

Birmingham City Council

Report to Cabinet

23rd April 2024



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| Subject: | UK Shared Prosperity Fund (UKSPF) Annual Update to Cabinet |
| Report of: | Philip Nell, Strategic Director of Place, Prosperity, and Sustainability |
| Relevant Cabinet Member: | Councillor Sharon Thompson – Deputy Leader of the Council |
| Relevant O&S Chair(s): | Councillor Jack Deakin– Finance and Resources Councillor Akhlaq Ahmed – Economy and Skills |
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|--|---|---|
| Are specific wards affected? If yes, name(s) of ward(s): | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No – All wards affected |
| Is this a key decision? If relevant, add Forward Plan Reference: 012248/2024 | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| Is the decision eligible for call-in? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| Does the report contain confidential or exempt information? If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

1. Executive Summary

- 1.1. This report provides an update on the progress of the implementation of the UK Shared Prosperity Fund (UKSPF) programme in Birmingham City Council (BCC) since the initial Cabinet approval on 21st March 2023.
- 1.2. Since the Cabinet approval, BCC has been awarded a further £1.97m raising the total grant award to £26.9m. This is due to a subsequent award of funding for 'Net Zero Grants' (£1.81m) and additional budget for the SME (Small and Medium Enterprises) Grant Programme (£0.16m). A full breakdown of funding is provided at Appendix 1. As indicated in the 21st March 2023 report, it should be noted that UKSPF funding provided to the region is approximately one third of the European Union funding previously received for similar programmes.
- 1.3. The report specifically updates on: -
 - The increase in value of the programme by £1.annual97m.

- The revised governance process in place as a result of the S151 board.
- The progress of the programme's implementation, including the delays affecting it.
- The projects which will be supported by UKSPF and the associated outputs.
- Confirmation of the TUPE transfer of the Birmingham and Solihull Business Growth Hub staff.
- An outline of the UKSPF funds that will support salaries and indirect costs to the City Council.
- An update on the West Midlands devolution deal/Single Settlement which has been identified as an opportunity to provide post-UKSPF financial support.

2. Recommendations

- 2.1. Approve the increased devolved UKSPF allocation of £1.97m which now increases the total programme to £26.9m as set out in the revised UKSPF Funding Agreements with the West Midlands Combined Authority (WMCA). This is a result of the formal confirmation of the Net Zero grants allocation and the increase in SME grants under the Supporting Local Businesses pillar.
- 2.2. Notes the revised governance regarding the delegated Section 151 approval process, as set out in paragraph 3.6, where all related reports must seek delegated S151 approval from the Strategic Director for Place, Prosperity, and Sustainability.
- 2.3. Notes the progress of programme implementation, including the challenges of the delayed timeframes as set out in paragraph 3.7.
- 2.4. Notes the projects supported by UKSPF as presented in Appendix 1 and key outputs expected to be delivered as set out in Appendix 2. See paragraphs 3.8 – 3.11 for further details.
- 2.5. Notes the TUPE transfer of the Birmingham and Solihull Business Growth Hub staff, previously employed by the Birmingham and Solihull Local Enterprise Partnership's (GBSLEP) Business Growth Hub, from 1st December 2023 as set out in paragraph 7.5.2.
- 2.6. Notes the income earmarked as UKSPF management and administration costs available to support salaries and indirect costs to the City Council. This is summarised in paragraph 7.5.3.
- 2.7. Notes the opportunity for the West Midlands devolution deal/Single Settlement to provide post-UKSPF financial support to sustain and progress vital programmes delivered by the City Council to citizens, communities, and businesses. See paragraph 3.12.
- 2.8. Authorises the City Solicitor (or their delegate) to negotiate and complete all necessary documentation to give effect to recommendations in paragraph 2.1-2.7.

3. Background

- 3.1. The UK Shared Prosperity Fund (UKSPF or the Fund) is a central pillar of the UK Government's Levelling Up agenda and a significant component of its support for places across the UK. It proposed £2.6 billion of new funding for local investment up to 31st March 2025, with all areas of the UK receiving an allocation from the Fund via a funding formula rather than a competition.

However, it does not match in quantity the EU funding the region would have received for an equivalent period from EU Structural Investments Funds (ESIF).

