# Scottish Churches Parliamentary Office

# Briefing

# United Kingdom Shared Prosperity Fund

# 1 March 2021

## Background

As part of the Brexit changes, the UK Government has said it would replace EU Structural Funds (for economic development and anti-poverty work) with a new UK Shared Prosperity Fund. In the 2019 Conservative manifesto, it said:

“The UK Shared Prosperity Fund will be used to bind together the whole of the United Kingdom, tackling inequality and deprivation in each of our four nations. It will replace the overly bureaucratic EU Structural Funds – and not only be better targeted at the UK’s specific needs, but at a minimum match the size of those funds in each nation.” ([Conservative and Unionist Party Manifesto, 2019](https://assets-global.website-files.com/5da42e2cae7ebd3f8bde353c/5dda924905da587992a064ba_Conservative%202019%20Manifesto.pdf))

The UK Internal Market Act 2020 gives ministers the power to fund projects across the UK for this purpose, including directly Wales, Scotland and Northern Ireland devolved nations and in devolved areas.

## Proposals

In November 2020 the UK Government Spending Review set out the Heads of Terms for the UK Shared Prosperity Funds:

* The UKSPF will help to level up and create opportunity across the UK for people and places.
* It will operate UK-wide, using the new financial assistance powers in the UK Internal Market Bill. Investments and programmes will display common branding.
* The government will ramp up funding, so that total domestic UK-wide funding will at least match current EU receipts, on average reaching around of £1.5 billion a year.
* A portion of the UKSPF will target places most in need across the UK, such as ex-industrial areas, deprived towns and rural and coastal communities. It will support people and communities, opening up new opportunities and spurring regeneration and innovation. Its funding profile will be set out at the next Spending Review. The government will develop a UK-wide framework for investment in places receiving funding and prioritising:
	+ investment in people and skills tailored to local needs, such as work-based training, supplementing and tailoring national programmes (e.g. the Adult Education Budget); and other local support (e.g. for early years)
	+ investment in communities and place including cultural and sporting facilities, civic, green and rural infrastructure, community-owned assets, neighbourhood and housing improvements, town centre and transport improvements and digital connectivity
	+ investment for local business including to support innovation, green and tech adoption, tailored to local needs.
* Places receiving funding will be asked to agree specific outcomes to target within the UK-wide framework. They will then develop investment proposals to be approved by the government among a representative stakeholder group. Investment should be aligned with the government’s clean growth and net zero objectives.
* A second portion of the UKSPF will be targeted differently: to people most in need through bespoke employment and skills programmes that are tailored to local need. This will support improved employment outcomes for those in and out of work in specific cohorts of people who face labour market barriers.
* The government will set out further details of the UKSPF in a UK-wide investment framework published in the spring.[[1]](#footnote-1)

## Reactions

The Institute for Government have noted that:

* There are concerns amongst the devolved administrations that the level of funding promised by the UK government will not be exactly equivalent to the Structural Funds, reflecting the fact that the devolved nations have benefitted more in per capita terms than England. The Welsh and Scottish governments have therefore sought ‘cast-iron’ guarantees that there will be no reduction in funding.
* Although the UK government committed in July 2018 that the UK Shared Prosperity Fund will operate in a way that respects the devolution settlements, the devolved administrations are concerned that the UK government will use the scheme to spend money directly in devolved areas, bypassing the devolved governments. The latest proposals are regarded by the devolved administrations as a centralisation of regional development policy, which would, according to Welsh First Minister Mark Drakeford, represent “a direct attack on devolution”.[[2]](#footnote-2)
* The Scottish Government produced its own proposals for a Scottish Shared Prosperity Fund:
	+ In November 2020, The Scottish Government published a strategy to spend replacement EU funds, which, over the last seven years, amounted to £780 million for transport infrastructure, economic development and workplace training. They are calling for a fund devolved to the Scottish Parliament with a five to seven- year funding. They propose to work with regional economic bodies to deliver outcomes from Scotland’s National Performance Framework, rather than the UK-wide framework, with climate change and wellbeing featuring as horizontal priorities in all funding decisions.
	+ Questions arise as to how a centrally administered UK SPF would effectively support Scottish priorities. For example, net zero targets and time-table are different in Scotland.
	+ The Scottish Government SPF proposals including keeping “a line of sight”[[3]](#footnote-3) to EU policies, to enable continued co-operation with EU partners where possible. For example, Scotland has been a long term participant with near neighbours in the EU’s Northern Periphery and Artic Programme and the North Sea Regional Programme. These partnerships bring not only funding, but also knowledge transfer and sustained collaboration on common issues. It is not yet clear whether this activity will be within the remit of the UK Shared Prosperity Fund.

