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## NORTH AYRSHIRE COUNCIL

7<sup>th</sup> June 2022

### Cabinet

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**Title:** UK Shared Prosperity Fund

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**Purpose:** To provide an update on the UK Shared Prosperity Fund (SPF) and to seek agreement on the Council's approach to developing an investment plan to secure funding from the three-year programme.

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**Recommendation:** That Cabinet:

- a) Notes the proposed local approach to the Shared Prosperity Fund (SPF);
- b) Supports the production of a North Ayrshire SPF Investment Plan that reflects future aspirations for a regional investment plan;
- c) Agrees the Ayrshire Regional Economic Joint Committee as the 'SPF partnership group';
- d) Notes the timelines indicated and supports the request to UK Government (UKG) for an extension period until the 31 August 2022;
- e) Agrees to receive a further report in 23 August 2022 presenting and seeking approval of North Ayrshire Council's proposed SPF Investment Plan submission to UKG.

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### 1. Executive Summary

- 1.1 North Ayrshire Council is recognised as a sector leader in Scotland and the UK in defining and implementing an inclusive economy. Critical to that success has been the availability of EU funding to support the delivery of those services over an extensive period of time. EU funding ends in December 2022 and is being replaced by UK Shared Prosperity Fund (SPF).
- 1.2 Plans for SPF were announced in April 2022 by UK Government. EU funding has previously been managed by Scottish Government; however SPF will be managed by the Department of Levelling Up, Housing and Communities (DLUHC) UK Government and awards will go directly to local authorities. Investment plans will be developed and submitted by authorities to form a contract with UK Government and allow for SPF to be drawn down. This report provides a summary of the known details on the new fund and sets out the proposed approach in North Ayrshire.

## **2. Background**

- 2.1 The UK Shared Prosperity Fund (SPF) is part of the UK Government's Levelling Up agenda. From April 2022 to March 2025, SPF will provide £2.6bn of funding across the UK. The UK Government has a commitment to 'level up' all parts of the UK, reducing regional disparities, spreading opportunities and ultimately restoring a sense of community, local pride and belonging.
- 2.2 The overarching objective of SPF is to build pride in place and increase life chances. There are four levelling up objectives underpinning this:
- Boost productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging;
  - Spread the opportunities and improve public services, especially in those places where they are weakest;
  - Restore a sense of community, pride and belonging, especially in those places where they have been lost; and
  - Empower local leaders and communities, especially in those places lacking local agency.
- 2.3 There are three investment priorities for SPF:
- Community and Place;
  - Supporting Local Business;
  - People and Skills.
- 2.4 SPF is split into two allocations for each area, a core SPF amount and a further allocation targeted at adult numeracy known as the Multiply Fund. The allocation for North Ayrshire over the three-year programme is £6,200,649 which comprises £5,129,864 core SPF and £1,070,795 Multiply Fund. A detailed investment plan is required for submission to UK Government by 1<sup>st</sup> August 2022. This must be approved and signed off in advance of payment of funding, however eligible costs can be incurred at risk from 1<sup>st</sup> April 2022.
- 2.5 The fund will operate within the restrictions of annual allocations, with 15% of the total funding being made available in Year 1, 27% in Year 2 and 58% in Year 3. In addition to annual totals, a minimum percentage must be allocated to capital expenditure. The funding is paid annually in advance with a review of actual against predicted expenditure at year end with no opportunity for carry forward currently available.
- 2.6 The SPF Prospectus encourages local authorities to adopt a regional approach to their investment plans, focusing on the existing regional partnerships that operate under City and Growth Deals. A new regional economic strategy is being developed for Ayrshire that will inform and guide future regional working. Early engagement with officers across the three Ayrshire local authorities indicates a desire to submit individual investment plans that reflect a regional consistency in approach. Discussions are ongoing.
- 2.7 The UK Government announced that SPF would act as a replacement for existing EU Structural and Investment Funds (ESIF). The funds being replaced are ESF (European Social Fund) and ERDF (European Regional Development Fund). These funds have provided support to economic development and social inclusion programmes in Scotland for an extensive period. The Council has been a major recipient of ESF, supporting staff posts, council services and contracts including those

with third sector organisations. We would seek to sustain and continue to deliver these services and secure a smooth transition from ESIF funds to SPF.

