Briefing: The UK Shared Prosperity Fund

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Investment in employment and social exclusion programmes faces a cliff edge as EU money runs out.

As the cost of living rises, we must provide opportunities for people everywhere to work and contribute to their communities.

The three-year delay for new funding for employment and social exclusion programmes in the UK Shared Prosperity Fund must be scrapped for Levelling Up to succeed.

The funding cliff edge which could jeopardise Levelling Up

From 2014 to 2020, the UK was allocated €11bn (£9.4bn) of European Structural Funding.[i] This paid for projects across Britain to tackle social exclusion, build skills, and support people into employment, as well as enhancing the competitiveness of small and medium sized enterprises (SMEs). The UK has of course left the European Union. So, as these projects conclude, they will not be eligible for further EU money.

The UK Shared Prosperity Fund (UKSPF), meant to succeed European funding, will open for applications later this year. However, the pre-launch guidance revealed that support for employment and skills initiatives is not likely to be available until 2024-2025.[ii] We're facing a cliff edge where support could suddenly end.

This comes at a time when there are over 1 million fewer people in the labour market than on pre-pandemic trends.[iii] The sudden funding gap will hit the most marginalised people in the least well-off areas, which could make it harder for the government to deliver the Levelling Up agenda.

It is therefore imperative that this cliff edge is avoided.

Key stats

There are 1.2 million fewer people in the labour market than there would have been without the pandemic.[iv]

1.5 million people across England were helped by £2.3bn of ESF-funded projects between 2015 and 2020.[v]

As little as 2% of targeted Levelling Up funds are allocated to investment in people and social programmes so far.[vi]

Background: European Structural Funding

The UK benefited from two European structural funds:

- **The European Regional Development Fund (ERDF)** supported investment in research, IT, small and medium sized enterprises, and low carbon economy
- **The European Social Fund (ESF)** supported employment projects, social inclusion, and vocational skills training.

The €5.4bn (£4.4bn) of EU funding for these two funds was supplemented with 'match funding' provided domestically for a total of €11bn (£9.4bn) between 2014 and 2020.[vii]

The ESF targeted regions with higher youth unemployment. In England, around 60% of the funding focused on sustainable employment, social inclusion, and combating poverty. The other 40% was invested in training and education to develop skills.[viii] Similar allocations existed across devolved nations.[ix, x, xi] Poorer regions received a greater proportion of funding, and many of the programmes were delivered by charities and civil society.

Between 2015 and August 2020, 1.5m people across England were helped by £2.3bn of ESF-funded projects alone, including the long-term unemployed and disadvantaged people with multiple barriers to work.[xii] These programmes are effective and valued by employers across the country. A DWP evaluation found that the key to this success was consistent, long-term contact between staff and participants.[xiii]

For context, there are currently 1.2 million fewer people in the labour market than there would have been without the pandemic, in part due to lower-skilled people leaving the labour market with limited options to retrain.[xiv, xv] These people are further away from finding work, and are therefore most in need of the extra support which civil society and others provided with ESF funding.

The UK Shared Prosperity Fund cliff edge

At £2.6bn, the UK Shared Prosperity Fund (UKSPF) is the largest of the flagship Levelling Up funds yet to start allocating. The UKSPF aims to help the UK to succeed post-Brexit by:

- boosting productivity;
- spreading opportunities;
- restoring a sense of community; and
- empowering local leaders and communities.[xvi]

The UKSPF was designed to succeed the European Structural Funds, which is why the government promised the UKSPF will 'at least match current receipts from EU Structural Funds' by ramping up to £1.5bn a year.[xvii] The UKSPF is vital for Levelling Up, as it will have significant allocations for social programmes, including those delivered by the voluntary sector, which focus on developing skills and tackling social issues. Existing funds have largely neglected this. Analysis by NPC of the Levelling Up Fund, Future High Streets Fund (England only), Towns Fund (England only), Community Renewal Fund and Community Ownership Fund found that as little as 2% of current targeted Levelling Up allocations are focused on people and social programmes so far.[xviii] The rest is being invested in hard infrastructure, which is important but will not alone tackle social issues.

Worryingly, in the pre-launch guidance announced on the 2nd of February, the government said that funding for new UKSPF projects in England to invest in people will likely not be available until 2024-2025.[1] In addition, the pre-launch guidance announced that only £2.6bn in total over the next three years was going to be allocated as part of the UKSPF, far less than the UK received in EU Structural Funds. We're facing a three-year gap in new funding followed by less money than expected, which will significantly affect the people who benefited from these programmes, and could potentially undermine the Levelling Up agenda.

[1] Some voluntary sector projects may receive special support to continue in this period, but the way this will be decided is unclear, will not be exhaustive and will rely on local authorities having the data and capacity to identify projects at risk, which is very difficult in practice.