3.2. UKSPF has three core pillars: -

- Community & Place
- Supporting Local Businesses
- People & Skills

3.3. The 3 pillars of activity, as detailed above, came with differing arrangements for management and implementation. The first level of devolution was from Government's Department of Levelling Up, Housing, and Communities (DLUHC) to the WMCA, with a further devolution of funding to the West Midlands Metropolitan Local Authorities. The arrangements for this differed slightly across each of the three UKSPF pillars.

3.4. For the Supporting Local Businesses pillar, the WMCA commissioned some of the funding directly on behalf of the West Midlands area for specialist business support programmes to ensure a consistent approach across all areas of the region. However, BCC in turn received devolved funds from the WMCA to deliver itself – this was the “Double Devolution” arrangement and meant much more local control and use of local knowledge to shape local delivery. This element has a budget of £9.2 million for two years of delivery. It supports: -

- Two grants' programmes (SME Grants and Net Zero Grants)
- An SME advice and support service delivered by the Birmingham and Solihull Business Growth Hub
- Six further business support programmes

The business advisors and support provision delivered by the Birmingham and Solihull Business Growth Hub was TUPE transferred to BCC from the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) on 1st December 2023. In addition, as mentioned in the original Cabinet report but now confirmed, there is a further £1.97m as set out in paragraph 1.2. This was activated for delivery via the delegated authority process as outlined in the recommendations of the 21st March 2023 Cabinet report.

3.5. For the other two pillars, Community & Place, and People & Skills, all the £17.46m budget was “Double Devolved” to BCC. This funding provides BCC with significant flexibility to target the funding for communities and people in need of the greatest support. Finally, £0.275m is allocated for direct management and coordination of the UKSPF programme by BCC, and to support the monitoring, reporting, and claims process with the WMCA.

3.6. Internal Governance, Section 114, and Section 151: -

3.6.1 The UKSPF grant awarded to BCC is a significant locally controlled programme of activity amounting to £26.9m. The 21st March 2023 Cabinet report set out the overall coordination, management, and implementation of the UKSPF grant. The issue of the BCC Section 114 notice resulted in the whole programme being taken to the Section 151 board who re-confirmed its suitability to continue delivery. It is a ring-fenced grant and does not impact on the City Council's General Fund. Furthermore, the ongoing day to day S151 approval for individual projects under this programme has been delegated to the Strategic Director of Place, Prosperity, and Sustainability (PPS). Therefore, the governance has been slightly modified following this. We now have officers taking Delegated Authority Reports (DAR) for projects to their

appropriate Strategic Director and once approved, it moves on to the Strategic Director of PPS for S151 sign off confirming the projects do not impact the General Fund. Notwithstanding this, a cross-council approach has been adopted involving different Directorates and Cabinet Members providing leadership and coordination of activities across the three different pillars. Central coordination, monitoring and compliance, reporting, and claims will be retained within the PPS Directorate who will provide the general interface with WMCA.

3.7. Progress, timelines, and changes since the Cabinet report in March 2023: -

3.7.1 There have been several changes since the programme was first approved. The three-year programme has been split into 3 separate years with a separate funding agreement for each year. The programme has faced delays which are set out in the tables below: -

| Delays in receiving Year 1 funding agreement | |
|---|---------------------|
| Year 1 start date | 1st April 2022 |
| Year 1 funding agreement received by BCC from the WMCA and thus retrospective spend projects used to secure funds | Mid - January 2023 |
| Year 1 end date | 31st March 2023 |
| Delays impacting Year 2 delivery | |
| Year 2 start date | 1st April 2023 |
| Year 1 closed down by DLUHC and it issued Grant Determination Letter to the WMCA | 17th August 2023 |
| The WMCA issued funding agreement for Year 2 upon receipt of the Grant Determination Letter | 10th October 2023 |
| BCC formally accepts the funding agreement for year 2 | 31st October 2023 |
| BCC year 2 programme effectively moves to delivery phase | 1st November 2023 |
| Year 2 end date | 31st March 2024 |
| Forecasted plans for Year 3 | |
| Year 3 funding agreement to be issued early | End - February 2024 |
| Year 3 start date | 1st April 2024 |
| Year 3 end date | 31st March 2025 |

