



Glasgow City Region - City Deal

Cabinet

Report by Director of Regional Economic Growth

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Item 8

15th February 2022

Shared Prosperity Fund Update

Purpose of Report:

This report updates Cabinet on the recent publication of the Shared Prosperity Fund pre launch guidance from the UK Government (UKG) and seeks Cabinet approval in principle to adopt a city region approach to management of the fund, in line with Government guidance.

Recommendations:

Cabinet is asked to consider the issues set out in this paper and:

- Note the direction from UKG to pursue a regional approach, and further note that this is also the preferred position of the Scottish Government;
- Agree in principle to pursue a regional approach to management of SPF and to authorise the Director of Regional Economic Growth to formally notify UKG of this approach; and
- Agree that the Investment Plan will be developed in conjunction with all 8 Member Authorities with all necessary approvals at both regional and local level being in place prior to final submission in Summer 2022.

INTRODUCTION

1. The Shared Prosperity Fund is the successor to EU Structural funding and has long been considered an opportunity for greater revenue investment across the GCR. Pre launch guidance ([found here](#)) was issued alongside the Levelling Up White Paper published on 2nd February with a full prospectus due in Spring.

KEY ELEMENTS OF THE SHARED PROSPERITY FUND

2. The guidance laid out key elements of the fund:
 - **Fund Value:** £2.6bn funding for local investment up to March 2025 (this is total, with an annual allocation of £1.5bn by 2024-25);
 - **Allocation Methodology:** Allocation will be based on a funding formula (to be advised at a later stage), and will not be competitive;
 - **Eligible Spending:** will be a mix of capital and revenue (but split not identified); and
 - **Primary Goal:** 'build pride in place and increase life chances' – boost productivity, pay, jobs and living standards etc

FUND ALLOCATION METHODOLOGY

3. All areas will receive funding based on an allocation and a robust Investment Plan.
 - **Conditional Allocation:** All 'places' will receive an conditional allocation (as with formula, local allocations will be advised at a later stage)
 - **Local Investment Plan:** Each place will be commissioned to develop a local Investment Plan – which needs to be set against measurable outcomes (note: the Levelling Up White Paper identifies a wide range of metrics which could readily be used) and interventions that are to be prioritised
 - **Priorities:** three investment priority areas are:
 - communities and place,
 - local business and
 - people and skills
 - **Investment Plan Submissions:** The first Investment Plan will need to be submitted to UK government this summer for approval
 - **Oversight:** The fund will be overseen by the Department for Levelling Up, Housing and Communities

DELIVERY

4. **Local Government:** local government will be given responsibility for developing the Investment Plan and managing / processing / monitoring the funds

5. **Partnership Working:** there are five references to local partnership working ‘where this meets the needs of their place and achieves value for money or better outcomes for local people or businesses’.
6. **Delivery Geography (Scotland):** The guidance and supporting document [\(found here\)](#) make clear the desire to promote regional working. In Scotland, it notes “City and Growth Deals.....have empowered local leaders and partners to drive growth and productivity.....UK Government is keen to build on this approach and local authorities for each geography will be invited to collaborate in developing Investment Plans and delivering the Fund”.
7. **Delivery Funding:** the delivery agencies will be able to use a proportion of their allocation to undertake “necessary Fund administration, such as project assessment, contracting and monitoring.”

NEXT STEPS FOR LOCAL AUTHORITIES

8. The next steps for all local authorities in the UK are set out below:
 - “Local authorities in England, Scotland and Wales with responsibility for the Fund, set out in the Delivery Geographies, can use this document to start preparing for the launch of the UK Shared Prosperity Fund by:
 - Starting early conversations about how the Fund can best support the people and businesses in their community to thrive and grow. This should take account of the Fund’s objectives and investment priorities and focus on the specific outcomes they want to achieve for their area.
 - Identifying local partners and stakeholders who can provide advice and insight on local needs.
 - In Scotland and Wales, working with neighbouring authorities to consider how accountable arrangements over strategic geographies could be implemented – including interim arrangements where needed.”
9. **MPs Involvement:** Lead authorities should involve MPs in every stage of UKSPF planning and delivery.

NEXT STEPS FOR UK GOVERNMENT

- **Engagement:** UK Government will run a series of webinars and engagement activities with local authorities from 7 February
- **Further Information:** later in the Spring, the UK Government will provide further guidance on outcomes, and interventions toolkit, rules for operating the plan

- **Investment Plans:** Each place will be commissioned to create an Investment Plan at the same time (late Spring)

OPTIONS FOR GLASGOW CITY REGION (GCR)

10. Essentially, there are two options for delivery of SPF in Glasgow City Region – regional oversight or individual engagement for all 8 Member Authorities with UKG. The benefits of a regional approach are set out below.

Benefits of a regional approach

11. The **preferred position from both UK and Scottish Governments is that there is regional oversight** and accountability over SPF. This was set out by Scottish Government in their proposed approach to SPF delivery in November 2020 and is clear in the UKG's SPF guidance.
12. Discussions with UKG have indicated that they were unable to mandate this in Scotland because of relatively immature regional partnership arrangements in some parts of the country, but they consider **GCR to be best placed through its existing partnership structure and ability to manage City Deal funding effectively.**
13. At the UKG webinar on 7th February, they gave the following guidance to local authorities:



UK Government

Our Delivery Approach

Local authorities in Scotland are invited to engage with each other to begin to consider how and if collaborative, accountable arrangements could be established to administer the Fund.

