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| Agenda Item | 13 |
| Report No | HC/19/22 |

HIGHLAND COUNCIL

Committee Highland Council

Date: 30 June 2022

Report Title: Shared Prosperity Fund

Report By: Executive Chief Officer Infrastructure, Environment & Economy

1 Purpose/Executive Summary

- 1.1 This report introduces the Shared Prosperity Fund, its aim, purpose and value to Highland before outlining the process underway to prepare the required Highland Investment Plan. The Council is asked to consider and comment on the proposed approach and activities, as well as the decision-making process which will allow the Investment Plan to be finalised during July and submitted at latest by 1 August 2022.

2 Recommendations

- 2.1 Members are asked to:
- i. agree and comment on the proposed approach and activities to be included in the Investment Plan;
 - ii. note the process underway and timelines associated with the finalisation and submission of the Investment Plan; and
 - iii. agree the approval of the final Investment plan for submission to the UK Government will be delegated to the Executive Chief Officer Infrastructure, Environment & Economy, in consultation with the Council Convener, the Council Leader and the Chair and Vice Chair of Economy and Infrastructure Committee for the reasons outlined in paragraph 6.5.

3 Implications

- 3.1 **Resource** – A financial allocation of £9,445,515 has been awarded to Highland over a three-year period (1 April 2022 to 31 March 2025). 15% of the Fund needs to be spent in 2022/23, rising to 27% in 23/24 and then 58% in 24/25. The majority of the funding is revenue (86%) with limited capital funding (14%). The UK Govt has advised that any funding not spent within the given financial year will be subject to reconciliation and is repayable.

One key objective of the Shared Prosperity Fund is to improve adult numeracy and to this end, £1,631,153 of the total allocation has been ring-fenced by the UK Govt for this specific purpose.

- 3.2 **Legal** – The Council will be the accountable body for the management of the Fund and hence responsible to ensure that all funds are used for the purpose given. The Council will therefore enter into a legal agreement with the UK Govt to this end. Similarly, if the Council is managing the Fund but other organisations are delivering activity, legal agreements will also require to be entered into with each affected party.
- 3.3 **Community (Equality, Poverty and Rural)** – The overarching objective of the Fund is to build pride in place and to increase life chances. In itself the Fund will not achieve this and therefore the challenge in utilising the Fund to best effect is how it aligns with and brings value to other activity.
- 3.4 **Climate Change / Carbon Clever** – Across the Fund there are a range of interventions (activities) which support just transition and net zero. As above, the Fund will not achieve this on its own and therefore the challenge in utilising the Fund to best effect is how it aligns with and brings value to other activity.
- 3.5 **Risk** – A key risk is that the Fund will not be fully utilised within each of the financial year allocations and potentially be lost as it requires to be repaid to the UK Govt. To mitigate against this, central to current thinking is delivery mechanisms and ability to utilise the Fund to bring added value to existing activity and current delivery mechanisms.
- 3.6 **Gaelic** – As the Fund has an objective to restore a sense of community, local pride and belonging including activities that encourage engagement in local culture, potentially a range of activities supporting Gaelic could benefit from the Fund.

4 Background

- 4.1 Members will be aware that for many years, the Highlands and Islands has benefitted from various EU funding programmes. The core rationale for such funding programmes has been to assist all parts of the EU, to work and contribute towards the sustainable development of Europe, promoting equality and social justice. This funding and the activity it supported, be that infrastructure; business development; skills; communities etc., has been of transformational benefit for the region. With the UK's departure from the EU, such funding has stopped, albeit there remains some residual EU funded activity which will conclude in 22/23.
- 4.2 The UK Govt has made a commitment to level up the whole of the UK. The focus is placed on a levelling up opportunity and prosperity as well as overcoming deep-seated geographic inequalities. The Shared Prosperity Fund is one part of this Levelling Up agenda and succeeds the old EU structural funds.
- 4.3 In its Fund prospectus, the UK Govt stated aspiration is that the Fund will invest in domestic priorities and target funding where it is needed most and that it will lead to tangible improvements to the places where people live, alongside investment in human capital, giving communities up and down the UK more reasons to be proud of their area.
The Fund has four objectives:-
 1. boost productivity, pay, jobs and living standards by growing the private sector;

2. spread opportunities and improve public services;
3. restore a sense of community, local pride and belonging; and
4. empower local leaders and communities

4.4 Members will recall that a seminar was held on 31st May 2022 in relation to the Shared Prosperity Fund.

5 Funding

5.1 The UK Govt has allocated Highland a three-year Fund award of £9,445,515. The use of this Fund has grant conditions attached to it, is split across financial years and is split between revenue and capital funding. There is also a ring-fenced allocation within the award which Highland must use to address adult numeracy. The Council can also use up to 4% of the allocation for Fund administration.

5.2 To access this allocation, an Investment Plan needs to be prepared and submitted to the UK Govt by 1 August 2022. The UK Govt has indicated that it will start making decisions on the submitted plans by October 2022 onwards. In practice therefore first substantive spend is unlikely to be much before January 2023.

