposed funding virements in respect of the following interventions due to their significant value:
 - W03 Cleaner and Greener - £995,000
 - W24 Retrofit Hub, Coleg Y Cymoedd - £1,000,000

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. Caerphilly County Borough has an allocation of £28,272,298, and an allocation of £5,901,499 for *Multiply (*UK Gov Adult numeracy programme).

- 2.4 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.
- 2.5 In order to ensure that the Council maximises the funding, output and outcome opportunities, in line with financial regulations, the SPF Programme Board was given delegated powers by Cabinet in September 2023, 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.
- 2.6 Notwithstanding these delegated powers Cabinet approval is being sought for 2 proposed funding virements due to their significant value as follows as outlined and agreed at Cabinet in September 2023:
- W03 Cleaner and Greener - £995,000
 - W24 Retrofit Hub, Coleg Y Cymoedd - £1,000,000

3. RECOMMENDATIONS

- 3.1 That Cabinet:
- (i) Note the progress made on the delivery of SPF; and
 - (ii) Approve 2 proposed funding virements in respect of the following interventions:
 - W03 Cleaner and Greener - £995,000
 - W24 Retrofit Hub, Coleg Y Cymoedd - £1,000,000
 - (iii) Authorise officers to develop a funding agreement with Coleg Y Cymoedd to support the transfer of grant funds as determined in recommendation (ii)

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure that Cabinet is aware of the extent of the delivery of the UK Shared Prosperity Fund (SPF) for the benefits of its citizens and communities.
- 4.2 To ensure the Cabinet has appropriate oversight of the proposed funding virements due to their significant value to comply with 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 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.

5.6 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).

5.7 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 Board's 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 The Board meets monthly with an intervening meeting arranged fortnightly. The Board has extended an open invite to the whole Cabinet to attend the Board Meetings as they deem fit to ensure Cabinet Members are fully sighted on delivery progress.
- 5.9 Good progress has been made in terms of mobilising a number of the projects identified in the Local Investment Plan. 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 and Place	£625,511.86	£1,514,083.39
Local Business	£1,201,722.80	£1,397,760.00
People and Skills	£128,330.83	£382,016.79
Multiply	£82,827.16	£1,712,807.31
Management and Administration	£3,345.84	£125,166.69
Total	£2,041,738.49	£5,131,834.18

- 5.10 Delivery of the programme is now moving in to its third year (Year 3 - 2024/25), with increasing pressures put on services, partnerships, and collaboration arrangements, to ensure funding opportunities are maximised, and not lost, and that extended benefits continue to be available and delivered to our communities. Good progress on delivery has continued in Year 2 of the programme. Although officers have experienced significant challenges on a number of projects due to internal resource constraints.
- 5.11 At Q3 total claims submitted to RCT for the period 2023/24 amounted to £3,832,871 with 60% of this amount claimed in Quarter 3 against an effective allocated budget of £11,714,951 for 2023/24.

Table 2: Monitoring of Year 2 Spend as at Q3 2024/25

Investment Pillar	Spend	Budget
Communities and Place	£607,180.84	£2,709,768.06
Local Business	£895,304.05	£3,235,151.31
People and Skills	£1,638,181.31	£3,360,862.94
Multiply	£581,587.51	£2,176,315.17
Multiply Administration	£8,710.09	£56,478.88
Core Management and Administration	£101,908.14	£176,374.93
Total	£3,832,871.94	£11,714,951.29

- 5.12 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 agreed that this allocation would be carried forward

to 2023-24 (Year 2 of the programme) and either kept within the 2023-24 Multiply allocation or transferred to People and Skills interventions.

- 5.13 The ringfencing of unallocated and underspent budgets from the Multiply Investment Pillar in 2022-23, to the People and 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.
- 5.14 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 and 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.
- 5.15 In order to ensure that the Council maximises the funding, output and outcome opportunities, in line with financial regulations, the SPF Programme Board was given delegated powers in September 2023 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.
- 5.16 The SPF Programme Board has identified a number of 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. All projects are considered by the Board prior to any funding being allocated for their delivery. Any virements agreed by the Board are subject to the Material Change thresholds of the SPF Programme, as laid out in the UK Government prospectus.
- 5.17 There are 2 new significant projects that the Board have considered that they would like to support, **subject to sufficient funding being released from other projects across the Programme**, these are:

Ref:	Project	Lead	Funding requirement
W03	Cleaner and Greener	CCBC	£995,000 Revenue
W24	Retrofit Hub,	Coleg Y Cymoedd	£1,000,000 Capital

Note: the funding for these projects has not yet been identified for release. Actual spend on the Cleaner and Greener project will be dependent upon the timing of the release of funding.

Cleaner and Greener

- 5.18 This project aims to enhance and improve the Street scene of the most popular spaces in our communities for the benefit of those who live, work, or visit in the county borough. These improvements are over and above minimum and statutory service levels with a view to promoting well-being. Good quality surroundings enable people to feel safe and secure, use facilities and services and socialise. These factors support good physical and mental health and well-being.