Support for adult numeracy is still available through 'Multiply' in the intervening period. However this is only £560m and focused on one specific area, so it cannot make up for lost funding for social exclusion, employment, and skills, and will not necessarily support those far from employment to find work.

Why the cliff edge matters

The logic in this delay is not clear to us. We think it will have three significant impacts:

- **Less effective programmes to support people into work:** The funding gap could seriously limit some people's chances to find work, participate in their communities and build the skills necessary to level-up their areas. The DWP's March 2022 evaluation of the ESF found that the most important contributors to a successful project were experienced staff, consistent and sustained contact, positive working relationships, and fewer time-consuming registration processes.[xix] This gap in funding could undermine all of these factors and risks programmes losing staff. Ultimately, it could lead to regression in project outcomes.

- **Deprived areas could be most affected:** This cliff edge would affect deprived regions of the UK the most, as this is where most of the EU money went.

- **People's expectations of Levelling Up may not be met:** The gap will limit the potential of the whole Levelling Up agenda to achieve its missions by 2030, as the government will allocate no new funding to tackle key social issues for a quarter of the remaining time it has set itself. NPC polling found that when asked what they expected to see as a result of an area being levelled up, the public chose social issues – reduced poverty, reduced homelessness, reduced crime – above hard infrastructure such as improved high streets and transport links.[xx] As little as 2% of existing targeted Levelling Up funding is focused on tackling social issues, so this delay in new funding could seriously limit the government's ability to achieve its own 2030 missions and meet what the public expect from Levelling Up.

What needs to change?

We are calling for the government to:

- **End the UKSPF cliff edge.** Scrap the delay for employment and social exclusion programmes through the UKSPF in order to meet the 2030 missions in the Levelling Up White Paper.

- **Involve communities and civil society in UKSPF investment plans.** Give civil society and communities a real voice in the UKSPF by requiring lead authorities to consult with them on the design and delivery of programmes through local advisory groups that contain representatives from charities, community groups, and faith groups.

For Levelling Up to succeed, it needs to meet the public's expectations by tackling embedded social issues which are restricting people's opportunities all over Britain. The Levelling Up White Paper correctly pointed out that these issues are deep-rooted, requiring time, effort, and engagement with communities to tackle.[xxi] The cliff edge could undermine the government's ability to do exactly that, and delay vital progress for marginalised people and left behind places.

Further information

If you would like more information or to support these asks, please contact theo.clay@thinknpc.org.

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[i] Institute for Government (2021) 'European structural funds: The UK Shared Prosperity Fund', available online here.

[ii] Department for Levelling Up, Housing and Communities (2022) 'UK Shared Prosperity Fund: pre-launch guidance', available online here.

[iii] Learning and Work Institute (2022) 'Labour Market Analysis—March 2022', available online here

[iv] Learning and Work Institute (2022) 'Labour Market Analysis—March 2022', available online here

[v] DWP (2021) European Social Fund 2014 to 2020 programme: case study booklet 2020, available online here

[vi] NPC (2022) 'Levelling Up and social needs: an analysis of government's progress', available online here.

[vii] Institute for Government (2021) 'European structural funds: The UK Shared Prosperity Fund', available online here.

[viii] DWP (2020) 'European Social Fund England Operational Programme 2014-2020', available online here.

[ix] Scottish Parliament (2019) 'EU Structural Funds in Scotland', available online here.

[x] Welsh European Funding Office (2018) 'European Structural Fund Programmes 2014-2020: a summary of the ERDF and ESF Structural Fund Programmes in Wales', available online here.

[xi] Northern Irish Department for the Economy (2020) 'An Impact Evaluation of the Northern Ireland European Social Fund Programme, 2014-20', available online here.

[xii] DWP (2021) European Social Fund 2014 to 2020 programme: case study booklet 2020, available online here.

[xiii] DWP (2022) 'Summary: Evaluation of the European Social Fund 2014-2020 Programme in England: qualitative case study research', available online here.

[xiv] Guardian (2022) 'It's not quite the Black Death, but worker shortage hits UK firms hard', available online here.

[xv] Learning and Work Institute (2022) 'Labour Market Analysis—March 2022', available online here

[xvi] Department for Levelling Up, Housing and Communities (2022) 'UK Shared Prosperity Fund: pre-launch guidance', available online here.

[xvii] UK Government (2020) *UK Government response to Welsh Affairs Committee report on the UKSPF,* available online here.

[xviii] NPC (2022) 'Levelling Up and social needs: an analysis of government's progress', available online here.

[xix] DWP (2022) 'Summary: Evaluation of the European Social Fund 2014-2020 Programme in England: qualitative case study research', available online here.

[xx] NPC (2021) 'Should we Level Up Social needs?' available online here.

[xxi] Department for Levelling Up, Housing and Communities (2022) 'Levelling Up White Paper' available online here.