3.8. Year One Funding (2022/2023): -

3.8.1 The profile of funding set out by DHLUC required some expenditure in 2022/2023. The urgency was that, despite BCC having £2.1m allocated for 2022/2023 for the Community & Place pillar, the timescale for delivery was incredibly short given that indication of approval of the WMCA programme was only made in December 2022 and no formal delegation of funds or grant agreement to BCC was received from WMCA, which was later provided by mid-January 2023. Despite this, BCC was asked to submit proposals for use of these funds by 6th January 2023 in advance of a formal agreement. The funds could not be transferred into 2023/2024 as per DLUHC rules at the time, so to avoid losing £2.1m of funding, a proposal of revised retrospective eligible expenditure was developed to safeguard the funding. The challenge of this exercise was that the £2.1m of proposed expenditure had to be fully defrayed in line with public expenditure rules by 31st March 2023. The positive aspect of this exercise resulted in the safeguarding of £2.1m of UKSPF grant.

3.9. Year Two Funding (2023/2024): -

3.9.1 This year was heavily impacted by the delays in securing the annual funding agreement (see tables in para. 3.7.1). Despite this,

significant progress has been made and the majority of the £7.49m grant allocated to year 2 will be spent during the year. Following a rule change any underspend will be able to be carried forward into year 3.

- 3.9.2 Year 2 focuses on delivery of the Community & Place pillar and the Supporting Local Businesses Pillar. A full list of programmes that are delivered in Year 2 under these pillars are set out Appendix 1. The same programmes will run through into Year 3.
 - 3.9.3 The Community & Place pillar was held back by the late funding agreement. It had put in place a pipeline of demand from local communities and once started it quickly made grant awards and should spend most of its funds by year end.
 - 3.9.4 Under the Supporting Local Businesses pillar, the SME grants programme launched early in 2023 and invited SMEs to apply for the business support grants. A pipeline of applications was received and appraised but the grants could not be formally issued until the funding agreement was accepted. Despite this, the full allocation has been achieved.
 - 3.9.5 The Net Zero grants were confirmed during the year as a formal allocation to BCC but were then further impacted by the late appointment of the regional energy survey contractor appointed by the WMCA, which is a formal requirement for those seeking grants. Demand has now picked up and grants are being issued.
 - 3.9.6 The business advisors (Birmingham and Solihull Business Growth Hub) and six other SME advice programmes also saw significant progress. The Birmingham and Solihull Business Growth Hub team's business advisors were formally TUPE transferred across to BCC from the GBSLEP on 1st December 2023. They began delivering UKSPF from April 2023 with continued GBSLEP funding, via a Memorandum of Understanding (MOU) between BCC and GBSLEP until the TUPE transfer on 1st December 2023. In addition, six extra programmes were developed, with two being directly delivered by BCC and four were commissioned externally and contracts issued in February 2024.
- 3.10. Year Three Funding (2024-2025): -
- 3.10.1 This year will be the final year of the current UKSPF funding. The activities detailed in year 2 above will continue (as set out in Appendix 1) for Community & Place and Supporting Local Businesses. In addition to these, the People & Skills pillar will start delivery with a programme worth £7.1m, delivered jointly by the Adult Social Care, and Children & Families Directorates. Again, please refer to Appendix 1 for a list of these projects.
- 3.11. Key Outputs for the Birmingham UKSPF Programme
- 3.11.1 Appendix 2 sets out a list of key outputs (deliverables) for each pillar:
 -
 - Community & Place – The pillar offers city-wide and targeted support in the most deprived areas of Birmingham. Some of the key outputs delivered will focus on low carbon energy infrastructure installed on High Streets, improvements to local community assets like parks, and community organisations

receiving grants to support the local population to provide training sessions to individuals and create and safeguard jobs.

- Supporting Local Businesses – The primary output for this pillar is businesses assisted. The pillar offers grants to local businesses to encourage growth which can lead to increased investment in the region as well as job creation. The Net Zero grants focus on increasing investment for SMEs to reduce their carbon impact and in turn increase efficiency. The SME Advisors and the six SME advice projects offer specialist advice to SMEs in Birmingham in many formats through diagnosing business needs and offering effective solutions. This could range from innovation in production, circular economy, and entering new markets through export advice for example.
- People & Skills – This pillar focuses on investing in people through enhanced support. It seeks to offer mental health and physical health support as well as assisting people in upskilling and job-searching. Through the delivery, the pillar seeks to assist people into education and training, as well employment.