SPF Project Score

Fits with Intervention	External Funding Leverage	Resources to deliver project	Can deliver outputs	Meets a Corporate Objective	Is there additionality to impact	Project Plan Developed	Overall Score Check
Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%

The project fits with the following Corporate Priorities:

- **Objective 2 - Enabling Our Residents to Thrive**
- **Objective 3 - Enabling Our Communities to Thrive**
- **Objective 4 - Enabling Our Economy to Grow**
- **Objective 5 - Enabling Our Environment to be Greener**

Retrofit Hub

- 5.19 This project aims to contribute to the provision of a training hub at Coleg y Cymoedd, Ystrad Mynach Campus, to provide housing providers (including Caerphilly Homes) with the skills necessary to retrofit residential properties to meet the commitment to make all homes net zero by 2050. The new training hub will also serve to bring a currently underused property on Campus back into beneficial use.
- 5.20 There is a shortage of available skilled staff in the construction sector within the Council's workforce to support the decarbonisation of current and new residential properties. The Retrofit project will support a collaborative approach to developing the skills required to meet both industry requirements and the Councils house building plans.
- 5.21 Caerphilly Homes are exploring opportunities with Coleg Y Cymoedd to ensure that the retrofit and decarbonisation elements of the WHQS23 programme benefit directly from the proposed investment. This will include opportunities to upskill the existing workforce and ensure that the capacity and the expertise is available to inform workforce development.
- 5.22 The Caerphilly Affordable Homes Partnership (comprising all social housing providers operating within Caerphilly) will also directly benefit from the investment in the 'retrofit' centre. All social housing providers in Wales are mandated to retrofit their existing stock to ensure compliance with WHQS23. There is an urgent requirement for suitably qualified and registered surveyors to survey homes, provide individual target energy pathways, undertake EPC assessments and provide recommendations as to how affordable homes can achieve greater air tightness, ventilation and energy efficiency. The capacity does not exist currently within south Wales to deliver against these statutory requirements hence any investment in a centre of expertise locally is welcomed.

SPF Project Score

Fits with Intervention	External Funding Leverage	Resources to deliver project	Can deliver outputs	Meets a Corporate Objective	Is there additionality to impact	Project Plan Developed	Overall Score Check
Yes	Yes	Yes	Yes	Yes	Yes	Yes	100%

The project fits with the following Corporate Priorities:

- **Objective 2 - Enabling Our Residents to Thrive**
- **Objective 4 - Enabling Our Economy to Grow**
- **Objective 5 - Enabling Our Environment to be Greener**

- 5.23 Given the significant value of the proposed virements the Board has taken the view that Cabinet approval should be sought to ensure appropriate oversight and governance of both projects.
- 5.24 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.
- 5.25 Legal advice from RCT's external legal advisors is that any financial assistance agreed is likely to be considered a subsidy and must be awarded in accordance with the subsidy control principles of the Subsidy Control Act 2022. It is likely that Coleg y Cymoedd, will need to support the Council to carry out an assessment of the project against the subsidy control principles in order to obtain funding from any other public body that it is seeking grants or non-market rate loans from to ensure any financial assistance provided by the Council will be compliant with the subsidy control regime.
- 5.26 If approved, any funding provided as part of the SPF Programme to Coleg y Cymoedd would need to be subject to a comprehensive Funding Agreement between the Council and Coleg Y Cymoedd.
- 5.27 Coleg y Cymoedd have engaged consultants to develop the project and an indicative feasibility programme has been attached as Appendix 1.

Conclusion

- 5.28 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 Delivery of the programme is in its third year (Year 3), 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 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.
- Spread opportunities and improve public services.
- Restore a sense of community, local pride and belonging, especially in those places where they have been-lost.

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 Including the 2022/23 carry forward underspend, CCBC's allocation is £11,714,951 for 23/24 and £19,405,844 for the financial year 2024/25 across all four pillars.

8.4 The SPF Board have an agreed process to identify underspends across the SPF programme for virements which is subject to RCT's change request process and the Material Change thresholds identified in the UK Shared Prosperity Programme prospectus.

8.5 Further UK Government approval is awaited in respect of all unallocated and unspent funding from 2023-24 to be carried-forward into 2024-25.

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 to cover engagement, evaluation, and financial administration, to support the extensive compliance requirements of this programme. These posts are 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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Cllr. Eluned Stenner, Cabinet Member for Finance and Performance and Chair of the CCBC SPF Programme Board.
Cllr. Chris Morgan, Cabinet Member for Waste, Leisure and Green Spaces.
Cllr. Nigel George, Cabinet Member for Corporate Services, Property and Highways.
Cllr. Whitcombe, Chair of Housing and Environment Scrutiny Committee
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Appendices:

Appendix 1 – H Block – Indicative Feasibility Programme (Draft)