UK Shared Prosperity Fund

House of Commons

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Briefing

KEY MESSAGES

- One of local government's biggest priorities in preparation for the UK's exit from the EU has been securing the domestic replacement for the European Structural and Investment Fund (ESIF). The ESIF provides England with £5.3 billion of funding. It is vital that its replacement is of, at least, the same value.

- Current proposals about the design of the UK Shared Prosperity Fund (UKSPF) lack clarity. There has been no information on the allocation or amount of funding and the consultation promised by Government in 2018 has not yet been published.

- Without certainty over funding, councils are unable to plan for the long-term. This has impacted their ability to secure the expertise and capacity needed to deliver outcomes for their communities.

- The Government should publish the UKSPF consultation immediately and funding allocated must be distinguished from any short-term economic packages provided to support the post-Brexit transition. The UKSPF needs to be a separate investment fund that supports growth.

- The introduction of the UKSPF is an opportunity to design a fund that is flexible and responsive to local needs. It should be a place-based fund that enhances existing decision-making structures, is joined up with other funding streams for economic growth, and provides long-term funding certainty similar to the ESIF.

- The LGA has put forward several recommendations for the design of the UKSPF.[iii] We want to work with the Government to co-design the new programme and help develop a fund that makes a positive impact to local communities.

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BACKGROUND INFORMATION

The UK's exit from the EU represents an opportunity to provide local areas with new ways to manage their economies. We have made the case for reforming the funding landscape to secure better outcomes and a key chance to deliver this priority is the design of the UKSPF. We are is keen to work with the Government to co-design the new programme and help develop a fund that makes a real impact to local communities.

1. Current EU Funding

One of local government's biggest priorities in preparation for the UK's exit from the EU has been securing the domestic replacement for the ESIF. The 2014-2020 programme provides England with £5.3 billion of funding. This has been a vital source of investment for local authorities, combined authorities and their areas supporting regeneration, employment and skills programmes. It is important that there is a domestic replacement when the current programme ends.

The Government has committed to providing a domestic replacement but the existing proposals lack clarity.[iii] The UKSPF was the subject of a Government consultation which was due by the end of 2018. This has still not emerged and there has been no detail regarding the design, delivery, allocation or amount of funding.

The Government should publish the UKSPF consultation immediately, and start a process of co-design with local areas to remove levels of uncertainty. Funding allocated must be distinguished from any short-term economic packages provided to support the post-Brexit transition. The UKSPF should be a separate investment fund to support growth.

2. The LGA's principles for the design of the UKSPF

The introduction of the UKSPF is a fresh opportunity to design a fund that is flexible and responsive to local need.

The LGA has proactively put forward several key policy principles to underpin the new UKSPF. These were set out in *Beyond Brexit: future of funding currently sourced from the EU (2017)* and the *Moving the Conversation On: Brexit Paper (July 2018)*: [ivv]

- **This should be a place-based, single-pot fund with locally determined outcomes**

  The UKSPF should utilise and enhance current local decision making. If it was fully devolved to local areas it would bring the fund closer to people and places. This would make it more efficient and allow the fund to align with priorities set around locally determined outcomes, increasing productivity and reducing inequalities.

  Research by Essex County Council found that had ESIF been a place based, single pot, the yield for Essex could have been 10 per cent (£33 to £50 million) higher.[vi] This could have supported an extra 117 businesses to improve competitiveness, 60 business start-ups, 155 jobs and 560 people to acquire skills for work or to improve life chances. Moreover, with less restrictions on targeting resources to local needs, an additional 2,100 jobs could have been created and 700 in-work progressions secured through apprenticeships, augmenting the economic impact to Essex by £20 million by 2021. [vii]

- **It should move away from the silos and process focused outputs of current EU funding**

  For the UKSPF to deliver the maximum impact it should not be a continuation of the current approach. For example, the ESIF includes funding from the European Social Fund (ESF). The LGA has previously raised concerns about how the centralisation of the ESF by DWP has resulted in lengthy delays in funding being awarded to local projects.[viii][ix]

- **The benefits of UKSPF will only be fully realised if it is joined up with the wider local economic and inclusive growth funding landscape**

  Research for the LGA has consistently revealed that growth, regeneration and skills funding is fragmented, complex and confusing. An analysis of funding in 2016/17 showed that more than £23 billion of public money is spread across 70 different funding streams and managed by 22 government departments.[x] Each have different bidding and evaluation processes for funding. The UKSPF will work best if it does not add to this complexity and fragmentation.

  In addition to ESIF, other growth funding streams will come to an end in 2020, such as the Local Growth Fund. New and continuing growth funding streams need to be aligned to achieve shared and locally driven outcomes, as set out in Local Industrial Strategies. The Government need to be clear which funding streams will be included in UKSPF

- **The UKSPF should enhance existing decision-making structures**

  At EU level, the LGA successfully lobbied for local areas to have more influence over EU funding through several mechanisms such as co-financing. In England, this has been enabled to varying degrees in Cornwall, London and Greater Manchester.[xi] Organisations already accountable for EU funding decisions should be responsible for UKSPF decision-making. It should also act as a catalyst for devolution in areas outside combined authorities and respect devolved arrangements in Wales, Scotland and Northern Ireland.

