

The UK Shared Prosperity Fund

Research Briefing

January 2020



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Senedd Research

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Summary

Since 1 July 1999, management of Structural Funds and the European Agricultural Fund for Rural Development (EAFRD) has been devolved to Wales, with the Welsh European Funding Office (WEFO) being established in April 2000.

Since devolution, Wales has received relatively high levels of European Structural and Investment Funds (ESI funds) compared to the other UK nations and English regions. Over the 2014-20 round of EU funding, Wales will receive almost £2.7 billion in ESI funds. Analysis by the House of Commons Library **highlights that** between 2014-20 Wales will receive almost four times as much ESI funding as the UK average per person, which is considerably more than any other UK nation.

The **Conservative manifesto** for the 2019 General Election committed to tackling inequality and deprivation through the UK Shared Prosperity Fund, and that each UK nation would receive at least current funding levels. **However, the UK Government has not yet set out the details of how the UK Shared Prosperity Fund will work, and consequently a number of key questions remain unanswered.** These include how funding will be allocated to Wales and other parts of the UK, or what role the Welsh Government will play in administering the fund.

The Welsh Government has set out its position on these issues, stating that Wales should have “Not a penny less, not a power lost.” **Regional Investment in Wales after Brexit**, published in December 2017, sets out the Welsh Government’s plans for future regional investment in more detail. The Assembly’s Finance Committee and External Affairs and Additional Legislation (EAAL) Committee have both published reports on the UK Shared Prosperity Fund, and post-Brexit regional policy. **These drew similar conclusions to the Welsh Government in respect of funding, devolution and ways to improve how post-Brexit funds operate.**

In evidence to Assembly Committees, **organisations have stated that Wales should not be worse off** as a result of the UK Shared Prosperity Fund replacing EU Structural Funds, and that **the Welsh Government should manage and administer the fund in Wales.** They have also called for funding to be allocated based on need, rather than through a competitive bidding process.

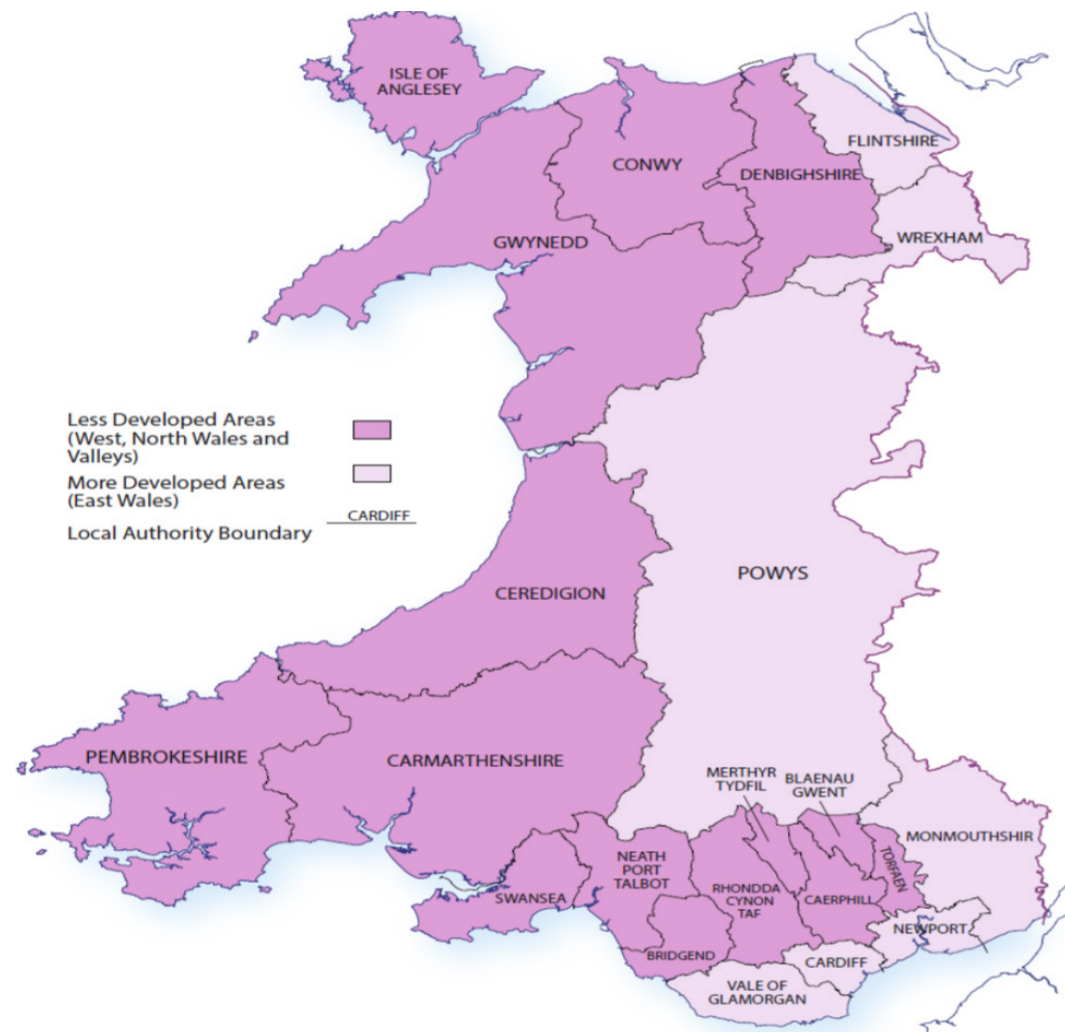
Across the rest of the UK, different parliaments and organisations have set out their views on how post-Brexit funding should operate.