2.8 SPF funding can be allocated in a number of ways by North Ayrshire Council as follows:

- Grant award to public or private organisations;
- Commissioning third party organisations;
- Procurement of service provision;
- In-house provision.

2.9 This flexible approach enables continuity of services through a transition from EU Funds to SPF. This is particularly important given other economic and social factors as a result of disruptions in the global and local economy. Sustaining and maintaining support mechanisms within Council services is particularly critical at this time. Therefore, we would propose that funds under the Supporting Local Business and People and Skills investment priorities would be aligned towards existing local ESIF workstreams of activity.

2.10 It is intended that the funds allocated through the Communities and Place priority would be done so through a mixture of a competitive grant scheme to community, private and third sector organisations along with procurement of service provision, in order to meet the Council's regeneration, economic and community development ambitions.

2.11 The SPF Prospectus states that the investment plan should be produced in partnership with other local and regional stakeholders and should be endorsed by local MPs and MSPs. To maximise the opportunities to engage and secure support for proposals we would propose to attend and or arrange meetings in June with respective and existing local and regional partnerships and stakeholders including:

- Local Employability Partnership
- Regeneration Delivery Plan workshops
- Regional Skills Group
- Ayrshire Regional Economic Partnership Board
- Regional Strategy Steering Group
- CWB Commission
- Third Sector Interface/Chief Officers
- Local MPs and MSPs

2.12 In terms of the Multiply Fund, this represents new and additional activity that will be rolled out UK wide. Information and details will be discussed through the Regional Skills Group with consideration of the delivery options (local and regional) that are available to support the roll out of this service to ensure that this adds value to existing services.

2.13 A local partnership group should be assembled to develop proposals and should continue to meet throughout the duration of the programme. Existing structures should be repurposed if possible. It is therefore considered that the existing Ayrshire Economic Joint Committee could serve this purpose with respective regional and local engagement feeding into this process. A new regional economic strategy is also currently being developed and this will be referenced in our submission with the

expectation that this will be very influential in future SPF rounds. Extensive engagement is also underway as part of the new regional strategy over the next two months and intelligence from that will be kept under consideration as officers develop the SPF submission. Officers across the three Ayrshire Councils are in dialogue to develop a proposed approach which would see each Council develop their own Investment Plan and also seek the endorsement of the Ayrshire Regional Economic Joint Committee of their respective plans. Final approval will however remain with each Council, North Ayrshire's Cabinet approval will be required ahead of the submission of the North Ayrshire Investment Plan.

- 2.14 The deadline for submission of SPF Investment Plans is 1<sup>st</sup> August 2022. It is officers' assessment that it will not be possible to meet this deadline and have all the approvals and endorsements needed. This position has been intimated to UK Government. It is proposed an extension till 31<sup>st</sup> August 2022 be requested. However, delays in submission will consequently delay approvals and therefore it is important to submit as soon as is reasonably practicable. It is proposed that a further report be submitted to Cabinet seeking approval of the North Ayrshire Investment Plan on 23<sup>rd</sup> August 2022. Consideration will also be given as to whether there will be a need for a special meeting of the AREJC ahead of Cabinet to seek an endorsement of plans.
- 2.15 Technical guidance is still awaited and is expected in the summer; however no date for its release has been provided as yet. This will be crucial to inform the ongoing development and management of Investment Plans for the Shared Prosperity Fund.

