All-Party Parliamentary Group on the UK Shared Prosperity Fund

Chair: **Stephen Kinnock MP**

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Rt Hon Michael Gove MP
Secretary of State
Department for Levelling Up, Housing and Communities

By email to: michael.gove@communities.gov.uk

14 June 2022

Dear Michael,

UK Shared Prosperity Fund

The APPG on the Shared Prosperity Fund met recently for the first time since the publication of the SPF prospectus. As Chair of the Group, I was asked to write to you, alongside the Vice Chairs, to raise a number of concerns.

First, however, the Group would like to welcome the progress in bringing forward the Fund. We've long argued for a replacement for EU funding to the regions and there are aspects of the SPF that we find pleasing. These include protection for the share of funding going to each of the four nations, the use of allocation formulae rather than competitive bidding, and within England the share of funding going to less prosperous areas.

On the day the prospectus was issued your colleague Neil O'Brien wrote to say that the government's approach "reflects several of the themes of the work of the APPG". We are pleased if this has been the case and would wish to continue to play a constructive role.

If the points below appear critical they should therefore be seen in the context of our support for important aspects of the direction of travel.

Short duration of funding

The EU funding that the SPF replaces was allocated on a seven-year cycle, with the flexibility to roll forward spending for a further three years. This allowed the planning and implementation of ambitious schemes, including capital projects. The SPF is currently tightly constrained into the next three financial years and, given that local investment plans will not be approved until the autumn, is effectively little more than a two-year programme. This curtails the scope of activity and rules out most capital spending.

It is hard to see the current SPF as more than an initial down-payment on the much larger fund that is needed to properly replace EU funding. This is especially the case because it is not until 2024-25 that SPF funding builds up to match EU funding in real terms.

Beyond 2024-25

Unless it is possible to make financial commitments before the end of 2024-25 that run on into the following financial years, it will be nigh on impossible to sustain SPF spending at 2024-25 levels and therefore to honour the commitment to match EU funding in real terms. This is the unavoidable result of lags between commitments and spending.

When Neil O'Brien met the Group's officers in March he explained that he was well aware of the problem and the need for the SPF to "ramp up to a steady state". The prospectus is silent on this issue and there are worries that beyond 2024-25 we face a 'cliff edge'.

Local investment plans

Developing local investment plans to be submitted by the end of July is a tall order. This is what we've been hearing from local authorities and the process is doubly challenging because of the need to bring on board local partners, and indeed MPs.

There are worries that the government will struggle to approve all the plans by the early autumn. Given the delivery geography the government has chosen, it can expect to have to review more than 200 individual plans. Recent experience in assessing bids into the Community Renewal Fund, which involved far less money and over-ran badly, does not inspire confidence.

Role of the devolved administrations

You will be aware from previous correspondence that the Group favours close involvement by the devolved administrations. If nothing else, this seems appropriate given their substantial responsibilities and activities, especially on local and regional development.

Whilst Neil O'Brien offered reassurance that the devolved administrations will play a big role in where the money is spent and what it is spent on, whether this will be the case in practice still seems unclear.

Allocation to local areas in England

Whilst the Group welcomes the continuing focus of funding within England on the least prosperous areas it also notes that there are a number of places with reason to feel aggrieved:

- South Yorkshire and Tees Valley & Durham have been treated far less favourably than Cornwall, in terms of SPF funding per head, even though their GDP per head is now lower.

- South Yorkshire (again) and Merseyside have been short-changed because errors in their EU financial allocations for 2014-20 have now been rolled forward into the UK SPF.

- Because the allocation to unitaries and districts within LEP areas has been driven primarily by population, disadvantaged areas within otherwise prosperous LEP areas have fared badly. Examples include Stoke within the Staffordshire LEP and East Kent (Thanet, Dover, Folkestone) within the South East LEP.

Employability and skills

In England, the government says it does not intend to make substantial funding available for employability and skills until 2024-25, whereas just about all EU funding for these activities comes to an end in March 2023. We're aware that this is causing acute concerns across many public, private and voluntary sector bodies that do good work in this field.

The Group would be pleased to receive your response to these concerns. Of course, we would also be only too pleased to welcome yourself or Neil O'Brien to a fuller discussion.

We look forward to hearing from you.

Yours,

Stephen Kinnock MP
Chair