Current EU Structural and Investment Funds arrangements in Wales

Level of funding received

Since devolution, Wales has received relatively high levels of European Structural and Investment Funds (ESI funds) compared to the other UK nations and English regions. In particular “West Wales and the Valleys” has received the highest level of EU Structural Funds that regions are eligible for in each of the funding rounds since 2000-06. Over this period, it has been classed as an Objective 1 region, a Convergence region, and under the current classification is defined as a less developed region for the purposes of EU Structural Funds, as Gross Domestic Product (GDP) per head is less than 75% of the EU average.

Figure 1: Map of West Wales and the Valleys and East Wales



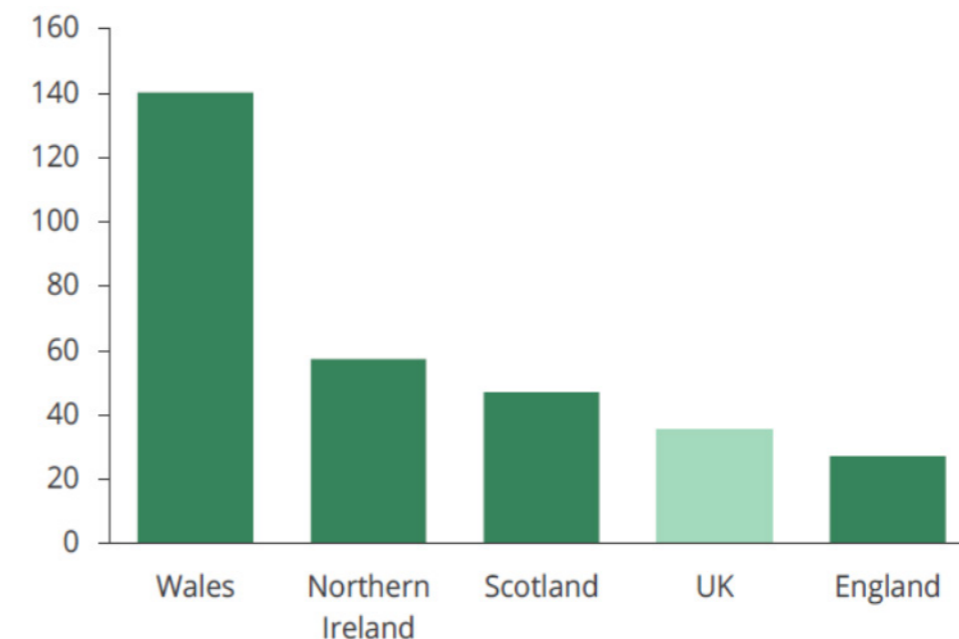
Source: Welsh Government, **Regional Investment in Wales after Brexit**

Over the 2014-20 round of EU funding, Wales will receive £2.1 billion in **EU Structural Funds**, £552 million from the **European Agricultural Fund for Rural Development**, and £14 million from the **European Maritime Fisheries Fund**. **This is a total of almost £2.7 billion**. Together, these funds (as well as the Cohesion Fund, which the UK does not receive funding from) are known as the **ESI funds**. ESI funds aim to invest in job creation, and a sustainable and healthy economy and environment across the EU.

This means that Wales receives over £375 million in ESI funds per year – approximately £295 million in Structural Funds, £80 million per year from the European Agricultural Fund for Rural Development and £2 million per year from the European Maritime Fisheries Fund.

This is considerably more per person than other parts of the UK. Analysis by the House of Commons Library **highlights that** between 2014-20 Wales will receive almost four times as much ESI funding as the UK average per person, which is considerably more than any other UK nation.

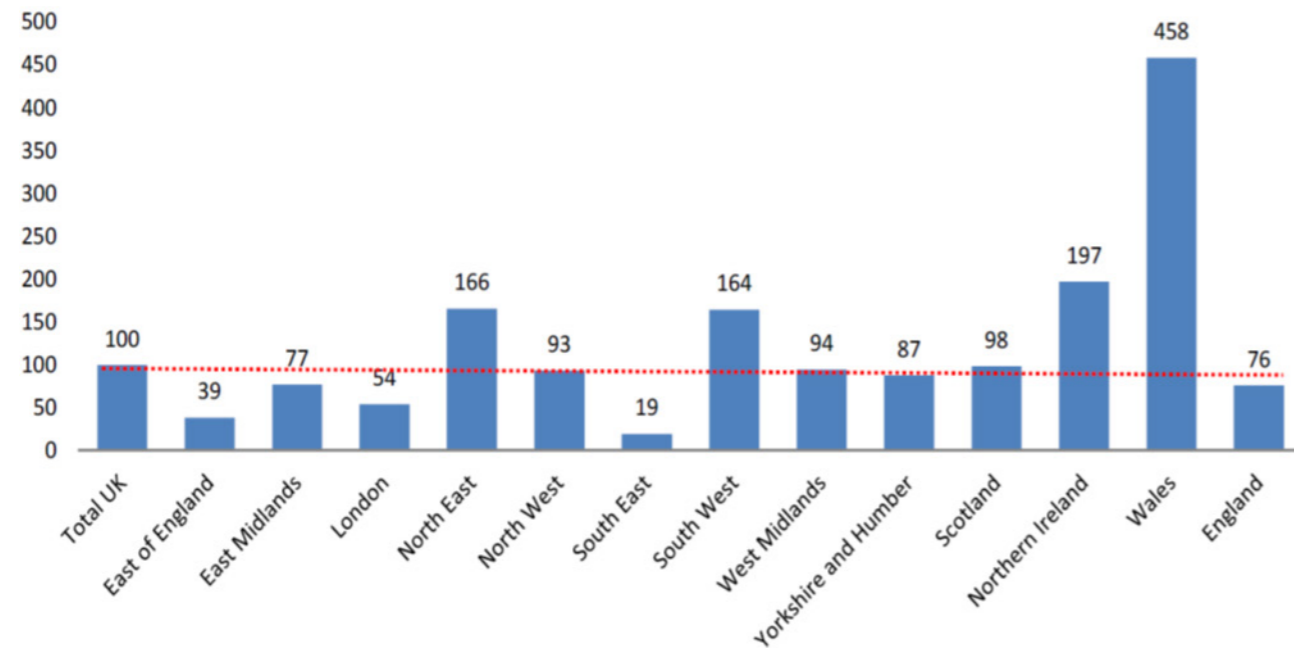
Figure 2: European Structural and Investment Funds received per person per year, 2014-20 (UK=100)



