All-Party Parliamentary Group on the UK Shared Prosperity Fund

Chair: ***Stephen Kinnock MP***

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Rt Hon Simon Clarke MP
Secretary of State
Department for Levelling Up, Housing and Communities

By email to: simon.clarke@levellingup.gov.uk

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Dear Simon,

UK Shared Prosperity Fund: feedback from stakeholders

Let me begin by congratulating you on your new appointment. I'm sure that as an MP from the Tees Valley you fully recognise the importance of pressing ahead with the Levelling Up agenda.

As you may be aware, I chair the APPG on the UK Shared Prosperity Fund. We've enjoyed a productive dialogue with a number your predecessors. Minister of State Neil O'Brien met the Group's officers earlier in the year and, following a recent letter to the previous Secretary of State, Lia Nici replied that "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".

Earlier this month the Group ran an online event for UKSPF stakeholders across England, Scotland and Wales attended by **180 representatives**. They represented a good mix of public sector, voluntary, community and business organisations. It was agreed that I should write to you to set out their views.

There is much that is widely welcomed in the UKSPF. The letter of 26 June to your predecessor from myself and the Group's Vice-Chairs did however set out concerns: on the timescale for developing and approving investment plans; on the role of the devolved administrations; on details of the allocation formula within England; on the hiatus in funding in England for employment and skills; and on the short duration of funding and what happens beyond 2024-25. We found strong echoes of these concerns among the wider group of stakeholders. Five points are worth highlighting.

First, the short timescale for drawing up investment plans has indeed been a problem. The extent of consultation with partners has proved patchy and integration with other spending programmes has proved difficult. There should be a lesson here for the future. Stakeholders are however reassured by the government's intention to exercise a 'light touch' in approving the plans, which should avert further delays. On a point of detail, the possibility of backdating UKSPF spending to 1 April 2022 is regarded as a non-starter because local authorities can't take these risks.

Second, the local authority-led structure for drawing up investment plans, though welcomed in many quarters, has proved to be a problem for organisations that operate across boundaries. It has been difficult for them to establish ways to be involved that match their needs. EU funding for Welsh universities, for example, used to be settled for Wales as a whole via the European Funding Office but now needs to be negotiated area-by-area. A similar problem affects many training agencies and voluntary bodies.

Third, and closely related to the previous point, there is a request that all the investment plans should be published online by DLUHC so that organisations can begin to work out how they might best fit in and potentially draw on the available funding. Publishing the plans would also help promote learning between areas.

Fourth, there remains a big worry in the employability and skills sector about the hiatus in funding in England in 2023-24. The anticipation is that organisations will have to make redundancies at the end of the present financial year, only to recruit staff again for April 2024 onwards. This aspect of UKSPF plans was described as "inexplicable".

Fifth, as the APPG previously flagged up, the short-term nature of the present UKSPF funding is seen as little more than a partial replacement for EU funds. Stakeholders recognise that the UKSPF builds up to £1.5bn a year in 2024-25, which roughly matches (allowing for inflation) the previous funding. However, a seven-year spending programme from the EU, with the flexibility to roll-on spending for a further three years, has been replaced by a three-year (or more accurately two-and-a-half year) UKSPF with no guarantee of funding beyond 2024-25. This is simply inadequate.

If we take the figure of £1.5bn as the value of former EU funding, a seven-year EU programme would have been worth £10.5bn. The UKSPF funding to date of £2.6bn would consequently point to a second four-year tranche of around £8bn, or £2bn a year, and that's before adjusting for the current bout of inflation.

The stumbling block is of course the Treasury's adherence to Spending Review periods and budgets for individual financial years. I know your department is acutely aware of this problem (as the letter from Lia Nici stated quite openly) but I have to say that it has become a serious obstacle to the delivery of Levelling Up. It is however far from unusual for other spending commitments to extend well beyond Spending Rounds – take investment in HS2 or defence procurement for example.

I hope you will agree that we all need to work together to persuade the Treasury of the merits of making a longer-term commitment to Levelling Up funding, if not in specific figures then at least in principle.

I look forward to receiving your response to these points. I'd also like to invite you to meet with the APPG at some point after the conference recess – let me know if you'd be willing to do so and we'll be delighted to work around your diary to set this up.

Please be aware that I'll be circulating this letter to the stakeholders who attended our recent event and to MPs in the APPG, as well as sharing in other public forums.

Yours sincerely,

Stephen Kinnock MP
Chair, All-Part Parliamentary Group on the UK Shared Prosperity Fund