House of Commons

Scottish Affairs Committee

The UK Shared Prosperity Fund and Scotland: Government Response to the Committee's Third Report

Second Special Report of Session 2021–22

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The Scottish Affairs Committee

The Scottish Affairs Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Scotland Office (including (i) relations with the Scottish Parliament and (ii) administration and expenditure of the offices of the Advocate General for Scotland (but excluding individual cases and advice given within government by the Advocate General)).

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Publication

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Committee staff

The current staff of the Committee are Rosie Akeroyd (Committee Specialist), Samantha Colebrook (Committee Operations Officer), Deborah Courtney (Committee Operations Manager), Nerys Davies (Committee Specialist), Chloe Jago (Senior Media and Communications Officer), Alex Knight (Senior Economist, Scrutiny Unit), Leoni Kurt (Clerk), Xameerah Malik (Senior Committee Specialist), Zac Mead (Second Clerk), Ellen Parry (Sandwich Student), and Chloe Smith (Committee Specialist).

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Second Special Report

The Scottish Affairs Committee published its Third Report of Session 2021–22, *The UK Shared Prosperity Fund and Scotland* (HC 52) on 9 July 2021. The Government's response was received on 13 October 2021 and is appended to this report.

Appendix: Government Response

OSSS and MHCLG response to report

The UK Government is grateful for the Scottish Affairs Committee report that was published on 9 July 2021 as part of their inquiry, Scotland and the Shared Prosperity Fund. I would like to thank the Committee and all those who contributed evidence to it for their efforts. The Government has carefully considered the Committee's recommendations and has responded to each in turn below.

The UK Shared Prosperity Fund (UKSPF) is the domestic successor to EU structural funds. Leaving the European Union has provided us with a unique and historic opportunity to redefine our domestic priorities, strengthen our Union, and level up the whole of the UK. As we move away from the EU structural funds, we have a historic opportunity to design a domestic successor that is tailored to the UK ensuring funding reaches those most in need and aligns with UK priorities.

We are establishing new ways of working between the UK Government and places across the UK. We will be working more directly with local partners and communities across England, Wales, Scotland and Northern Ireland, who are best placed to understand the needs of their local areas. A portion of the UK Shared Prosperity Fund 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.

Due to the way the funds operate, levels of EU structural fund investment (which the UK has paid for through its EU Budget contributions) will be higher in England, Scotland, Wales and Northern Ireland in 2021–22 than in 2020–21. To help areas prepare for the launch of the UK Shared Prosperity Fund we also introduced a one year UK Community Renewal Fund to support areas to pilot new innovative approaches.

1. **The UK Government must launch a formal, public consultation on its proposals for the UKSPF by autumn 2021.**

UK Government has been engaging with key stakeholders on the design and priorities of the UK Shared Prosperity Fund since 2016, including holding a series of engagement events across the UK. The regional events in Scotland took place in Edinburgh in October 2018, Glasgow, Dundee and Edinburgh in November 2018, and Edinburgh and Inverness in February 2019. Over 500 stakeholders across the UK attended these events across a variety of sectors, including businesses, public bodies (including local government), higher education institutions, voluntary and charity sector and rural partnership groups.

Since the publication of the UK Shared Prosperity Fund Heads of Terms, we have continued to engage widely. As part of this, we have hosted several roundtables and discussion groups *with a variety of sectors. MHCLG is also conducting research with users from across the UK that have experience in applying for funding to inform future funding programmes, including the UK Shared Prosperity Fund. As the fund develops, we will continue to engage stakeholders on specific elements of the UK Shared Prosperity Fund to ensure that their expertise is captured and considered as we design the fund.*

MHCLG officials are working towards setting up a Local Government Association Taskforce, providing an opportunity for ongoing, official-level engagement as we develop the fund. As part of our commitment to work more directly with local partners, MHCLG officials will work with the Convention of Scottish Local Authorities, alongside its counterparts in England, Wales and Northern Ireland, to establish an official-level taskforce on the UK Shared Prosperity Fund. The taskforce will enable Local Government Association members and officials to express their views on the UK Shared Prosperity Fund.