Source: House of Commons Library, **The UK Shared Prosperity Fund**

Looking specifically at **EU Structural Funds**, between 2014-20 Wales will receive over four and a half times as much per person as the UK average. This is more than double what any other UK nation or English region will receive per person.

Figure 3: Structural Funds received per person compared to UK average in 2014-20 (UK=100)



Source: University of Sheffield - Sheffield Political Economy Research Institute, **UK regions and European Structural and Investment Funds**

Devolution of ESI Funds management

Since 1 July 1999, management of Structural Funds and the European Agricultural Fund for Rural Development (EAFRD) has been devolved to Wales, with the Welsh European Funding Office (WEFO) being established in April 2000.

To give the Welsh Ministers powers to administer the 2014-20 Structural Funds in Wales, the then UK Government laid the **Structural Funds (Welsh Ministers) Regulations 2014**. The **Explanatory Memorandum** to these set out the reasons why the UK Government considered that these funds should be managed by the Welsh Government:

The Government’s policy on European Structural Funds spending is that it is appropriate for England, Scotland, Wales and Northern Ireland to take responsibility for their own expenditure...

The instrument is politically important in that it shows that the Government is committed to devolving powers, where appropriate, to the Welsh Ministers and demonstrates its commitment to regional spending being controlled at a regional level.

Similarly, administration of the European Agricultural Fund for Rural Development has been devolved to Wales since July 1999, following the transfer of functions relating to agriculture to the Assembly in the **Government of Wales Act 1998**.

Evaluations of the effectiveness of Structural Funds

The UK Government’s 2014 **Review of the Balances of Competence between the UK and EU: Cohesion Policy** found that it is hard to assess whether the funds have effectively achieved their objectives, and that evidence is inconclusive. It also states that “where significant positive impacts have been identified, they tend to have been in the poorer regions or Member States”, where the majority of Structural Funds have been targeted. However “the contribution that structural funds have made to convergence within richer member states is much less clear, in part because they represent a very small proportion of available funding.”

Old Bell 3 **evaluated the 2007-13 Structural Funds** for the Welsh Government. This found that performance against targets was mixed. Areas where performance was classed as ‘strong’ included assisting businesses; increasing export levels; creation of new businesses; and the number of participants gaining qualifications. However, performance was deemed to be ‘disappointing’ in other areas, for example in relation to some aspects of job creation; profit gains for businesses; and the cross-cutting themes of equal opportunities and sustainability. It was deemed that the funds had been well managed from a financial point of view, and that the priorities designed for the programme were “well-defined and rationally designed”. The priorities set by the Welsh Government were found to be justified, aiming to address needs and market failures based on evidence, and were clearly linked to the priorities of the Welsh Government, UK Government and European Commission.

A number of academic studies have evaluated the impact of Structural Funds on the UK.

In 2018, **Di Cataldo and Monastiriotis found that** the level of EU Structural Funds allocated to devolved nations and English regions has a positive effect on growth, and that this has also been the case for regions that have received Objective 1 or Convergence funding. They concluded that the UK should take a similar approach to Structural Funds when developing post-Brexit regional investment schemes, with improvements such as greater targeting of funds towards economic weaknesses of individual regions, which in their view would provide greater benefits than other approaches.

In 2017, **Bachtler and Begg stated that** the performance of Structural Funds has been contested when they are assessed on an EU-wide basis, and that some findings cast doubt on their impact and efficiency, although there have been improvements over recent years. They also highlight the difficulty in assessing the impact of Structural Funds due to the relatively small contribution they make to UK economic output, as while the level of funding is high in some areas Structural Funds represent 0.1% of total UK GDP.

Becker, Egger and von Ehrlich **have found across a number of studies over the last decade that**, generally speaking, it is difficult to find a causal effect of EU funding on poorer regions, as these would each have different growth rates in the absence of EU funding. However, they find that Objective 1 and Convergence funding has, on average at UK and EU level, helped regions who receive them to grow faster. Despite this conclusion, they state there is a point after which additional funding does not lead to more growth. They also state that it is necessary for regions to have a more highly educated workforce, and good governance for faster growth to happen.