## Recent Developments

The House of Commons Scottish Affairs Select Committee is currently conducting an inquiry into *Scotland and the Shared Prosperity Fund*.

The Scottish Council of Voluntary Organisations submitted written evidence (20 January) in response, in their conclusion they said:

* Since the EU referendum, we have consistently engaged our members on what form the replacement of EU funding should take. The clearest illustration of what Scotland’s voluntary sector thinks is contained in the recently published Scottish Replacement for EU Structural Funds – led by Prof. David Bell.
* Sadly, the contents of the Internal Market Act and subsequent indications from UK Ministers that the UKSPF will be centrally managed by the UK Government provide for a quite different solution, which does not fit with the views of our members or the wider voluntary sector.
* While we welcome the limited progress on the establishment of successor European funds; for the UKSPF to be successful, we believe it is essential that the UK Government swiftly engage with Scottish stakeholders, including SCVO and the voluntary sector, to ensure it works in terms of purpose, design and implementation.[[4]](#footnote-4)

The Salvation Army UK and Ireland are developing a campaign calling for a fund that:

* is locally focussed, taking into account the characteristics of local areas and needs of local people;
* prioritises inequality, developing a clearer understanding of what constitutes ‘inclusive growth’;
* is flexible to economic shocks, including the ability to adapt to unexpected events such as plant closures in areas where a single employer employs a significant proportion of the local population; and
* is streamlined, removing unnecessary bureaucracy and reducing waiting times.[[5]](#footnote-5)

On 17 February, Sir Tom Scholar, Permanent Secretary HM Treasury wrote to Meg Hillier MP, Chair of the House of Commons Public Accounts Committee. In his letter he wrote:

**UK Shared Prosperity Fund (UKSPF):** This is the domestic successor to the EU Structural Funds and will operate UK-wide from 2022-23 using the new financial assistance power in the UK Internal Market Bill. Total domestic UK-wide funding will at least match what was previously received on average from EU Structural Funds, reaching around £1.5bn a year. On top of this, £220m will be provided in 2021-22 to help local areas across the UK prepare for the introduction of the UKSPF.[[6]](#footnote-6)

In answers to Oral Questions in the House of Commons on 22 February 2021, the Minister for Regional Growth and Local Government (Luke Hall MP) made a number of points[[7]](#footnote-7):

**Kate Hollern (Blackburn) (Lab)**

Few details of the shared prosperity fund have been published. Will the Minister guarantee that the fund will be used to tackle regional inequality, as intended, that no region will lose out and that the Government will not force councils to compete against one another, wasting time and resources when they could be getting on with providing services that local people depend on?

**The Minister for Regional Growth and Local Government (Luke Hall)**

I can certainly assure the hon. Lady that the UK shared prosperity fund will help level up and create opportunity right across our country in the places that need it the most, be they ex-industrial areas, deprived towns or rural communities, and for people who face labour market barriers. It is going to operate UK-wide, using the new financial assistance powers in the United Kingdom Internal Market Act 2020. We will ramp up funding so that total domestic UK-wide funding will at least match receipts, reaching about £1.5 billion a year.

**Marion Fellows (Motherwell and Wishaw) (SNP)**

What recent discussions he has had with the devolved Administrations on the shared prosperity fund.

**Luke Hall**

We will work both with the devolved Administrations and local communities to ensure that the UK shared prosperity fund supports citizens right across the country. We have demonstrated that commitment by confirming that the devolved Administrations will have a place within the governance structures for the fund.

**Marion Fellows**

Mr Speaker, that was a wonderful tribute to Julia and I really appreciate your making it. I associate myself with it and pass on my deepest condolences to her family. She will be sadly missed by the Scottish National party group at Westminster.

Will the Minister please explain when exactly we will learn what the mechanism will be for involving the Scottish Government in decisions about which people, communities and local businesses will receive the funding necessary to enable them to level up? Who will be the final arbiter? How much money will be available? When will the process begin?