The UK Shared Prosperity Fund will operate across the UK, UK Government officials regularly speak to their counterparts in the Devolved Administrations to discuss updates, concerns and queries. The UK Government will continue to engage the Devolved Administrations and local partners as we make further progress on the fund.

2. **We urge the UK and Scottish Governments to work constructively together in the design and delivery of the UKSPF.**

The UK Government has a responsibility to support the economic health of people, businesses and communities across the whole UK. Only the UK Government can take a strategic view of the whole of the UK, allocating funding in all parts of the country irrespective of administrative borders.

The UK Government intends to work with the Devolved Administrations to ensure that funding is used to best effect and supports citizens across the UK. We have demonstrated this commitment by confirming that the Devolved Administrations will have a place within the governance structures for the UK Shared Prosperity Fund.

The UK Government will continue to engage the Devolved Administrations and local partners as we develop the fund's investment framework, in advance of its publication. UK Government officials continue to regularly engage with their counterparts in the Scottish Government. Scottish Government officials have been invited to all regional engagement events in Scotland.

The Secretary of State for Scotland, the Secretary of State for Housing, Communities and Local Government and the Minister for Regional Growth and Local Government met with Ivan McKee in March 2021 as Scottish Government Minister for Trade, Investment and Innovation to discuss the funds announced at Budget, including the UK Community Renewal Fund, the Levelling Up Fund and the Community Ownership Fund.

We will also engage ministers in the Devolved Administrations on the UK Shared Prosperity Fund, including through the Interministerial Group for Housing, Communities and Local Government, which will formalise arrangements for regular ministerial engagement on all issues in MHCLG's portfolio. Officials from MHCLG and the Devolved Administrations are working on the arrangements to establish this forum for regular discussions between ministers.

3. **The UK Government's multi-year funding profile should clarify how much funding will be available each year for the UK and for Scotland for at least the first five years of the UKSPF.**

The UK Shared Prosperity Fund profile will be set out at the next Spending Review, and we will publish further details later in 2021.

4. **The UK Government must clarify how and when EU rural development funding, including the European Agricultural Fund for Rural Development 5 (EAFRD) and European Maritime Fisheries Fund (EMFF), will be replaced.**

The Manifesto committed to replace EU Structural Funds through the UK Shared Prosperity Fund. In doing so, the UK Shared prosperity Fund will take into account the specific needs of rural communities. The UK Government will consider at Spending Review 2021 whether to replace LEADER and EAFRD through the UK Shared Prosperity Fund or other farm support programmes.

5. **In March 2022, a year after it began, the UK Government should evaluate the Community Renewal Fund and publish its findings on how well the fund has operated. This evaluation should highlight implications for the design and delivery of the UKSPF.**

The UK Community Renewal Fund will help inform the design of the UK Shared Prosperity through funding of one year pilots, but the funds are distinct in regard to design, eligibility and duration. Successful UK Community Renewal Fund bids will be for 2021/22 only. The UK Community Renewal Fund aims to support our communities to pilot programmes and new approaches, aligning national and local provision. We want to use the UK Community Renewal Fund to test greater integration of types of interventions and greater flexibility between investment themes than under EU structural funds.

Through these Funds, we will establish new ways of working between the UK Government and places across the UK. The UK Government will work more directly with local partners and communities across England, Wales, Scotland and Northern Ireland, who are best placed to understand the needs of their local areas and more closely aligned to the local economic geographies to deliver quickly on the ground.

*The UK government is placing greater emphasis on high-quality evaluation, which is critical to understanding what works. To support this, we will publish guidance on the development of evaluation plans, sharing of best practice and will support thinking on consistent indicator requir*ements for the UK Shared Prosperity Fund.

