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Pwyllgor yr Economi, Masnach a Materion Gwledig Committee
Cyllid datblygu rhanbarthol wedi'r UE funding
RDF27
Ymateb gan: Local Government Association Association

Welsh Parliament
Economy, Trade, and Rural Affairs
Post-EU regional development
Evidence from: Local Government

LGA submission to the Economic, Trade and Rural Affairs Committee into Post-EU regional development funding

11 May 2023

1. About the Local Government Association (LGA)

1.1. The Local Government Association (LGA) is the national voice of local government. We are a politically led, cross-party membership organisation, representing councils from England and Wales.

1.2. Our role is to support, promote and improve local government, and raise national awareness of the work of councils. Our ultimate ambition is to support councils to deliver local solutions to national problems.

2. Summary

2.1 The UKSPF has been welcomed by the English local government sector as it has recognised and enabled local leaders to provide democratic leadership of the fund with the opportunity to bring together communities, places, businesses, people and skills without significant funding silos. The fund is delegated to local government in a manner that enables local leaders to choose the best way to deliver programmes, whether it is through grants, commissioning or delivering in house.

2.2 While this approach is very much welcomed, there have been some challenges that have emerged in the design of the fund which national government should consider when designing future growth funding streams.

2.3 The UKSPF does not provide the same quantum and longevity that the European Structural and Investment Fund Programme (ESIF) programme provided, and English councils would welcome longer term funding streams to enable them to make longer term investments.

2.4 The delays in the approval of investment plans, the initial restrictions on in-year spending and the short-term nature of the fund have created a challenge for lead authorities to use the funding in a long term, innovative manner and maximise the use of the fund to leverage other public and private funding streams.

2.5 The late announcement that lead authorities could use UKSPF for the People and Skills Priority in the 2023/24 financial year, combined with the restriction on lead authorities bringing forward year three funding nominally allocated for the People and Skills priority, has made it challenging for lead authorities to effectively plan provision.

2.6 We want to work with Government to develop learnings from the UKSPF and design future programmes so that they deliver the best outcomes for people and places. We welcome that every local area was allocated funding through the UKSPF, which provides some certainty and prevents local authorities using capacity to undertake bidding processes that may not be successful. Funding should always be allocated based around a transparent formula centred around need.

2.7 However, in future local government must have longevity of funding and adequate lead-in times to deliver the best results. This is essential to design and commission services and programmes effectively, as well as enabling local leaders to leverage private and public funding to maximise investments and carry out robust stakeholder engagement.

2.8 To reduce inefficiency and strengthen the case for investment, ultimately, we want to see all competitive funds replaced by a single pot of capital funding allocated according to a robust evidence base, allowing councils and combined authorities to invest in social and community infrastructure to meet the needs of place, tackle inequalities and drive local growth.

3. Which parts of the new funds have worked well and which haven't

3.1 The LGA welcomes the opportunity to respond to the Economic, Trade and Rural Affairs Committee review of the post-EU regional development funding inquiry. The UK Shared Prosperity Fund (UKSPF), which is the domestic replacement for the ESIF is in the early stages of being delivered so many of the challenges and opportunities are still to be realised. The LGA has engaged with combined authorities, unitary and district councils who are lead authorities in England as they developed their investment plans and began delivering the fund. Below is some of the anonymised feedback we have received.

3.2 The UKSPF has been welcomed by the English local government sector as it has recognised and enabled local leaders to provide democratic leadership of the fund with the opportunity to bring together communities, places, businesses, people and skills without significant funding silos. It is positive that the fund is delegated to local government in a manner that enables local leaders to choose the best way to deliver programmes, whether it is through grants, commissioning or delivering in house. The sector has also welcomed the less bureaucratic and flexible approach the government has adopted for UKSPF compared to the ESIF programme.

3.3 While this approach is very much welcomed, there have been some challenges that have emerged in the design of the fund and national government should consider when designing future growth funding streams.

Short time periods to develop investment plans

3.4 The UKSPF prospectus was published in April 2022 with lead authorities having until 1 August 2023 to submit investment plans. This was a very short time frame to develop high-level plans, undertake and enhance stakeholder engagement and undertake council democratic decision-making processes, particularly given that it takes at least a month to go through the decision-making process at a council.

3.5 There were capacity challenges for lead authorities to develop plans in such a period of time, with some lead authorities having to pay for external consultants, as the short time frames meant building of capacity was not realistic in that timeframe. According to our 2022 Workforce Survey more than 9 in 10 councils are experiencing workforce capacity difficulties in both senior leadership and front-line service delivery roles due to challenges in recruitment and retention, which make it challenging to stand up or recruit staff with relevant expertise at short notice.

3.6 Moreover, some local authorities had local elections within this time-frame. Short-term time frames for plan development are not conducive to effective long-term planning and do not allow areas to take a coordinated, place-based approach to investment across multiple national and local funding streams, or leverage other private and public investment.

Priority Three – People and Skills

3.7 English lead authorities were initially only allowed to use UKSPF for the People and Skills Priority in the third year (2024/25). The only exception to this, is that lead authorities were able to use People and Skills funding for provision run by voluntary and community organisations before 2024/25 if they are deemed 'at risk.' In March 2023, the Department of Levelling Up Housing and Communities (DLUHC) announced that English lead authorities could use UKSPF for this priority in 2023/24. While this flexibility was welcome, the timing of the announcement was too late for many lead authorities to use it.

3.8 The quantum of UKSPF funding provided to lead authorities in year three is higher to reflect the expected expenditure on 'People and Skills.' Although lead authorities can now spend their year two funding on the people and skills priority programmes, they cannot bring additional funding forward from year three to meet this additional priority. As such, lead authorities have had to reprofile their expenditure, reducing expenditure on other priorities in order to fund people and skills priority programmes.