5.3 A multi annual allocation of funding is always preferable to annual awards or competitive funding rounds and allows for activity to be better planned and aligned with other funds. The timelines associated with spend, especially as year 1 commenced 1 April 2022 before the Fund was launched, and the intent of UK Govt to clawback any funding not spent in any one financial year, makes delivery and full use of the Fund very challenging.

6 Investment Plan Preparation

6.1 Following the launch of the Fund mid-April there have been a series of UK Govt information and question and answer sessions organised across the country to enable all involved to fully understand the prospectus published and what is eligible and required when preparing the Investment Plan. Further 'technical guidance' as yet remains to be published by the UK Govt and this will may have a critical bearing on final Plans produced and subsequent supported activity.

6.2 The Investment Plan in effect is a proforma document which needs to be completed detailing each of the interventions (activities) and outcomes sought across three investment priorities:-

- Communities and Place;
- Local Business Investment; and
- People and Skills.

There is also a need to outline the structures in place to support delivery and involvement from stakeholders and MP's when preparing the plan. Finally, there is a section on capability and capacity to deliver across each of the three investment priorities.

6.3 To assist with the preparation of the Investment Plan, Council staff have been seconded to co-ordinate and lead on individual workstreams. In undertaking this work, they have been in discussions with internal colleagues and external partners as they seek to map current activity and identify how best the Fund could be utilised. More formally, and in line with expectations from the UK Govt, members of the Highland Economic Recovery Partnership have set-up a short life working group to

assist, and discussions have commenced with the Council's three constituent MP's to brief them and secure their endorsement of the Investment Plan.

- 6.4 Following Council consideration and comment on the proposed approach and activities to be included in the Investment Plan – see Section 7 below and **Appendix 1**, and receipt of the 'technical guidance', work will continue over July to complete the Investment Plan. The aim is to complete and submit the Investment Plan as soon as possible in July, as it is understood that the UK Govt will assess the submitted plans on a "first come first served" basis and thus this may aid an early assessment/approval from October onwards.
- 6.5 Timelines and the summer recess, therefore, requires an approval process outwith the Council/Committee timetable to be established. It is therefore proposed that it is delegated to the Executive Chief Officer Infrastructure, Environment & Economy, in consultation with the Council Convener, the Council Leader and the Chair and Vice Chair of Economy and Infrastructure Committee to approve the final Investment plan to be submitted to the UK Govt. Members should note that if there are further opportunities to seek changes to the Investment Plan, these will be reported to both Area and Strategic Committees where appropriate.

7 Investment Plan

7.1 General approach

- 7.1.1 While Fund allocation is based on local authority areas, there is no requirement to prepare the Investment Plan at the same geography. In the context of Highland, the opportunity therefore exists to prepare, submit and deliver at a Highlands and Islands geography – in practice matching the previous geography used for EU funds. Discussions have taken place with neighbouring local authorities and regional partners, and it is recognised that with the timelines involved and complexities of establishing the one regional accountable body, that across the Highlands and Islands each local authority will produce an Investment Plan for their own area.
- 7.1.2 The value of the funding available and their time limited nature, means that they will be best utilised when they align with and bring 'added value' to existing activity. Allied to this, if the Fund is used in this manner, then it also will be directly linked to existing delivery mechanisms. For example, the previous Council Administration put in place through its Economic Prosperity Fund, a support programme of Business Start-up and Growth activity. This work is now in its second (and final) year and is being delivered through the Economy and Regeneration team and its Business Gateway service. As it is making traction and impact, it makes sense to capitalise on this activity and delivery method and to extend the programme in its length of operation and scope of support, rather than starting something new.

7.2 Interventions

- 7.2.1 **Appendix 1** sets out the proposed key themes that are currently being developed in line with the Investment Plan requirements. They are grouped across the three investment priorities:-

- Communities and Place;
- Local Business Investment; and

- People and Skills (with Multiply sub-theme).

7.2.2 The detailed interventions are currently being worked up and will reflect business and community needs and opportunities. Certain activities will be cross-cutting, for example, activities supporting net zero or digital will apply across all three priorities.

7.3 Governance

7.3.1 Two aspects of governance are required – internally within the Council and external with partners and MPs.

7.3.2 Currently the Council has a Member Monitoring Group in place to enable elected members to scrutinise progress with the Inverness and Highland City Region Deal. It is proposed that this group take on a wider role of providing scrutiny for the UK Shared Prosperity Fund and the Levelling Up Fund. In addition, progress reports will be presented to the Economy and Infrastructure Committee and Area Committees as appropriate (particularly in respect of ensuring local input into area priorities).

7.3.3 There is an expectation from the UK Govt that not only will local partners be involved with the development of the plan but that once the plan is approved, they should be asked to provide advice on strategic fit and deliverability. It is proposed that this ongoing involvement will be facilitated through the Highland Economic Recovery Partnership.