### **3. Proposals**

#### **3.1 That Cabinet:**

- a) Notes the proposed local approach to the Shared Prosperity Fund (SPF);
- b) Supports the production of a North Ayrshire SPF Investment Plan that reflects future aspirations for a regional investment plan;
- c) Agrees the Ayrshire Regional Economic Joint Committee as the 'SPF partnership group';
- d) Notes the timelines indicated and supports the request to UK Government (UKG) for an extension period until the 31 August 2022;
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### **4. Implications/Socio-economic Duty**

#### **Financial**

- 4.1 SPF will provide up to £6.2m of funds directly to the council over 3 years to replace ERDF and ESF funds and to further deliver a new Multiply Fund (Adult Numeracy Fund). These allocations are annualised and not equally profiled, which may have implications for continuity of services on a like for like basis, particularly in year 2. UKG state that SPF is value matching EU funds like for like and that as EU funds

reduce over the next few years, allocations to SPF will increase. It remains unclear at this stage if that will be confirmed at a local level.

Traditionally ERDF and ESF funds were top sliced at SG level to fund national programmes. There has been no requests from SG and or national agencies for support from or access to these funds.

### **Human Resources**

- 4.2 There are approximately 30 plus council staff employed that are currently funded as part of existing ERDF and ESF programmes. Advice and support will be sought from HR as part of planning. There will be requirement to consider management and compliance staffing needs for the new fund. This will be considered as part of the Investment Plan and subject to the technical detail becoming available.

### **Legal**

- 4.3 Advice will be sought as plans develop.

### **Equality/Socio-economic**

- 4.4 Demonstrating that the Investment Plan delivers on social and economic outcomes will be fundamental to the overall aims of SPF. The Investment Plan will be subject to the following impact assessments:
- Equality and Children's Rights Impact Assessment;
  - Islands Impact Assessment;
  - Fairer Scotland Duty assessment

### **Climate Change and Carbon**

- 4.5 Improving the North Ayrshire and Ayrshire economies in accordance with net zero ambitions will be a focus within all plans which will link into the ambitions of the Environmental Sustainability and Climate Change Strategy (ESCCS) and reflect our own ambitions for a fairer, greener and more inclusive economy as set out in the Council's Economic Recovery and Renewal Approach. Potential activity seeking funding from SPF will be assessed against its contribution to the ESCCS as part of the appraisal of projects.

### **Key Priorities**

- 4.6 The report covers information relevant to the following Council Plan priorities:
- North Ayrshire has an inclusive, growing and enterprising economy
  - North Ayrshire's residents and communities enjoy good life-long health and well-being
  - North Ayrshire's children and young people experience the best start in life
  - North Ayrshire is well-connected with effective infrastructure
  - North Ayrshire is a sustainable environment
  - North Ayrshire is a vibrant, welcoming and attractive environment
  - A powerful and respected voice

- An efficient Council that maximises resources and provides value for money

### **Community Wealth Building**

- 4.7 Our investment plan will be informed at a local level by our Community Wealth Building strategy with the SPF themes cross referred with our five pillars and respective related Regeneration Delivery Plan, our Economic Recovery and Renewal Plan and Island Plans. Our new regional economic strategy, whilst at an early stage in its discussion has a strategic focus on developing an inclusive wellbeing economy with Community Wealth Building an overarching theme and firmly embedded in the approach to the development of the strategy. This will inform and feed future regional approaches to SPF.

### **5. Consultation**

- 5.1 In terms of internal consultation, the proposals and approach have been the subject of a report to the Executive Leadership Team. The Investment Plan is being developed by a cross-departmental team of officers.
- 5.2 In terms of external consultation, the UK Government continues to consult with local authorities on the existing and emerging guidance for SPF. NAC are part of these conversations. An individual meeting has been held with Lauren Bruce (Deputy Director for Scotland, DHLUC) and officers have been represented on the Highlands & Islands Regional Economic Partnership Senior Officers Group, have met with Glasgow City Region and with other colleagues through SLAED. Communication has also been ongoing with colleagues in East and South Ayrshire Councils.

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For further information please contact **Caitriona McAuley, Head of Economic Development and Regeneration**, on **07720237111**.

### **Background Papers**

None