3.12 West Midlands devolution deal/Single Settlement

3.12.1 The City Council is now considering what funding will be available post-March 2025 when UKSPF ends. Potential resources may be available as part of the West Midlands devolution deal/Single Settlement. Officers are working with the WMCA on the proposed development of Local Growth Place Strategies which are expected to be the tool through which further resources are devolved to the City Council from April 2025.

3.12.2 There is the risk that resources available through the Single Settlement may be delayed in their introduction/availability, similar to the delays in the implementation of UKSPF. This would result in a funding gap from April 2025 up to the date at which they go live. Such delays will have a significant impact on BCC resources and a full assessment of the potential risks and liabilities would need to be addressed throughout 2024/2025 involving relevant members of Cabinet and the Corporate Leadership Team (CLT).

4. Options considered and Recommended Proposal

- 4.1. Do not accept the Grant - This is a key funding allocation for assisting the city with its Levelling Up strategy providing support to communities, businesses, and people. The opportunity to use the funds and make its delivery focused and effective should not be missed. We are now in year 3 of delivery and to stop would be more difficult than continuing. This option is not recommended.
- 4.2. Continue to deliver the grant – By utilising the City Council’s knowledge, existing infrastructure where relevant, and local partnerships which have been established and built up to shape and deliver local provision. This option is recommended.

5. Consultation

5.1. We have consulted with the WMCA and the other West Midlands Metropolitan Authorities over the shape of the programme and details of which parts of the programme have been delegated to BCC to deliver.

6. Risk Management

6.1. Please see at Appendix 4. This register is maintained as part of the management of the fund overall.

7. Compliance Issues

7.1. How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

7.2.1 The UKSPF funds are a significant opportunity to make an impact on the City Council's priorities. The funds contribute to three of the City's main Corporate Priorities. These are, a prosperous Birmingham (via economic growth, increased employment and attracting investment), an inclusive Birmingham (via the people and skills pillar through investing in young people), and a Green Birmingham (contribution to the route to zero work).

7.2.2 From the City Council's Corporate Plan 2022 to 2026. The following are the main priorities, and UKSPF contributes to all of them.

- A Prosperous Birmingham: through a focus on inclusive economic growth, tackling unemployment, attracting inward investment, and maximising the benefits of the Commonwealth Games.
- An Inclusive Birmingham: through a focus on tackling poverty and inequality, empowering citizens, promoting diversity and civic pride, and supporting and enabling all children and young people to thrive.
- A Safe Birmingham: through a focus on making the city safer, safeguarding vulnerable citizens, increasing affordable housing, and tackling homelessness.
- A Healthy Birmingham: through a focus on tackling health inequalities, encouraging physical activity and healthy living, supporting mental health, and improving outcomes for adults with disabilities and older people.
- A Green Birmingham: through a focus on street cleanliness, improving air quality, continuing the route to net zero, and becoming a city of nature.

7.2. Legal Implications

7.2.1 The general power of competence conferred to the Council under Section.1 of the Localism Act 2010 enables the Council to accept this funding.

7.2.2 Legal Services will continue to provide advice as and when necessary and/or required as regards the individual aspects of this report which have included the TUPE transfer of staff and emerging Subsidy Control processes.

7.3 Financial Implications

- 7.3.1 This report seeks approval to accept a further £1.97m, raising the grant total to £26.9m. The City Council is charged with spending it in accordance with the agreement with WMCA. The expenditure must adhere to the plans, timelines, and outputs required by the funds.
- 7.3.2 The staff required to administer UKSPF will be funded from a formal administration fee built into the programme, a set percentage administration fee from project activities as well as any direct delivery costs.
- 7.3.3 UKSPF started in 2022/2023 and continues into 2024/2025 with annual formal funding agreements. The City Council has submitted to WMCA its annual programme of activities for 2024/2025 and the formal agreement is anticipated in Early March 2024 for acceptance. Funding Agreements available on request.
- 7.3.4 The City Council can expect to ring-fence up to £3.75m of associated management and administration costs from the total grant to cover salaries and indirect costs. Officers in the Place, Prosperity, and Sustainability Directorate are working across City Council Directorates to maximise this with the fund's eligibility rules and guidelines.
- 7.3.5 There is the risk that resources available through the West Midlands devolution deal/Single Settlement may be delayed in their introduction/availability and lead to a potential funding gap from the end of UKSPF (31st March 2025) and when they go live. See paragraph 3.12.2.
- 7.3.6 Breakdown of UKSPF funding: -