**Luke Hall**

The money is well known about, and we published the heads of terms document last year. Investment to replace EU structural funds will increase in each of England, Scotland, Wales and Northern Ireland next year, compared with this financial year, thanks to the funds that the Chancellor is putting in. We will ramp up total domestic UK-wide funding so that it will at least match EU receipts, reaching around £1.5 billion a year. Further details of the operation of the additional funding will be published soon, but in the meantime we will continue to engage with the devolved Administrations on the important additional funds.

**Patricia Gibson (North Ayrshire and Arran) (SNP)**

I am pleased to hear that the Minister apparently just confirmed that Scotland will not receive a single penny less under the UK shared prosperity funding scheme. I am sure that that news will be welcomed in Scotland. Will he confirm that the priorities for Scotland will continue to be set in Scotland, by the people of Scotland and the democratically elected Government of Scotland?

**Luke Hall**

Of course, the first part of the hon. Lady’s question was confirmed in a manifesto commitment from this Government. I assure her that we have been having engagement events right across the United Kingdom, with 16 such events in Scotland, Wales and Northern Ireland. We have confirmed that the devolved Administrations will have a place in the oversight of the fund; we have been working closely with them, and I will reach out to them soon to organise discussions about the delivery of the fund directly into Scotland.

On 18 of November 2020, Labour Shadow Secretary for Wales asked an oral question in the House of Commons about how the SPF would support the Welsh framework for regional investment:

**Nia Griffith, Labour Shadow Secretary for Wales**

I am not sure whether that is a conclusive answer, but we are now nearly four and a half years on from the referendum and the Government still cannot provide clear answers on funding, so let me ask the Minister about the criteria on which the funding will be allocated. As he knows, the Welsh Government and local councils have agreed a framework for regional investment in Wales, so can he confirm that his Government will support that framework and not ride roughshod over devolved agreements or make up the spending criteria as they go along?

**[David T. C. Davies, Parliamentary Under Secretary of State, Wales Office](https://hansard.parliament.uk/search/MemberContributions?house=Commons&memberId=1545)**

We are certainly not going to make it up as we go along. Of course, the UK Government have been heavily involved in regional partnerships through the growth deals, which have been working very successfully in Wales as a result of funding from the UK Government. We have already demonstrated our commitment to working in partnership not just with the Welsh Government but with local authorities, because we are absolutely determined that the money that replaces European funding is not wasted, as it has been previously, but is spent on the most needy communities in Wales

**Further information**

* [SCVO written evidence to the Scottish Affairs Select Committee](https://scvo.scot/p/42106/2021/01/25/scotland-and-the-shared-prosperity-fund), 20 January 2021
* [Salvation Army UK and Ireland campaign webpage](https://www.salvationarmy.org.uk/campaigning-and-policy/campaigns/uk-shared-prosperity-fund)
* [House of Commons Library briefing](https://researchbriefings.files.parliament.uk/documents/CBP-8527/CBP-8527.pdf)
* [Institute for Government explainer](https://www.instituteforgovernment.org.uk/explainers/european-structural-funds-after-brexit)
* [Scottish Government’s Proposed Replacement for EU Structural Funds](https://www.gov.scot/publications/scottish-replacement-eu-structural-funds/pages/1/)

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1. <https://www.gov.uk/government/publications/spending-review-2020-documents/spending-review-2020#investing-in-a-recovery-for-all-regions-of-the-uk-1> [↑](#footnote-ref-1)
2. <https://www.instituteforgovernment.org.uk/explainers/european-structural-funds-after-brexit> [↑](#footnote-ref-2)
3. https://www.gov.scot/publications/scottish-replacement-eu-structural-funds/pages/1/ [↑](#footnote-ref-3)
4. <https://scvo.scot/p/42106/2021/01/25/scotland-and-the-shared-prosperity-fund> [↑](#footnote-ref-4)
5. <https://www.salvationarmy.org.uk/campaigning-and-policy/campaigns/uk-shared-prosperity-fund> [↑](#footnote-ref-5)
6. <https://committees.parliament.uk/publications/4764/documents/48153/default/> [↑](#footnote-ref-6)
7. [https://hansard.parliament.uk/commons/2021-02-22/debates/F21F335B-E491-4A43-B079-EA307AAA62A9/OralAnswersToQuestions#](https://hansard.parliament.uk/commons/2021-02-22/debates/F21F335B-E491-4A43-B079-EA307AAA62A9/OralAnswersToQuestions) [↑](#footnote-ref-7)