- The partnerships that surround City and Growth Deals in Scotland are strong examples of collaboration. The deals have empowered local leaders and partners to come together to drive growth and productivity across their region.
- We are keen to build on this approach and promote partnership working where it makes sense for local leaders and can deliver good outcomes for local people and businesses.
- Where strategic regional areas overlap, for example Regional Economic Partnerships, we would welcome local views on the appropriate geography, how funds should be allocated and what the lead authority should be.
- Where City and Growth Deals do not cover multiple local authorities, we would also welcome and support collaborative proposals with other areas if they wish to do so.
- The Office of the Secretary of State for Scotland, Department for Work and Pensions and the Scottish Government will be invited to play a role in the development and delivery of local Investment Plans to maximise alignment.

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14. **UKG has appointed a GCR lead for Levelling Up/Shared Prosperity Fund** and a regional approach would enable a joined up approach to delivery.
15. Oversight at a regional level would **still allow local delivery of projects, including those existing ESF/ERDF** which meet the strategic aims of SPF and the RES. Ensuring continuity of delivery of successful projects would be a key priority for the city region. The principles around a regional approach are around oversight and management and delivery will continue to be at the local authority level.
16. A single point of contact to manage the funds at a GCR level would generate **significant efficiencies**, allowing **local authorities the opportunity to focus more on delivery of projects**.
17. The Regional Economic Strategy (RES) was developed to guide an investment plan for SPF with input from both governments. This would ensure that the **8 member authorities would not be required to prepare individual investment plans** and would be able to utilise the RES effectively.
18. Management at a regional level would ensure the **highest level of oversight through Chief Executives and Leaders**, whilst local delivery would be maintained (similar to the arrangements for City Deal).
19. **City regions in England will manage these resources at a regional level** and this would ensure GCR is not left behind.
20. There would also be a **strong argument made to UKG for any underspends to be retained within GCR rather than returned to government**, as is the case with EU structural funds. The existing City Deal Assurance Framework offers a basis for this to be managed, albeit it would require to be updated.
21. **Governance structures are in place in GCR**, which would need to be adapted rather than created giving GCR the opportunity to move more quickly than other parts of Scotland and **maximise investment in the region**.
22. Managing the funds at a GCR level would **not preclude individual authorities from seeking additional UKG funding through any challenge funds which may be launched**. This proposal refers only to the core SPF allocation which is proposed to go to local authorities.
23. GCR already has significant engagement with UKG at a senior level and an early decision to self assemble as a region will allow us the **chance to make the case for increased investment in the city region, including discussing the allocation methodology and making the case for non-local authority funding to be included within our allocation**. This would ensure that the issues which were seen with the Community Renewal Fund (where some parts

of the region were not considered priority areas despite pockets of deprivation) could be addressed and maximise investment into GCR.

24. Following the CEG on Thursday 3rd February, the Director of Regional Economic Growth met with UKG on Friday 4th, and they were able to confirm the following:

- The UKG's strongly preferred position is that the SPF is managed at a regional level;
- Capacity building funding will be allocated to local authorities to develop SPF proposals;
- Whilst the timescale for the missions is 2030, the funding is only agreed at this point over a 3 year period as this is tied to the Spending Review;
- No decision has been taken on how funding will flow to Scotland for those missions which have Barnett consequentials. In part, this is because no funding has been identified yet; and
- UKG would welcome a formal notification from GCR that it intended to manage this at a regional level as soon as possible to allow discussion about next steps.

Proposed next steps

25. In order to progress this, GCR would need to notify UKG of its intention to self assemble and manage SPF at a regional level. There is a distinct advantage to GCR of moving quickly and being in a position to secure funding from the outset of the programme.

26. If the decision is taken to proceed, it is proposed to recruit a Head of Future Funding post as agreed at CEG in November 2021. It is expected that this will be funded from SPF and the pre launch guidance is clear that administration costs can be claimed from the fund. A working group of ESF/ERDF leads from each local authority will be established to develop the detailed Investment Fund ensuring an appropriate geographical spread of investment based on need and opportunity.

27. The Head of Future Funding will be tasked with reviewing existing governance arrangements, liaising directly with UKG on behalf of GCR and establishing monitoring arrangements. No further recruitment will be required until the exact programme and funding are agreed, and any potential additional costs will be met from the fund, reducing bureaucracy and generating efficiencies as opposed to 8 separate arrangements.

28. The principle of local delivery will be fundamental to the city region's approach and it is anticipated that moving quickly and establishing oversight which devolves power down to the regional level from the previous national arrangements will ensure the maximum return for the City Region.

29. Cabinet is therefore asked to consider the issues set out in this paper and:

- Note the direction from UKG to pursue a regional approach, and further note that this is also the preferred position of the Scottish Government;
- Agree in principle to pursue a regional approach to management of SPF and to authorise the Director of Regional Economic Growth to formally notify UKG of this approach; and
- Agree that the Investment Plan will be developed in conjunction with all 8 Member Authorities with all necessary approvals at both regional and local level prior to final submission in Summer 2022.