The UK Government's proposals for a UK Shared Prosperity Fund – what we know so far

The Conservative **manifesto for the 2017 General Election** committed to replacing EU Structural Funds in the UK with a Shared Prosperity Fund.

There were a number of developments in relation to the fund in the 2017-19 UK Parliament, although these did not contain details around how the fund will operate. In July 2018, the then UK Government Secretary of State for Housing, Communities and Local Government, James Brokenshire MP, **set out proposals** for the fund:

- The UK Shared Prosperity Fund will **tackle inequalities within communities** by raising productivity, **especially in parts of the UK whose economies are furthest behind.**
- It will have **simplified administrative arrangements** aimed at targeting funding effectively.
- It will **operate across the UK.** The UK Government says it will **respect the devolution settlements in Scotland, Wales and Northern Ireland**, and will engage the devolved administrations to ensure the fund works across the UK.

The then Secretary of State for Housing, Communities and Local Government also set out his intention to consult on the design of the UK Shared Prosperity Fund by the end of 2018. However, there has not yet been any consultation on the future fund.

In March 2019, the then Secretary of State for Wales, Alun Cairns MP, set out his views on how the UK Shared Prosperity Fund should operate in a letter to the Assembly's External Affairs and Additional Legislation (EAAL) Committee. He said that he is particularly keen to see how organisations at the local level, including local authorities, can have maximum influence over spending decisions under the fund.

On 27 June the then UK Government Parliamentary Under Secretary of State in the Department for Exiting the European Union, Kwasi Kwarteng MP, stated that **details of the UK Shared Prosperity Fund will be introduced in 2020.**

During the Conservative leadership contest, on 6 July Boris Johnson MP, now the Prime Minister, **gave his views on how the UK Shared Prosperity Fund should**

operate in Wales:

There will be the full allocation of funds for Wales. I think there may be some question about how exactly that money is dispensed, or by whom.

I would want to make sure that there was a strong Conservative influence on the expenditure... to ensure that it delivered taxpayer value.

On 3 August the UK Government Secretary of State for Scotland, Alistair Jack MP, **stated that** UK Ministers will want to agree spending proposals with the Scottish Government under the UK Shared Prosperity Fund. He pointed to City and Growth Deals as an example to follow, and said that future funding could be based on specific goals shared by the two governments, and that the UK Government would want to make more direct investment into Scotland.

On 5 September the UK Government Minister for the Northern Powerhouse and Local Growth, Jake Berry MP, set out the UK Government's views in answer to questions around financing and devolution of the fund:

The first was about whether the UK shared prosperity fund will respect the devolution settlement, and the answer is absolutely yes. We are clear about that, and we want to work with the Devolved Administrations and metro mayors as partners. We do not want to set the UKSPF up against the devolution settlement, which we will celebrate in the country.

The second question was about when the quantum will be clear, and it will not become clear until we have completed the comprehensive spending review.

The **Conservative manifesto** for the 2019 General Election, published in November 2019, stated that:

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.

On 12 January 2020, the Secretary of State for Wales, Simon Hart MP, **told BBC Wales** that details around the UK Shared Prosperity Fund would be set out within weeks, rather than months. He also said that he did not foresee a situation where “somehow the UK Government is going to barge the Welsh Government out of the way to score some cheap political points” in relation to the fund.

Subsequently, on 15 January 2020, when answering questions in the House of Commons **the Secretary of State for Wales stated that:**

...for the first time in 45 years, a substantial sum of money is going to be distributed in Wales by Welsh politicians who are directly accountable to Welsh voters. That has not been the case for some time. The hon. Gentleman is quite right that the collaborative approach I take with the Welsh Government over the distribution of the fund should ensure that it goes to the places where it is most needed, and is not—as some might argue has been the case in the past—blown on vanity projects...my discussions with Jeremy Miles so far have been very clear about taking a collaborative approach so that the UK and Welsh Governments, working together, ensure that this money gets to the right place in a timely fashion.

Currently, the UK Government has not yet set out the details of how the UK Shared Prosperity Fund will work. As a result, there are a number of unanswered questions about the fund:

- How it will work in practice to deliver desired outcomes across Wales and the UK.
- How funding will be allocated across the UK nations and English regions, although the Conservative manifesto states that each of the UK nations will receive at least the amount of funding they currently receive in EU funding.
- The level of responsibility and control the Welsh Government will have over the fund in Wales.
- Whether funding is pre-allocated to areas or nations, or if competitive bidding between areas will be used.
- The time period over which funding will be allocated.
- The role of local and regional bodies in the fund.
- How administrative arrangements might be simplified from existing EU funds.

The Welsh Government's proposals for post-Brexit regional investment

Future funding and devolution

The First Minister, Mark Drakeford AM, **has set out** the Welsh Government's position on the funding it believes Wales should receive through the UK Shared Prosperity Fund, and how much control it should have over how the funding is spent in Wales. **This can be summarised as "Not a penny less, not a power lost."**

Regional Investment in Wales after Brexit, published in December 2017, sets out the Welsh Government's plans for future regional investment in more detail.

The Welsh Government states that, despite EU Structural Funds helping to lower unemployment and economic inactivity especially in West Wales and the Valleys, there are still persistent weaknesses in parts of the Welsh economy. **It argues that EU funds have been targeted to help Wales recover from decades of industrial decline, and that funding should continue to flow to Wales as part of rebalanced investment across the UK.**

The Welsh Government **has called for** its **block grant to be adjusted upwards by the full amount of EU funding Wales receives** from the point of exiting the EU, and for there to be no top slicing or conditions attached to use of this funding by the UK Government.

