

OPEN

Economy and Growth Committee

12 March 2024

UKSPF Update

Report of: Peter Skates, Executive Director - Place

Report Reference No: EG/28/23-24

Ward(s) Affected: All wards

Purpose of Report

- 1 The purpose of this report is to update the Economy and Growth Committee on progress made with allocation of UK Shared Prosperity Funding (UKSPF), with particular focus on the Core and Rural Funds.

Executive Summary

- 2 The Council is the accountably body for the UKSPF in Cheshire East and is responsible for the management of the UKSPF allocation for 22/23-24/25. The allocation amounts in total to £13,948,936.
- 3 Council delegated powers to officers to manage the fund, which has enabled officers to respond to central deadlines and make significant progress despite the challenges.
- 4 This report seeks to update Committee on the management of the fund and the projects approved to receive funding to date.

RECOMMENDATIONS

The Economy and Growth Committee is recommended to:

1. Note the progress made in allocating and utilising the 2022-25 Cheshire East UKSPF allocation; together with the issues faced in pursuing spend by March 2025; the risk of underspend; and the mitigation proposed to reduce that risk.

Background

Context

- 5 UKSPF is a central government fund provided to local authorities in lieu of former European funding streams, described as a central pillar of the government's Levelling Up agenda. The fund was first announced in April 2022 when indicative allocations were identified for the three years 2022/23, 2023/24 and 2024/25.
- 6 Unlike many other Levelling Up funding streams, UKSPF was allocated on a non-competitive, formulaic basis. Cheshire East Council was identified as the accountable body for the UKSPF in Cheshire East with a total indicative UKSPF allocation for Cheshire East of £13,948,936 spread across the three years 22/23-24/25.
- 7 Although local authorities have some discretion over the use of funds, the allocations must be aligned to fund priorities and cannot simply be allocated by the Authority for any purpose.
- 8 The fund is divided into three elements:
 - A Core UKSPF allocation of £11,585,762 split across the three years 22/23-24/25 which can be spent on defined types of interventions within three categories: 'People and Skills', 'Communities and Place' and 'Business Support'.
 - A Rural 'top up' allocation of £827,627 for years 23/24 and 24/25, only to be spent on capital schemes supporting rural business', communities and place.
 - £1,563,749 to be spent exclusively on the Multiply (Adult Numeracy) Programme.
- 9 A condition of receiving any of the funding was that the Council had to develop, and have approved, Investment Plans for each element of the funding. Local authorities are required, through the Investment Plans to set out, at a high level, how they will utilise each element of the funding. The Multiply Investment Plan was approved by the Department for Education (DFE) in August 2022. The Investment Plan for core UKSPF were required to be developed and submitted for approval to the Department for Levelling up Housing and Communities (DLUHC) on 1 August 2022 but were not approved until December 2022. The Rural Fund Investment Plan takes the form of an addendum to the core investment plan, and this was approved by DEFRA in April 2023.
- 10 In view of tight timescales imposed centrally for the delivery of key workstreams and spend associated with UKSPF, on 20 July 2022 Council

delegated authority to various officers. A key delegation was to the Executive Director - Place who was delegated authority to manage the Cheshire East UKSPF programme for 2022-25; taking all necessary actions in the interests of maximising the impacts of the fund, aligned to the fund parameters, local priorities and aligned to the core UK Shared Prosperity Fund Investment Plan. At the time of this delegation, only the Multiply and Core elements of UKSPF had been announced. In October 2022, following announcement of the UKSPF Rural 'top up' fund, Corporate Policy Committee extended delegations to the Executive Director - Place to also cover the Rural Fund element of UKSPF.

Update on decisions

- 11 Utilising the powers delegated by Council, officers have taken key decisions on the administration of the fund. These decisions are summarised in the table below. Links to decision papers are provided in Background Papers where these have been published.