3.9 In two tier authorities, many districts have pooled funding across a county or LEP area to deliver the People and Skills priority. In these cases, the People and Skills priority would require a number of districts to reprofile their funds which acts as a barrier to bring forward provision.

3.10 The lateness of this announcement created high expectations from stakeholders with an interest in employment and skills, that lead authorities would be able to commission provision using SPF funding for the 2023/24 financial year. This has created a challenge for some lead authorities as they have had to manage expectations and maintain the strong stakeholder partnership working expected in the development and delivery of the fund.

Changing Government Advice

3.11 DLUHC has published advice and guidance sparingly or late which has often meant that lead authorities have had to make decisions at risk. While DLUHC has worked with the sector and tried to be flexible in overcoming some of these challenges, late guidance and the changing of the goalposts has impacted on investment decisions lead authorities have had to make.

3.12 DLUHC is capturing its own learning from the scheme to ensure continuity of good practice. In future years we should now have a better understanding of timetables and expectations and would hope these issues will not arise again.

3.13 Some examples of where this has happened includes:

3.13.1 In January 2023, Ministers confirmed that lead authorities could roll over funding between years if there is a "credible plan". Had this been known at the development of the investment plan phase (April 2022 - 1 August 2023), many lead authorities would have made different decisions.

3.13.2 Grant determination letters for 2023/24 will not be received until the credible plans have been assessed (expected in May 2023), meaning many lead authorities will be in the position of spending UKSPF at risk. Some lead authorities have tried to mitigate this risk, such as running grants programmes where funding can be released once DLUHC has confirmed their funding.

3.13.3 Government provided limited detail of the evaluation strategy, which has left lead authorities in the position of having to commission projects without knowing what evaluation processes would be needed.

3.13.4 It is positive that the Government introduced the Rural England Prosperity Fund (REPF) to help address the specific challenges rural areas face with infrastructure and services. However, the REPF was announced after the UKSPF, which did not enable eligible lead authorities to take a coherent place-based approach to their fund. In addition to this, the REPF did not provide capacity funding with the expectation that lead authorities could use UKSPF to support this.

4. The extent to which SPF interventions differ from those delivered through EU Structural Funds

4.1 The EU Structural Funds (ESIF) was a different programme to the UKSPF. ESIF was a seven-year programme (with ten years of delivery), while UKSPF is a programme covering three financial years with three years of delivery. The UKSPF does not provide the same quantum or longevity that the ESIF programme has provided. This impacts on a lead authority's ability to commission programmes that rely on longer-term investment to realise their outcomes, such as schemes to support those furthest away from the labour market and reduces the ability to leverage the same level of private and public funding that the ESIF programme secured through match funding.

4.2 We welcomed the inclusion of communities and places within the UKSPF, recognising the interconnection between place, businesses, employment and skills. This, however, provides an additional priority compared to the ESIF funding streams of ESF and the European Regional Development Fund (ERDF), creating additional demands on the fund compared to the ESIF programme.

4.3 UKSPF is allocated to combined authorities, unitary and district councils and the fund has been designed to have a greater focus on local places, with more investment in leisure facilities, community events and high street infrastructure. The ESIF programme did not provide this place approach and focused on programmes covering larger geographic areas. Many lead authorities are working together and pooling resources to repeat similar programmes that ESIF delivered. However, the constraints on time and quantum of funding have made it challenging for some areas to pool resources and deliver the same regional/LEP area level programmes that ESIF delivered.

5. Whether funding is going to those areas that most need it, and whether we/ English councils have concerns about the level of funding they are receiving through the UKSPF.

5.1 The UKSPF does not provide the same quantum and longevity that the ESIF programme provided and English councils would welcome longer term funding streams to enable them to make longer term investments. For instance, with the People and Skills strand, there is a risk provision will be scaled up for just one year (or two years if areas can take advantage of the new flexibility cited above) then will need to close due to lack of funding certainty.

5.2 We welcome that every local area was allocated funding, which provides some certainty and prevents local authorities using capacity to undertake bidding processes that may not be successful. Funding should always be allocated based around a transparent formula centred around need.

5.3 We have consistently argued that wasteful competitive bidding processes are not a sustainable approach to economic development or public service delivery. LGA research estimated that the average cost to councils in pursuing each competitive grant was in the region of £30,000, costing each local authority roughly £2.25 million a year chasing down various pots of money distributed from across Whitehall. Councils' ability to pursue these bids varies greatly, with those with greater resources better able to make speculative bids. At a time when councils are facing increasing cost pressures, this means councils with fewer resources are having to make difficult decisions as to whether it is worth risking losing money to bid for additional funding.

6. Whether English councils are doing anything innovative to maximise funding

6.1 The delays in the approval of investment plans, the initial restrictions on in-year spending and the short-term nature of the fund have created a challenge for lead authorities to use the funding in a long term, innovative manner and maximising the use of the fund to leverage other public and private funding streams. The LGA has been supporting lead authorities to network and share good practice as they design and deliver the fund.

6.2 Despite these challenges, lead authorities have tried to use their role to maximise funding. They have made direct investments in capacity, such as investing in council posts to secure external funding and schemes to build capacity in the voluntary sector. In addition, some lead authorities have used the fund to supplement community programmes to make sure they go ahead, such as contributing to community events or schemes to support businesses to decarbonise.

6.3 Lead authorities are still determining what programmes will be delivered over the next two years. We will have a greater idea of the types of programmes being funded as the programme comes to an end.