7.3.4 There is also a requirement after the Investment Plan is approved to engage constructively with MPs during the delivery phase. It is proposed that discussions take place with the MPs at that time.

7.4 Capacity

7.4.1 The UK Govt recognise that local government will require support to administer the Fund including Fund administration, such as project assessment, contracting, monitoring and evaluation, partner engagement etc. The Fund allows the local government to use up to 4% of their allocation by default for this purpose. This recognition of the additional work involved is welcomed and successful delivery will be aided by having the required staffing resource in place. It is therefore proposed to apply for the full 4% allocation for Fund administration.

8. Conclusion

- 8.1 The Shared Prosperity Fund, offering as it does an opportunity for local design and delivery, allows the Council to determine within the parameters set by the UK Govt, how best the Fund can be utilised locally. The timelines associated with the Fund encourages activity to be pursued which adds value to existing work and which utilises current delivery mechanisms. The detail on the 'added value' activity to be supported remains to be finalised during July but will be based on the activity as outlined in **Appendix 1**.
- 8.2 Further reports on the Fund will be presented to the Economy and Infrastructure Committee and Member Monitoring Group.

Designation: Executive Chief Officer Infrastructure, Environment & Economy

Date: 15 June 2022

Author: Andy McCann, Economy and Regeneration Manager

Background Papers: Appendix 1 - Draft Intervention Themes

Draft Intervention Themes

The following summarises the key themes that are being established in line with the Investment Plan requirements. They are grouped across the three investment priorities:-

- Communities and Place
- Local Business Investment
- People and Skills (with Multiply sub-theme)

The detailed interventions are currently being worked up and will be based around number of themes, as shown below, which reflect business and community needs and opportunities. Certain activities will be cross-cutting, for example, activities supporting net zero or digital will apply across all three priorities.

Communities and Place

This priority has two objectives:-

1. To strengthen social fabric and foster a sense of local pride and belonging
2. To build resilient, healthy and safe neighbourhoods

The interventions to be pursued:

- i. Activities which help develop sustainable communities; building capacity and to identify, prioritise and develop community led projects.
(This will include, for example, developing Area Place Plans for communities, support for feasibility studies)
- ii. Supporting communities with communications and connections.
(This will include, for example, active travel and community transport initiatives, digital investment for community facilities)
- iii. Supporting communities to own and develop assets and infrastructure.
(This will include for example, working with partners to support energy saving initiatives and carbon reduction)

Supporting Local Businesses

This priority has three objectives:-

1. Create jobs and boost community cohesion
2. Promote networking and collaboration
3. Increasing private sector investment in growth-enhancing activities

The interventions to be pursued:

- i. Enhance existing programmes promoting entrepreneurship and business start-up
(This will include, for example, specialist advisory and grant support for start-ups, Get Basics Right support initiative).
- ii. Deliver a series of business initiatives which strengthen growth, innovation and development
(This will include for example, specialist advisory and grant support for growing businesses, including build your markets, or attracting international business events and conferences)
- iii. A programme supporting business energy efficiency and Net Zero transition
(This will include, for example, business advice and grant support towards Net Zero and Carbon reductions)

People and Skills

This priority has four objectives-

1. Boost core skills and support adults to progress in work
2. Reduce levels of economic inactivity
3. Supporting people furthest from the labour market barriers to work
4. Supporting local areas to fund gaps in local skills provision

The interventions to be pursued include:

- i. Enhance existing programmes to promote sectoral opportunities and overcome associated perception barriers
(This will include, for example, the introduction of specific sectoral initiatives, i.e., a Highland Hospitality Skills Academy)
- ii. To reduce levels of economic inactivity in Highland by investment in bespoke support and information tailored to local needs
(This will include, for example, improved access to services by reaching out and engaging with clients in communities across the Highlands, delivering longer-term sustained or specialist support addressing client barriers to economic activity)
- iii. Develop and deliver services that align employer needs and opportunities with individual skills and availability
(This will include, for example, launch of a local skills brokerage and associated training initiative)
- iv. To support identification and provision of bespoke training initiatives for employers, organisations and individuals that supports economic opportunity and growth
(This will include, for example, Highland Training Initiative supporting staff skills development)

Multiply

This priority has three specific objectives sitting within the People and Skills priority:-

1. More adults achieving maths qualifications / participating in numeracy courses.
2. Improved labour market outcomes
3. Increased adult numeracy across the population

The interventions to be pursued include:-

- i. Universal Support and Signposting
(This will include, for example, info campaigns and signposting to free online (quality assured) learning opportunities)
- ii. Project and Sector Based initiatives jointly delivered with a wide range of partners
(This will include, for example, potentially working with Trade Unions, employers, third sector, building on learning from existing programmes and initiatives)

- iii. Adding value to existing Community Learning and Development activity
(This will include, for example, improving reach to those with least numeracy; knowledge, skills and understanding)