Jul 2022	Delegations granted by Council to officers relating to management of UKSPF Multiply and Core funds
Jul 2022	Officer decision - approval of core UKSPF Investment Plan for submission to DLUHC
Oct 2022	Corporate Policy Committee agree Terms of Reference of a new Cheshire East UK SPF Local Partnership Group and delegate further powers to Executive Director - Place relating to the management of the Rural Fund allocation
Nov 2022	Officer decision to approve methodology for selection of projects to receive UKSPF (core fund)
Nov 2022	Officer decision to approve and submit Rural Addendum to core UKSPF Investment Plan
Jan 2023	Officer decision to accept UKSPF funding
Feb 2023	Officer decision to approve skeleton programme of projects to be funded from UKSPF core fund
Jun 23	Officer decision to accept revised MoU incorporating Rural Fund
Jul 23	Officer decision to approve additional projects to be funded by UKSPF and to launch wider call out for further project proposals
Aug 23	Officer decision to launch further call out for limited categories of further project proposals

Nov 23	Officer decision to approve supplementary capital and revenue estimates for 22/23 and 23/24
Nov 23	Officer Decision to award UKSPF core funding to further tranche of projects

Update on project selection

- 12 Projects have been selected to receive UKSPF in several tranches. The first group of projects identified to received funding, were all projects to be led by CEC. The decision to focus on CEC led projects was linked to the fact that funding for 22/23 was not confirmed until Dec 2022, with no time to then launch a wide call out for project proposals. This first tranche of projects was agreed by the Chief Executive in February 2023, the decision having been referred upwards by the Executive Director- Place in the interests of ensuring appropriate scrutiny, given that at that time, the Executive Director- Place was also chairing the CEC UKSPF Programme Board.
- 13 In July 2023 the Executive Director- Place then determined to both approve a second tranche of CEC projects and additionally to launch a wider call out for further project proposals from across the Council and from other suitable organisations across the Borough in a position to act in a delivery capacity. An independent external appraiser was appointed to design and run the call out and to assess, via a transparent and fair scoring system, all project proposals received and make recommendations to CEC as to which projects should receive UKSPF. That call out was made known to all members of the Local Partnership Group, made available on the Council's website and all local members were notified.
- 14 Following that comprehensive project assessment process, in November 2023, utilising delegated authority, the Executive Director- Place approved a further tranche of projects, internal and external, to receive UKSPF.
- 15 It should be noted that a balance has been struck by officers between speed of allocation of funding and the desire to make funding available to a wide range of potential partners via a fair and transparent process. In short, ensuring a fair and transparent allocation of funds via an open call out for projects, has inevitably slowed the process of fund allocation.
- 16 All UKSPF monies have been allocated to a range of projects being delivered by CEC and third parties, including some town councils.

- 17 An overview of these projects is set out in the table in **Appendix A**. This appendix breaks projects down into allocation type (Multiply, Core, Rural); gives an overview of the amount of funding allocated to the project; the geographical location, anticipated outputs; and clarifies the current status of each project.
- 18 Committee should also be aware that there have been several constraints imposed centrally which have made it difficult to facilitate spend in a timely manner and such constraints continue to raise significant risks to the effective use of this funding. These issues are explained more fully in the following paragraphs.

Funding constraints posing challenges to spend of UKSPF

- 19 Challenges to the efficient spend of UKSPF have arisen from the start of the fund. In 2022/23 UKSPF allocations were to cover Multiply and Core activities as set out in the approved Multiply Investment Plan and Core UKSPF Investment Plan. Whilst the relevant central ministerial departments made clear that from April 2022, councils could spend their own funds at risk ahead of Investment Plans being approved and grant funding letters being issued. This would clearly create financial risk for the authority and the advice from the S151 officer was that spend should not be incurred ahead of receipt of funding.
- 20 Unfortunately, formal confirmation of allocations did not occur at the start of the financial year. The Multiply annual grant funding allocation letter was received well into the financial year, the Council accepting that funding at the end of September 22. Confirmation of the core funding was significantly further delayed and the core UKSPF grant allocation letters were not issued by DLUHC until 5 December 2022, almost $\frac{3}{4}$ of the way through the financial year. This effectively left only Quarter 4 of 22/23 for councils to accept the funding, approve supplementary estimates, confirm, and mobilise projects, and incur expenditure. For many projects initially anticipated to be funded from the 22/23 allocation, this vastly reduced timeframe was simply unrealistic. Despite this situation in 22/23 £602,486 of core UKSPF was spent and reclaimed from an allocation of £1,406,039, and, for the Multiply element £294,677.03 was spent in 22/23 with £167,247.93 of the 22/23 allocation remaining unspent.
- 21 Moving into 23/24, the rules for the Multiply funding meant that the remaining unspent allocation from 22/23 was deducted from the Multiply allocation for 23/24. At the time of the issue of grant funding letters for the core fund in December 2022, the advice from DLUHC was that any unspent core allocations would also need to be returned at the end of 22/23. However, following significant lobbying from local authorities, MPs, LEPs etc across the country, this position was reconsidered and DLUHC subsequently agreed that authorities would be able to carry

forward unspent core 22/23 funding into 23/24, subject to approval of 'credible plans' demonstrating how the unspent funding would be spent. It was not specified what a credible plan comprised until end of financial year monitoring forms were released. Lead authorities therefore had no certainty around the amount of core UKSPF funding to be made available for 23/24 until plans were approved and annual funding letters issued. Unfortunately, it was not until 14 August 2023 that DLUHC issued the annual funding letter for core UKSPF 23/24 allocation to the Council and the amount of funding available to spend in year was confirmed. As this was over 4 months into the 23/24 financial year the Council has been again left with a compressed period to spend the 23/24 allocation which includes the underspend from 22/23.