The Welsh Government believes that it should lead on delivering this investment for four reasons, stating that "No other body is able to match these essential advantages in delivering an effective regional policy for Wales":

- It has delivered Structural Funds in Wales for the past 20 years, and considers that it has built up expertise in designing and delivering effective regional economic services over this period.
- It has the presence across Wales to deliver a programme, with sufficient staff all across Wales to put regional economic policy into practice.
- It has well-developed partnerships with the third sector, local government and the private sector, and experience of working together on delivery of EU funds.
- Under the devolution settlement it is responsible for economic development as well as areas important to the successful delivery of regional economic policy such as skills, transport and infrastructure.

Consequently, the Welsh Government says that it is happy to work with the UK Government on aspects of economic delivery, but that it would:

Explicitly and vigorously reject any notion of a UK centralisation of regional economic development policy, including the creation of a Whitehall managed 'UK Prosperity Fund'.

The Welsh Government's plans for delivering post-Brexit regional investment

The Welsh Government's **plans for delivering future regional investment** involve:

- Supporting inclusiveness and growth in four priority areas – business productivity; healthier and more sustainable communities; reducing economic inequalities; and the zero-carbon economy;
- creating a distinctive, rules-based, approach to meet the needs of Wales, which reflects Welsh policy and legislation;
- ensuring that funding continues to be spent on those areas most in need, although there will be some increase in discretion on which places can see investment;
- placing the Well-being of Future Generations (Wales) Act 2015 at the centre of its plans;
- prioritising cross-cutting issues such as equality and sustainability; and
- devolving more power beyond Cardiff Bay, so that local and regional areas have greater responsibility for planning and decision making, supported by capacity building.

It considers that **while there are some aspects of EU funding that it would like to see replicated in the UK Shared Prosperity Fund, there are also elements it would like to change.**

In his previous role as Cabinet Secretary for Finance, the First Minister **said that** under current EU funding arrangements Wales receives funding according to need determined by published, objective rules, and that this should continue.

The Welsh Government **has also said that** it would like multi-year funding to continue in the UK Shared Prosperity Fund, as this provides certainty and encourages more productive investments. It would also like to maintain partnership working arrangements, and strengthen these by co-producing arrangements for the UK Shared Prosperity Fund in Wales with organisations such as regional and sub-regional partnerships.

However, the Welsh Government does not wish to replicate all aspects of the current EU programmes after Brexit, and believes there are opportunities to do a number of things differently with the new funding arrangements:

- integrating funding with wider Welsh Government policy and investments;
- integrating funds and removing geographical restrictions, leading to investments in people, businesses and rural areas not being artificially separated or geographically limited;
- simplifying administration, **for example by** using a flexible approach that reduces the level of information that trusted partner organisations need to provide, and adopting a standardised approach such as a common grant management approach; and
- amending its evaluation and monitoring approach to focus on results, wider objectives as well as economic ones, and to encourage innovation.

On 14 January 2020, **the Counsel General and Brexit Minister set out** the latest Welsh Government developments in relation to the fund in Plenary. He stated that the Welsh Government will be launching a consultation document on the fund in March 2020, following Cabinet approval and consideration by the regional investment for Wales steering group.

The Counsel General and Brexit Minister also highlighted that the Organisation for Economic Co-operation and Development (OECD) is undertaking work that will inform the final approach. This is due to report by the end of 2020, and will include work on international best practice; areas for improvement in the Welsh Government's proposals; and developing capacity at all levels of devolved government in Wales.

Assembly Committees and regional investment in Wales after Brexit

The Assembly's Finance Committee and External Affairs and Additional Legislation (EAAL) Committee have both undertaken work on the UK Shared Prosperity Fund, and post-Brexit regional policy.

In June 2017, the EAAL Committee published its report on **the future of regional policy**. The Committee made 17 recommendations to the Welsh Government, including that:

- The Committee, while happy with a one-off adjustment to the block grant as a short term measure, **was concerned that this approach presents risks over the longer term and that the Welsh Government should explore the possibility an objective needs-based formula**.
- The Welsh Government should commission expert research on the effectiveness of its current policies, and bring forward proposals for future policies based on international best practice. Subsequently, the Welsh Government **has announced that** the Organisation for Economic Co-Operation and Development (OECD) will lead a project to support the development of a new Welsh regional economic development policy.
- **Future policy should change in a number of ways** including how impact is measured, greater simplification and flexibility, and future policy being more responsive to local needs.

In September 2018, the Finance Committee's **report into replacing EU funding streams** made a number of recommendations in relation to regional investment through the UK Shared Prosperity Fund. Some of the key recommendations made and conclusions drawn by the Committee include:

- The Welsh Government should negotiate with the UK Government to **secure at least the same amount of funding to Wales through the UK Shared Prosperity Fund as it currently receives through Structural Funds, plus inflation**. This should be added into the Welsh Government's Block Grant.
- The Welsh Government should negotiate with the UK Government to **ensure the Welsh Government is responsible for administering and managing the UK Shared Prosperity Fund in Wales**. No individual or organisation that responded to the Committee's consultation or gave evidence called for the UK Government to administer the fund in Wales.