We will also

- *develop the supporting infrastructure required to facilitate the efficient sharing of information and data built around user needs.*
- *Undertake a process evaluation to understand how efficient the delivery structures and business processes are, including the impact of capacity funding.*
- *Consider both the impact of funding on place and investment themes.*

A big part of testing and trialling means evaluating what works well and what does not so that it can feed into the development of both the places and people portions of the UK Shared Prosperity Fund. Evaluation will be central to this process from the start and should be embedded as a key element of proposals.

The UK Community Renewal Fund also offers us an opportunity to establish new ways of working between the UK Government and places across the UK. This has provided an opportunity for the UK Government to work directly with the actors closest to the local needs of citizens to best deliver for communities and establish strong and lasting relationships with local authorities across the UK. We want to work more directly with local partners and communities across the UK, who are best placed to understand the needs of their local areas and more closely aligned to the local economic geographies to deliver quickly on the ground.

Since the launch of the UK Community Renewal Fund, MHCLG has hosted several roundtables and discussion groups with a variety of sectors to inform the development of the UK Shared Prosperity Fund. These events have not only enabled us to engage stakeholders on specific elements of the UK Shared Prosperity Fund but also gain feedback on the design of the UK Community Renewal Fund. MHCLG is also conducting research with users from across the UK that have experience in applying for funding, including the UK Community Renewal Fund. These engagement exercises are enabling us to learn lessons from the experience of the UK Community Renewal Fund and other funding programmes as we develop the UK Shared Prosperity Fund.

6. **The UK Government should ensure that its methodology and criteria for allocating UKSPF funds are clear and transparent.**

The Manifesto committed to replacing the EU Structural Funds and at a minimum match the size of those funds in each nation. The UK Shared Prosperity Fund will maximise the benefits of leaving the EU through better targeting, including at places in need, for example ex-industrial communities, coastal communities and rural and deprived towns. UK Government will publish further detail later this year and confirm its funding profile at the next Spending Review.

7. **In its response to this Report, the UK Government should clarify how much funding has been given to local authorities in Scotland to help them build capacity in developing bids for the UKSPF.**

We want to support places to develop their capabilities to maximise the benefits of local investment. Every local authority in Scotland will receive £125,000 to support them developing bids for future rounds of the Levelling Up Fund. Local authorities in Scotland identified on the list of 100 priority places for the UK Community Renewal Fund will also receive £20,000 to help them with the required bid coordination and appraisal for that place. In addition, we have set aside up to £14m capacity funding to support local places to prepare for the UK Shared Prosperity Fund. Details on eligibility for this capacity funding, and the funding itself, will be released later this year.

8. **The UK Government should prioritise academic research funding when allocating resources under the UKSPF. The UK Government should collaborate with the Scottish Government, to ensure that regions where structural funding for universities has brought significant regional benefits, are not disproportionately disadvantaged by the transition to the UKSPF.**

The Government recognises the role EU Structural Funds plays in supporting vital jobs and growth opportunities across the UK. Leaving the European Union provides us with a fresh opportunity to create a fund which invests in UK priorities and targets funding where it is needed most, whilst maintaining support for our businesses and communities.

The UK Shared Prosperity Fund will invest in people, communities and local business to level up and create opportunity in places most in need and for people who face labour market barriers. The Spending Review 2020 set out the main strategic elements of the Fund. The UK Government will publish further detail later this year and confirm its funding profile at the next Spending Review.

9. **We recommend that the UK Government evaluates the progress of the UKSPF after one year of operation and publishes a report, to ensure that funding is delivering the levelling up agenda by being allocated to the areas and sectors of greatest need.**

Evaluation will be central to the UK Shared Prosperity Fund. The Government will set out further details in due course.

IAIN STEWART MP

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PARLIAMENTARY UNDER SECRETARY OF STATE FOR LEVELLING UP, THE UNION AND CONSTITUTION