- 22 To summarise these issues, the way the fund has been managed by the Government, with uncertainties over allocations, late confirmation of allocations, and strict yearly allocations with no certainty over the next years allocation, has posed significant challenges for officers seeking to protect the Council from unnecessary financial risk. This situation has led to funding being allocated to projects much later than is ideal.
- 23 There appears to have been some acknowledgement of the issues posed by the strict spending criteria and government's sponsoring department (DLUHC) has recently confirmed that any unspent core allocation can be rolled over into 24/25. This is very welcome but not without further limitations.
- 24 Looking forward to 24/25, there are still challenges associated with projects being able to spend and deliver the programme that has been agreed. Officers are working with projects to mitigate these challenges and wherever possible support accelerated funding.
- 25 In an attempt to mitigate the risks associated with the hard deadline for UKSPF spend, it is the intention of officers to lobby central government and to encourage others to lobby, for a relaxation of the current fixed deadline to allow contracted work that which is unspent to be rolled forward beyond 24/25.

Consultation and Engagement

- 26 A requirement of the UKSPF core fund was that lead authorities establish UKSPF Local Partnership Groups comprising representatives of a wide range of local organisations across specified categories. The role of the Local Partnership Group was set out in the prospectus for the UKSPF and was to include informing the core fund Investment Plan and providing advice on strategic fit and deliverability of proposals driven forward utilising UKSPF.

- 27 Throughout June and July 2022 Council officers engaged with several local partner and stakeholder organisations to identify priority local issues and opportunities aligned to the objectives of the UKSPF; the findings being used to inform the UKSPF Investment Plan. The Terms of Reference of that group were formally agreed by Corporate Policy Committee in October 2022. Membership is drawn from public sector, private sector, and civil society organisations. Elected member representatives from Cheshire East Council include the Leader and Deputy Leader and Council Committee Chairs in respect of Economy and Growth, Environment and Communities, Children and Families and Adults and Health. All five local members of Parliament and representatives from 11 Town Councils, were also invited to be members, as were neighbouring authority representatives from Cheshire West and Chester and Warrington councils. Representation from local businesses and the business support sector, as well as members representing the voluntary, community, faith, social enterprise, and civil society sector, members representing rural and environmental considerations, the Police and Crime commissioners' office, public health, DWP, local education and skills providers and the Department for Business, Energy and Industrial Strategy.
- 28 Since its establishment, the Local Partnership Group has been used as a touchpoint when making decisions on UKSPF management and to disseminate information on project call outs.
- 29 It should also be noted that when project call outs were launched, all local members were contacted to make them aware of the opportunity for the submission of project proposals.

Reasons for Recommendations

- 30 Delegations from Council to officers for management of UKSPF, that to the Executive Director – Place, are broad meaning that decisions are not generally required from any committee. This has proven invaluable in enabling projects to be identified and selected for funding without undue delays. However, officers wish to ensure members are appraised of progress and to ensure transparency around decisions, aligned to the Council's corporate commitment to being an organisation which works in a transparent manner.

Other Options Considered

- 31 This report does not require a decision by committee but is provided as an update to ensure transparency. The alternative option considered was not providing a committee update.

Option	Impact	Risk
Do nothing - do not report progress to committee	Members may be left unaware of progress and ongoing challenges with this funding	<p>Opportunities to lobby for an extension of the window for spend may be missed.</p> <p>Members may understandably be more reluctant in the future to delegate to officers if not kept appraised of the outcome of delegations</p>

Implications and Comments

Monitoring Officer/Legal

- 32 There are no legal implications stemming from this report since it is an update report.

Section 151 Officer/Finance

- 33 There are no direct financial implications stemming from this report since it is an update report. However, there are challenges around the ability to spend the funding within the funding envelope of 31 March 2025, and the timing of the receipt of UKSPF grant from government. Finance is working with the relevant services to mitigate the risks and allow Officers, Members, and other stakeholders to lobby government for further flexibility.