- That **there is an opportunity for changes and improvements to be made to the current arrangements**, such as reducing bureaucracy in accessing funding, and greater local and regional involvement in planning and decision making.
- However, there are some aspects such as multi-year funding, tackling poverty, and mainstreaming equality that should be kept.

The Welsh Government accepted all 11 of the recommendations in the Committee's report, noting that the Committee's report supports the government's position.

The EAAL Committee is currently **undertaking work on the UK Shared Prosperity Fund**, and has **published the responses** it has received from governmental organisations elsewhere in the UK.

Proposals by organisations for post-Brexit regional investment

Wales-based organisations

In October 2017, the Welsh Local Government Association (WLGA) and Bevan Foundation published **After Brexit: Regional economic policy in Wales**. This called for the UK Government to provide Wales with the same amount of resources as it would have received from Structural Funds had the UK remained in the EU, and for Wales' share of the fund to be devolved to Wales as economic development policy is a devolved matter. It also called for the Welsh Government to set the direction for future regional policy in Wales, but for decision-making and funding to be devolved down to either local or regional levels where this is appropriate.

In the Finance Committee's **report on replacing EU funds, Welsh organisations expressed support for the position that Wales should not be worse off as a result of the UK Shared Prosperity Fund replacing EU Structural Funds**. Organisations expressing this view included academics, third sector bodies, local government, and business representative organisations. Those who gave evidence to the Committee advanced two main arguments as to why Wales should continue to receive current levels of investment through the UK Shared Prosperity Fund:

- the importance of Structural Funds in delivering vital additional investment for Wales that could not have been delivered with funding solely from the Welsh Government; and
- the importance of funding to Wales as a way to progress the rebalancing of the UK economy.

The Federation of Small Businesses Wales (FSB Wales) **highlighted to the Committee** that its research shows that just under a quarter of Welsh SMEs have benefitted from Structural Funds. FSB Wales also stated that:

It is strongly our view that maintaining this volume of funding is essential, as it underpins so much of the activity that Welsh Government (and other agencies) undertake to support SMEs in Wales, from business support, to apprenticeships, access to finance and wider economic development and regeneration schemes.

Blaenau Gwent County Borough Council **highlighted** the importance of "levelling up" and ensuring no area is left behind. Stating that it is an area that

has challenging levels of poverty, disadvantage, and some skills gaps, it calls for replacement funding to be delivered on a similar basis to current arrangements, with greater resources focussed on the most disadvantaged areas.

Similarly, there was support for the Welsh Government managing and administering the UK Shared Prosperity Fund in Wales. No individual or organisation who gave evidence to the Committee called for the UK Government to administer the fund in Wales. The arguments made by organisations relating to devolution were similar to those set out by the Welsh Government.

A number of organisations also **expressed concern about the possibility of Wales being disadvantaged if a challenge-based system is introduced for the UK Shared Prosperity Fund.** The Country Land and Business Association Wales (CLA Wales) **set out its concerns** about the ability of rural Wales to compete in this scenario and that it may lead to an even greater depletion of rural economic activity in Wales.

The WLGA and Victoria Winckler, Director of the Bevan Foundation, have both highlighted the possibility of Wales losing out on funding through a centralised competitive bidding process. Victoria Winckler **stated that** if economic priorities of Welsh organisations are different to those elsewhere in the UK, then they could be disadvantaged by a competitive bidding process that means Wales is “playing in a game where the rules don’t suit”.

In **its consultation response** to inform the work of the All-Party Parliamentary Group on Post-Brexit Funding for Nations, Regions and Local Areas, the WLGA stated that:

In our view, competitive bidding between areas would not be compatible with the aim of the Fund to rebalance the UK economy - as the institutional capacity and economic opportunity of bidding areas will inevitably have a direct bearing on the success of bids on a competitive basis.

In November 2019, representatives from FSB Wales; the Learning and Work Institute in Wales; the South and Mid Wales Chamber of Commerce; Colegau Cymru; Universities Wales; the University and College Union; the National Union of Students Wales; and the Wales Council for Voluntary Action **wrote to all Welsh Prospective Parliamentary Candidates** ahead of the 2019 General Election. They called for the following action in respect of the UK Shared Prosperity Fund:

We are calling on all political parties to replace structural funds in full. The current UK Government has pledged to create a Shared Prosperity Fund to replace these funds. Any Shared Prosperity Fund must be devolved by design and operate on a needs-based model.

Non-government organisations in the rest of the UK

A number of organisations based outside Wales that have published reports on the UK Shared Prosperity Fund have concluded that it should be devolved to Wales, Scotland and Northern Ireland, as this would continue the approach of the devolved administrations managing Structural Funds. The Institute for Public Policy Research (IPPR) **states that:**

The devolved administrations of Northern Ireland, Scotland and Wales should have the freedom to decide what to spend the UK SPF funds on as their constitutional right determines.

Other organisations who support this approach include the **Federation of Small Businesses**, the **Joseph Rowntree Foundation**, the **Centre for Cities** and **Communities in Charge**.

A number of arguments have been made in relation to whether to adopt a targeted, needs-based approach to allocate funds or to use competitive bidding.

The arguments made by organisations and academics in favour of continuing with a targeted, needs-based approach that pre-allocates funding to areas include:

- The IPPR **states that** regional inequality is a persistent challenge for the UK, and that a targeted and needs-based approach will need to continue to invest into regions and nations to avoid this worsening.
- Professor David Bell **suggests that** continuing to use GDP per head as a mechanism for calculating funding allocations would assist social cohesion as it concentrates support on those areas in greatest need.