| UKSPF Allocation for £26.9million | | |
|---|--|--|
| Community & Place <i>Managed by BCC</i> | Supporting Local Businesses <i>Managed by BCC</i> | People & Skills <i>Managed by BCC</i> |
| Year 1 (22/23): £2,118,950 Year 2 (23/24): £4,237,898 Year 3 (24/25): £4,000,000 <hr style="border-top: 1px dashed white;"/> Total: £10,356,848 | Year 1 (22/23): £0 Year 2 (23/24): £3,252,485 Year 3 (24/25): £5,938,583 <hr style="border-top: 1px dashed white;"/> Total: £9,191,068 | Year 1 (22/23): £0 Year 2 (23/24): £0 Year 3 (24/25): £7,103,296 <hr style="border-top: 1px dashed white;"/> Total: £7,103,296 |
| Total BCC Allocation: £26,651,212 + £275,000 (allocation for Management & Administration) = £26,926,212 | | |

7.4 Procurement Implications

- 7.4.1 Delegated approval of the procurement strategy and the award of contracts is in accordance with legislation and the Council's Procurement and Contract Governance Rules for professional services

and works above the procurement threshold of £177,898 (excluding VAT) up to the value of each pillar is set out in Appendix 1 to support the delivery of the named projects to the relevant Strategic Director for each pillar (as set out in the 21st March 2023 Cabinet report) in consultation with the Assistant Director of Procurement, the Strategic Director of Council Management, and the City Solicitor and Monitoring Officer, (or their delegates). Projects under the procurement threshold will be procured and awarded under Chief Officer delegated authority.

7.5 Human Resources Implications

7.5.1 The activities across all three pillars as noted in section 3 above have staff implications. It is anticipated that most will be met using existing staff who have until now mainly delivered European funds.

7.5.2 As presented in the 21st March 2023 Cabinet report, it was proposed that there would be a TUPE transfer of the GBSLEP Business Growth Hub into BCC to support the implementation of the SME advice and support provision to local businesses. In light of this, on the 1st December 2023, the team was formally transferred into BCC. This included 16 FTE staff who transferred into BCC employment. This transfer only covers the period up to 31st March 2025 for which there is UKSPF funding to cover those costs. GBSLEP residual funds has also made a provision to cover any redundancy and/or pension liabilities to the City Council during this period (up to 31st March 2025). It should be noted that these ring-fenced funds are only eligible up to 31st March 2025. Additional costs such as new laptops and IT licences will also be funded by UKSPF.

7.5.3 It has been confirmed that BCC can allocate funding from the three pillars to cover the salaries and indirect costs to support the implementation of the programme (see Appendix 1 for a breakdown of these). The amount allocated is confirmed in the annual funding agreement and is generally set at a maximum of 15% of the funds provided. As such, staffing costs can be provisioned for: -

- City Operations Directorate (Neighbourhoods) for the Community & Place pillar
- Children & Families Directorate, and the Adult Social Care Directorate for the People & Skills pillar
- Place, Prosperity, and Sustainability Directorate for the Business Support pillar, and Central Management and Administration of UKSPF
- There are existing staff in the European & International Affairs and, Business Development & Innovation teams in Place, Prosperity, and Sustainability; Teams in Children & Families, Adult Social Care, and City Operations who moved from delivering EU funded and other schemes, to then delivering UKSPF activity. UKSPF is supporting more than 100 posts in BCC.

7.6 Public Sector Equality Duty

7.6.1 Initial Equality Analysis (EQUA1048) was carried out in January 2023 (see Appendix 3) which takes into account equality measures in the day-to-day activities in assisting companies. No equality issues have been identified in the dissemination of this fund.

8. Appendices

8.1. These are:

Appendix 1 – List of UKSPF programmes and associated funding

Appendix 2 – List of key UKSPF outputs

Appendix 3 – Equalities assessment

Appendix 4 – Risk Register

Appendix 5 – Environment and Sustainability Assessment

9. Background Documents

9.1 UKSPF Prospectus

9.2 Cabinet report dated 21st March 2023 and titled “*Acceptance and Implementation of UKSPF (UK Shared Prosperity Fund)*”