Policy

- 34 The types of interventions identified in the UKSPF Investment Plans, and the specific projects selected aligning to those intervention types align to Council priorities as set out in the Corporate Plan and/or other strategic policy documentation. The methodology used for selection of projects has at every stage required project referrals to clearly identify the links between proposals and strategic policy/strategy and awards of funding have considered that strategic policy fit.
- 35 There are a wide range of projects being supported by UKSPF across the borough each of which align to various priorities in the Corporate Plan.

Taken in totality some of the key priorities which the funding is supporting are set out below.

<p>An open and enabling organisation</p> <p>Listening, learning, and responding to our residents - Proposals have been informed by input from the Local Partnership Group.</p> <p>Supporting a sustainable financial future for the council – to minimise financial risk for the Council spend has not been carried out at risk prior to confirmation of funding. It is acknowledged that this financially cautious result in funding remaining unspent.</p>	<p>A council which empowers and cares about people</p> <p>Many of the projects awarded UKSPF will deliver outputs which empower people. Significant portions of the funding has been used to support grant schemes such as the Councils community grant programme</p>	<p>A thriving and sustainable place</p> <p>A great place for people to live, work and visit – Many projects awarded UKSPF are focused on enhancing specific locations across the borough via capital projects. This includes projects supported in Crewe, Macclesfield, Congleton, Wilmslow and Knutsford.</p> <p>Thriving urban and rural economies with opportunities for all – a significant proportion is being used to support a variety of business grant schemes.</p> <p>Transport network that is safe and promotes active travel – several projects being supported are designed to encourage and facilitate active travel within the borough.</p>
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Equality, Diversity, and Inclusion

- 36 Individual projects supported by UKSPF may have EIAs developed where appropriate.

Human Resources

- 37 The UKSPF core and rural programme is being led by the Economic Development Service with several other services supporting including Legal and Finance and Procurement. The External Funding, Complex Worklessness & Inclusion Service within the People Directorate leads on the Multiply element of UKSPF.
- 38 Staff resources in several of these teams are extremely stretched, with current vacancies. Any staff illness poses risks for management of the fund and delivery of funded projects.

Risk Management

- 39 A full time UKSPF Programme Manager commenced in post on 1 September 2023. Having this full time resource reduces risk around fund management, but this level of management support is still less than ideal. Risks around the management of projects are mitigated via regular UKSPF Programme Board meetings.

Rural Communities

- 40 The core UKSPF allocation supports many projects which have benefits for rural as well as urban communities, such as business grant schemes. Additionally, the Rural Fund top up is designed to be exclusively spent in areas classified as rural by DEFRA. Overall, the UKSPF allocations therefore are benefiting rural communities as well as urban.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

- 41 The UKSPF is not specifically aimed at children and young people. Children and Young people may benefit from specific supported projects alongside other age groups.

Public Health

- 45 There is clear potential for projects funded using the UKSPF to support residents to live healthier lifestyles. Projects could bring positive health outcomes via a variety of routes, for example, funding used to support projects designed to increase accessibility to open spaces, to help deliver active travel schemes, to support community run social and wellbeing projects, and to provide support into employment should all increase life expectancy.

Climate Change

- 46 Several projects receiving or due to receive part of the UKSPF allocation are at least in part designed to help tackle climate change. Several active travel schemes are being supported and other schemes designed to support businesses and residents to reduce greenhouse gases, such as the Sustainable Inclusive Growth Project which will provide a mix of financial (grant) and non-financial (business support) assistance to help businesses develop sustainable and inclusive growth plans which identify opportunities for growth whilst reducing emissions, improving energy efficiency and providing fair employment practices.

Access to Information	
Contact Officer:	Jo Wise Development and Regeneration Manager
Appendices:	Appendix 1
Background Papers:	Council delegation of powers in respect of UKSPF Published Core and Rural UKSPF Investment Plan Corporate Policy Committee approval of ToR of Local Partnership Group Nov 22 Officer Decision on method for project selection Nov 22 Officer Decision to approve and submit Rural Addendum Jan 23 Officer decision to accept UKSPF funding Feb 23 Officer Decision to approve Skeleton Programme Jun 23 Acceptance of revised MOU Jul 23 Officer Decision to launch project call out and approve further projects Aug 23 Officer Decision to launch further call out Nov 23 Officer Decision to approve Supp. Estimate Nov 23 Officer Decision to allocate to additional projects