- **Funding should be distributed over the long-term (following the current seven year period)**

  The current EU funding programme is allocated over a seven-year period, with a further three years allowed for projects to be completed and claims submitted. This provides the stability needed for long-term planning beyond the usual funding cycles. This principle should be incorporated in the design of UKSPF and other new growth funding streams.

- **The amount of funding should be at least the same value as the ESIF**

Based on the figures provided at the start of the 2014-20 ESIF programme, the UK currently receives £8.4 billion of which £5.3 billion is for England.[xii] The UKSPF should be at least equal in value to this.

The LGA has been keen to work with Government on the design of UKSPF and has contributed through representation on the EU Exit Local Government Delivery Board. We have hosted a roundtable as part of the MHCLG UKSPF pre-consultation process with contributions from local authorities and combined authorities, as well as submitting a response to the APPG on Post-Brexit Funding.[xiii]

3. Key areas of concern that the Government need to address and the LGA's solutions

In order to ensure local government is in the best position for Brexit, there are several key areas that the Government should address:

- **Impact of the lack of clarity**

The continued lack of clarity on the domestic replacement for EU funding, and other growth funds expected to end in 2020, is effecting local areas ability plan for the long-term challenges and opportunities ahead. It impacts local government's ability to secure the expertise and capacity needed to deliver outcomes for their communities

- **Capacity of Local Enterprise Partnerships (LEPs) to deliver**

The Government has indicated that the UKSPF will be directed by Local Industrial Strategies led by Mayoral Combined Authorities (MCAs), the Greater London Assembly and by LEPs in all other places.

The LGA believes that some LEPs will not have the capacity to deliver the new domestic fund by the time the ESIF programme ends. This is supported by the National Audit Office (NAO) who have raised concerns about individual LEPs' capacity to carry out their work or meet new governance standards, as well as the lack of evaluation of the impact of current growth funding.[xiv]

Local government should be allowed to make a formal offer to run UKSPF for their area. As place shapers, local authorities know their economies best and have the ability to deliver large funding streams.

- **Democratic accountability of LEPs**

UKSPF needs to be responsible to local people and places. Through democratic accountability, communities and businesses will be able to direct the impact the fund will have for their economies.

Independent polling commissioned by the LGA found that only 22 per cent of respondents knew what their LEP was, meaning there is little knowledge or accountability.[xv] Considering the short timeframe to introduce the fund, there is not enough time to build the appropriate structures and confidence with local people. Local government has a democratic mandate and already has strong relationships with local communities, it can provide the necessary accountability for the UKSPF.

- **Reducing complexity of funding**

The existing landscape for growth funding is already complex, with numerous individual funds and funders. There is a lack of detail on the funding available outside the ESIF programme that can be used to manage any potential short-term economic shocks caused by the UK's exit from the EU, as well as to take advantage of any future opportunities and plan long-term investments. There should be further clarity on wider growth related funding available to local areas and funding should be fully devolved to allow local areas to align and manage funding streams.

- **Extending offers to non-metropolitan areas**

The Government's ambition is for the Local Industrial Strategies (LIS) to be in place across the country by early 2020, with significant resources invested in their preparation by largely urban 'trailblazers'. There is a growing risk that those areas outside cities, which make up the majority of the last wave, will be left behind. Non-metropolitan areas should not lose out and must be offered the same local control over programmes and commissioning as Combined Authorities.

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[i] The Local Government Association, 'Beyond Brexit: future of funding currently sourced from the EU' (2017) https://www.local.gov.uk/topics/european-and-international/beyond-brexit-future-funding-currently-sourced-eu

[ii] The Local Government Association, 'Brexit Moving the Conversation on' (2018) https://www.local.gov.uk/moving-the-conversation-on/brexit

[iii] House of Lords, Written Answers (2018) https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Lords/2018-07-24/HLWS898/

[iv] The Local Government Association, 'Beyond Brexit: future of funding currently sourced from the EU' (2017) https://www.local.gov.uk/topics/european-and-international/beyond-brexit-future-funding-currently-sourced-eu

[v] The Local Government Association, 'Brexit Moving the Conversation on' (2018) https://www.local.gov.uk/moving-the-conversation-on/brexit

[vi] Essex County Council, 'Taking Back Control - Essex's local solution to post Brexit economic growth'

[vii] Essex County Council, 'Taking Back Control - Essex's local solution to post Brexit economic growth'

[viii] The Local Government Association, Press Release www.local.gov.uk/about/news/lga-almost-ps1-billion-european-social-fund-risk-being-sent-back-brussels

[ix] https://www.local.gov.uk/european-and-international-2014-20-guide-eu-funding-july-2015-0

[x] Shared Intelligence, 'Is the Grass Greener'

https://www.local.gov.uk/sites/default/files/documents/Is%20the%20grass%20greener%20-%20fragmented%20funding%202016-17.pdf

[xi] Details of Co-Financing Organisations can be found here.

[xii] https://www.local.gov.uk/about/news/ps53bn-eu-cash-countdown-regional-aid-funding-run-out-18-months

[xiii] https://www.postbrexitappg.org/inquiry-submissions

[xiv] National Audit Office (2019) https://www.nao.org.uk/wp-content/uploads/2019/05/Local-Enterprise-Partnerships-an-update-on-progress.pdf

[xv] https://www.local.gov.uk/about/news/lga-responds-pac-report-concerns-over-lep-spending-and-accountability