Other organisations which support continued targeting of funding such as the **Industrial Communities Alliance**, the **Joseph Rowntree Foundation**, the **IPPR** and **Centre for Cities** have suggested basing need on other indicators such as wages, productivity, employment, and skills levels to better reflect the needs of areas.

Lord Heseltine, one of the major proponents of competitive bidding in the UK in the early 1990s, **argues that** competitive bidding through programmes such as the City Challenge, which he introduced, brought an ‘entrepreneurial spirit’ to

local areas, and encouraged more ambitious and wider vision in the development of bids. He also believes that the quality of bids improved round-on-round, as previously unsuccessful bidders learned from their mistakes and good practice from successful bids.

The Institute for Fiscal Studies **states that** introducing competitive bidding into the UK Shared Prosperity Fund could lead to better quality bids that provide greater value for money, and would provide maximum flexibility for the government operating the fund, but may lead to less funding reaching the most disadvantaged areas.

However, the Industrial Communities Alliance **has said that** using competitive bidding for the fund would place too much discretion in the hands of Ministers and officials, rather than using transparent criteria and data. It also states that bidding processes can waste the time and resources of those involved in unsuccessful bids. The Centre for Urban and Regional Development Studies at Newcastle University **argues that** competition between regions for funding can exacerbate regional disparities by rewarding places with the strongest governance and expertise to inform applications for funding.

The majority of these organisations also **highlighted their support for multi-year funding**. For example, the Joseph Rowntree Foundation stated that:

As important as the amount of funding is the stability of the funding. EU Structural Funds are currently allocated on a seven-year investment cycle, enabling strategic planning, longer-term interventions and effective policy co-ordination at the local level. Longer-term funding cycles should be replicated in the design of the replacement fund.

Views from government and parliamentary bodies in other UK nations

Westminster

The House of Commons' All-Party Parliamentary Group (APPG) on Post-Brexit Funding for Nations, Regions and Local Areas **published its initial report** on the UK Shared Prosperity Fund in November 2018. Its headline conclusions include that:

- Initially the UK Government should roll forward the four UK nations' existing shares of EU funding into the UK Shared Prosperity Fund;
- Within the framework of agreed guidelines, the allocation of the funding to local areas within the devolved nations should be a devolved matter;
- The fund should respect the devolution settlement and therefore any guidelines should be kept at a strategic broad level and agreed jointly between the UK Government and the devolved administrations;
- The UK Government should transfer responsibility for the detailed design and delivery of the relevant parts of the UK Shared Prosperity Fund to the devolved administrations and their partners;
- If there is any element of competitive bidding incorporated into the UK Shared Prosperity Fund it should be marginal to the main formula-based allocation.
- The fund should operate multi-year financial allocations

The House of Commons' Housing, Communities and Local Government Select Committee's report on **Brexit and local government** concluded that:

Funding levels for the new Fund, to be announced at the time of the Autumn 2019 Spending Review, must match or exceed the equivalent levels of EU funding which is currently provided to local government. This cannot be a one size fits all approach and must be allocated on the basis of local need, including taking account of what individual areas currently receive from EU structural funds as well as what they would have been entitled to in the next EU funding period if the UK had remained a member.

England

A number of English local authorities, Local Enterprise Partnerships, Metro Mayors and other governmental bodies have responded to the consultations held by the **APPG on Post-Brexit Funding for Nations, Regions and Local Areas**, the Assembly's **EAAL Committee** and the House of Commons' **Business, Energy and Industrial Strategy Committee**.

English governmental bodies almost unanimously supported a multi-year funding approach, supporting an approach of funding being guaranteed for at least 5-7 years. Examples of the reasons for supporting this include providing longer-term stability around allocations, to assist with planning projects, and that many projects will require funding over a number of years.

A clear majority of the English organisations who responded to these consultations supported a targeted, needs-based approach to allocating funding, for example 23 of the responses to the APPG's consultation supported this approach with the remaining three responses partially supporting a needs-based mechanism. **Liverpool City Region's Combined Authority and Local Enterprise Partnership's joint response** to the APPG's consultation called for a needs-based system of allocation that would:

...allow for the rebalancing of the economy by targeting the allocations at areas of greatest need while at the same time allow for targeted investments in line with agreed local industrial strategies.

Consequently, **many of these organisations felt there should be little or no role for competitive bidding processes in allocating funding**. A number of respondents set out their concerns about such an approach. As an example, Doncaster Metropolitan Borough Council **stated to the APPG** that:

Competitive bidding processes traditionally favour areas of high growth. It is recognised that the Government is seeking a greater rate of return on their investments; however it should not be under a competitive bidding process but working with areas to generate greater returns from within local industrial strategies with designated financial allocations.

Additionally, Warrington Borough Council **set out** its concerns around how the competitive bidding process in the Regional Growth Fund operated, stating that the rationale behind the business case should determine how funding is allocated and that this did not happen in practice.

A minority of respondents to the consultations saw some role for competitive bidding in parts of the fund, although only one considered that this approach

should play more than a small role in overall funding allocations. Examples given included using bidding processes relating to research and innovation funding, or potentially using competitive bidding for a small top-up fund that would be allocated in addition to the majority of funding allocated via a needs-based mechanism.

