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

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Dear Michael,

UK Shared Prosperity Fund

Could I begin by congratulating you on your return as Secretary of State for Levelling Up. I'm sure you will be keen and able to pick up where you left off.

You will probably be aware from previous correspondence that I chair the APPG on the Shared Prosperity Fund. On 20 September, indeed, I wrote to your predecessor Simon Clarke setting out the concerns aired at an online stakeholder session we organised, attended by 180 representatives from around Britain.

The APPG met again last week. The dominant concern was what will happen to SPF funding beyond March 2025 at the end of the present spending round. We noted in particular that there is a commitment in the *Growth Plan* to merge and simplify Levelling Up funding streams. Whilst aspects of the *Plan* have been dropped there seems to be a consensus that funding simplification would be a good thing and we hear from officials that proposals could emerge sooner rather later.

Our concern is therefore where this leaves the UK Shared Prosperity Fund. On behalf of the Group I'd therefore like to lay down markers for consideration.

First, the financial allocation would need to be considerable in order for the SPF (or its successor) to honour the commitment to match the EU funding it is intended to replace. The SPF builds up to £1.5bn a year in 2024-25, which roughly matches (allowing for inflation) the previous EU funding. As my letter to Simon Clarke explained, if we take this figure as the annual value of EU funding a seven-year EU program would have been worth £10.5bn, whereas the present SPF funding over three years is just £2.6bn. This would 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.

Second, whatever follows the SPF needs to break the stranglehold of three-year Spending Rounds and budget lines for each financial year. Regional and local economic development is a long-term process requiring a long-term financial commitment. Capital projects, in particular, cannot be delivered within short timescales. The present arrangements for the SPF compare especially unfavourably with the seven-year cycle of EU funding, which also included the flexibility to roll on spending for a further three years. I'm aware your officials in DLUHC share this view. A more creative solution needs to be worked out with the Treasury.

Third, whatever funding replaces the SPF, it needs to be allocated by formula rather than competitive bidding. It also needs to be strongly skewed towards less prosperous areas. These are the more welcome aspects of the SPF to date and they need to be maintained.

Fourth, there is a specific challenge in meeting expectations and needs in Wales. As you will be aware, Wales receives more than twice as much SPF funding per head as any other nation or region – a reflection of its economic data and the priority it received from the EU. If the SPF were to be merged with other funding streams there is therefore a danger that Wales would lose out badly. I am sure you will understand that this would not play at all well in this part of the UK.

With these points in mind, I'd like to extend and invitation to you to attend a meeting of the APPG where we might hear your early thoughts and explore the options for the future. We all have an interest in getting any new structures right. I am sure we could fit around your diary.

I look forward to hearing from you.

Yours,

Stephen Kinnock MP
Chair