Department for Levelling Up,
Housing & Communities

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Dear Stephen,

Thank you for your letter of 26 June to Rt Hon Michael Gove MP, on behalf of the APPG on the UK Shared Prosperity Fund (UKSPF). I have been asked to reply as this matter falls within my ministerial responsibilities.

Let me first say I welcome the constructive feedback from the Group and hope to establish a collaborative relationship that can drive forward and ensure the success of the UKSPF in fostering pride in place and increasing life chances across the UK.

UKSPF has been aligned with the UK Government's three-year Spending Review cycle and while I understand the concerns around the longevity of the Fund and a potential cliff-edge after 2024/25, funding beyond this point is a matter for the Spending Review in 2024. As my predecessors have previously expressed to the Group, the Department for Levelling Up, Housing and Communities (DLUHC) is acutely aware about this issue but cannot give any guarantees about future funding at present.

I also recognise the pressures facing local authorities to deliver, especially in the first year of the Fund, and want to ensure that money is spent well and in the places where it is most needed. This is why we allow places to backdate spend on UKSPF to 1 April 2022 and have given them the flexibility to decide how they wish to account for spend in line with their own processes and requirements.

Further to this, DLUHC has also granted one-month extensions for the submission of investment plans, to those places that have requested it. This is in recognition of the pressures facing local authorities as they develop their plans for the UKSPF and to ensure places have sufficient time to develop proposals that meet the unique needs of their area and communities.

I want to be clear and reiterate what my officials have repeated to local authorities. The assessment of investment plans will be both light-touch and proportionate to each place. We are not in the business of signing-off individual projects, as local authorities are best placed to identify and deliver local priorities but want to ensure investment plans fit within the broad parameters and objectives of UKSPF. I am therefore confident my department will be able to approve plans to schedule, with most places receiving their first payment from October.

While we have closely engaged with the Devolved Administrations in the design of the Fund, to ensure the allocations and the list of interventions are appropriate for each nation, and have encouraged local authorities to identify links with existing provision and programmes run by the governments in Scotland and Wales; I am firmly of the belief that investment decisions need to be made as close as possible to local people and businesses as they know and understand their area's characteristics and needs better than central government ever can.

We have deliberately made the choice to allocate funding for UKSPF, giving every area a share of the Fund. This recognises that even the most prosperous areas contain pockets of deprivation and need support. I am also pleased to confirm that our allocation methodology has ensured every area of the UK gets a real-terms match with the previous EU Structural Funds. In England, we have adopted a blended approach where:

- 70% is allocated on a per capita basis, within each region based on Local Authority population size.
- 30% of the allocation uses the same needs-based index previously used to identify UK Community Renewal Fund priority places, namely:
    - Unemployment rate.
    - Household income.
    - Skills.
    - Productivity; and
    - Places with lower population density.

The initial focus of UKSPF on the investment priorities of Communities and Place and Supporting Local Business in 2022/23 and 2023/24 is in recognition of the acute challenges town centres and communities have faced during the COVID-19 pandemic and continue to face with the rise in the cost of living. There is still considerable funding available for employment and skills provision in these years with the £559 million Multiply adult numeracy programme and the residual EU funding.

Local authorities also retain the flexibility to fund targeted People and Skills provision in 2022/23 and 2023/24 where there is a continuing priority for 2024/25 and may be at significant risk of ending due to the tail off of EU funds. This flexibility may only be used where provision is currently delivered by voluntary and community organisations. Once the Fund has ramped up to £1.5 billion per year in 2024/25, local authorities in England will be able to choose from the full complement of interventions.

I hope my letter allays the concerns you have raised, and I look forward to further discussions with yourselves and the Group going forward.

With every best wish,

Lia Nici

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