There is less agreement on the mechanism by which funding should be allocated to nations, regions or local areas. While fewer England-only organisations responded to the questions on this topic in the various consultations, a variety of views were expressed. **Some organisations took the view that no area should receive less funding as a result of the UK leaving the EU.** For example, the Greater Manchester Combined Authority **stated that** there should be:

A funding level that is at least the level of existing EU Structural Funds available to each area, along with the matched funding sources used in the past, and other Regional Growth Fund and Local Growth Fund-type investment.

However, **other organisations considered that the methodology for allocating funding should be changed** from the arrangements in place for EU Structural Funds, to ensure that current need is met in allocating funding. For example, Sunderland City Council **argued that**:

The nations will have achieved different rates of progress since the current programme began so a needs-based formula based on latest reliable data would be preferable and also future-proof, if refreshed before each new programme round begins.

All 16 of the English organisations who responded to the APPG's question on whether allocations in devolved administrations should be an entirely devolved matter supported the view that it should be. While many organisations did not expand on their reasons, West Yorkshire Combined Authority **stated that**:

Current ESIF allocations in Scotland, Wales and Northern Ireland are the responsibility of the devolved administrations. There should be no rolling back of devolved control for the UKSPF. Indeed, the principle of devolution should be extended, and applied as far as possible in the roll-out of UKSPF to English regions.

Similarly, Portsmouth City Council **stated that** allocations in devolved nations should be an entirely devolved matter "as otherwise it's not devolution". Sunderland City Council commented that allocations in the devolved nations should be an entirely devolved area "in the spirit of devolution".

A small number of English local authorities highlighted areas where State Aid and a level playing field for all areas should have a common UK-wide approach. Preston City Council **stated that** a level playing field could be a consistent UK-wide legal and policy framework, but with scope for devolved administrations to prioritise different elements of the framework according to local need.

Northern Ireland

In response to the EAAL Committee’s consultation, the Permanent Secretary of the Northern Ireland Executive’s Department for the Economy stated that there has been a lack of meaningful engagement from the UK Government on the fund. He also commented that **the department’s primary concern is that the UK Government’s consultations on the fund in Northern Ireland covered devolved areas**, stating that:

UK Government officials indicated that the SPF is seen as a mechanism to address the needs of the UK Industrial Strategy. Industrial policy is, however, a devolved matter and the planned approach cannot be taken here. We currently have a draft Northern Ireland Industrial Strategy and our view remains that it is inappropriate for Whitehall departments to focus on activities that support the UK Industrial Strategy and not on local needs here.

The Northern Ireland Local Government Association (NILGA) **also expressed its views** to the EAAL Committee. The main points put forward include:

- None of the UK nations should be worse off, either proportionately or numerically as a result of the fund – the allocation should either match or exceed current funding levels.
- The management of the fund should be devolved to Northern Ireland and the other devolved nations, to meet the then Prime Minister’s 2017 commitment that Brexit would not dilute devolution arrangements.
- In allocating funds, additional weighting should be given to regions most negatively impacted by Brexit.
- Cross-border co-operation between Northern Ireland/Ireland and between Ireland/Wales should be able to continue through the fund.
- There has been a lack of engagement from the UK Government, which has not provided sufficient detail on the content of the forthcoming consultation, or a timescale for this.

Scotland

The **Scottish Government has set out its position on the UK Shared Prosperity Fund in a letter to the EAAL Committee**. The Minister for Trade, Investment and Innovation, Ivan McKee MSP, stated that:

- Scotland should not lose out financially compared to the current level of funding it receives from the EU, which is worth approximately £700 million through ESF and ERDF alone.
- The devolution settlement must be respected and there must be no attempt by the UK Government to take back powers that the Scottish Government has “rightfully executed to date”.
- The Scottish Government’s role in the development of Shared Prosperity Fund should be as partners, not merely consultees.

In June 2019, the Scottish Government announced that it would conduct its own consultation on the fund, overseen by an external steering group, as a result of the UK Government’s consultation being delayed. This consultation was **launched in November 2019**.

The Scottish Parliament’s Economy, Energy and Fair Work Committee **undertook work** on potential replacements for EU Structural and Investment Funds in 2018. It recommended that **the current amount of money allocated to Scotland through ESI funds should be the baseline for future funding levels under the UK Shared Prosperity Fund**. It also agreed with witnesses who called for responsibility to be shared between the UK Government and the devolved administrations in developing a framework for the fund, and for Scotland to decide its own approach to allocating funds within Scotland.

The Scottish Parliament’s Finance and Constitution Committee published its report on **post-Brexit funding of EU Structural Funds priorities in Scotland** in October 2019. The main conclusions of the Committee’s work were that:

- In the short term Scotland should receive no less than its current allocation as regional disparities have not reduced, and in the longer term funding should be allocated under a needs-based mechanism.
- There should be no reduction in the Scottish Government’s decision-making powers under the UK Shared Prosperity Fund compared to the current position under EU Structural Funds.

- Evidence the Committee received supports multi-year funding in much the same way as Structural Funds currently operate to support longer-term strategic planning.
- The best parts of the current system should be retained, but there are opportunities to streamline administrative arrangements.

The Convention of Scottish Local Authorities (COSLA) also **wrote to the EAAL Committee**. Its priorities include that the new fund should keep at least the same level of devolution to Scotland as is currently the case with EU funds; that funding levels are at least the same as for EU Structural Funds; funding commitments should extend beyond a single parliamentary term; and that there is a 'single pot' of funding that reduces the administrative burden significantly.