



House of Commons  
Scottish Affairs Committee

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# The UK Shared Prosperity Fund and Scotland

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**Third Report of Session 2021–22**

*Report, together with formal minutes relating  
to the report*

*Ordered by the House of Commons  
to be printed 5 July 2021*

## 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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# Introduction

1. One of the core policies of the EU is to reduce economic inequalities between its regions.<sup>1</sup> The Scottish Government has managed two EU funds designed to pursue this aim in Scotland: the European Regional Development Fund (ERDF) and the European Social Fund (ESF).<sup>2</sup> Together, these are known as the structural funds, or European Structural and Investment Funds (ESIFs).<sup>3</sup> The ERDF aims to enhance social cohesion and reduce disparities between regions and the ESF aims to help people learn skills and find better employment.<sup>4</sup> According to the Scottish Government, these funds are being used to: increase digital connectivity; improve employment opportunities; make Scotland more competitive in business; ensure our communities are healthy and sustainable; build a sustainable, low-carbon Scotland; and tackle poverty and inequality.<sup>5</sup>
2. Scotland has received structural funding from the EU for more than forty years.<sup>6</sup> Under the EU's 2014–2020 budget framework, £780 million was allocated to projects across Scotland, with over 20 per cent allocated to the Highlands and Islands.<sup>7</sup> ERDF and ESF funding will be available until the end of 2023.<sup>8</sup>
3. To replace EU structural funding, the UK Government committed in 2017 to a UK Shared Prosperity Fund (UKSPF).<sup>9</sup>

Figure 1: Development of the UK Shared Prosperity Fund (UKSPF)<sup>10</sup>



In the Spending Review 2020, the UK Government confirmed that the UK Shared Prosperity Fund (UKSPF) would match ESIF receipts of £1.5 billion per year across the

- 1 Scottish Parliament, [EU Structural Funds in Scotland](#), accessed 9 June 2021
- 2 Scottish Parliament Information Centre, [What will replace EU structural funds in Scotland after Brexit?](#), 26 January 2021
- 3 Scottish Parliament Information Centre, [What will replace EU structural funds in Scotland after Brexit?](#), 26 January 2021
- 4 Scottish Government, [European Structural and Investment Funds](#), accessed 9 June 2021
- 5 Scottish Government, [European Structural and Investment Funds](#), accessed 9 June 2021
- 6 Scottish Government, [European Structural and Investment Funds](#), accessed 9 June 2021
- 7 Scottish Government, [European Structural and Investment Funds](#), accessed 9 June 2021; Letter from the Department for Business, Innovation & Skills, European Regional Development Round and European Social Fund: UK Allocation, 17 April 2014
- 8 House of Commons Library, [EU structural funding: Will the UK Community Renewal Fund bridge the gap?](#) May 2021; UK Government, [England 2014 to 2020 European Structural and Investment Funds](#), accessed 1 June 2021
- 9 Scottish Parliament Information Centre, [What will replace EU structural funds in Scotland after Brexit?](#), 26 January 2021
- 10 Scottish Parliament Information Centre, [What will replace EU structural funds in Scotland after Brexit?](#), 26 January 2021

UK and would be launched in 2022. The 2020 Spending Review stated that the UKSPF would operate in two portions: one prioritising investing in skills and employment, local businesses, and communities; and the second portion targeting areas of local need through bespoke employment and skills programmes.<sup>11</sup> The UK Government also launched the £220 million Community Renewal Fund (CRF), which will operate in 2021–22 and feed into the development of the UKSPF.<sup>12</sup>

## Our inquiry

4. On 15 December 2020, we launched our inquiry, *Scotland and the Shared Prosperity Fund*, which enquired into what the UKSPF means for Scotland, and how it would be allocated.<sup>13</sup> We held evidence sessions with academics and ministers from the both the UK and Scottish Governments and received 25 written submissions. We also took evidence on the UKSPF in our separate inquiry into *Universities in Scotland*.<sup>14</sup> We would like to thank everyone who contributed to our inquiries.

5. Chapter 1 of this Report looks at the transition to the SPF and Chapter 2 investigates how the UKSPF should be spent in Scotland.

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11 HM Treasury, [Spending Review 2020](#), November 2020, p 37

12 House of Commons Library, [EU structural funding: Will the UK Community Renewal Fund bridge the gap? May 2021](#)

13 Scottish Affairs Committee, [Scotland and the Shared Prosperity Fund](#), 15 December 2020

14 Scottish Affairs Committee, First Report of Session 2021–22, [Universities and Scotland](#), HC 54

# 1 Transition to the UKSPF

6. European Structural and Investment Funds (ESIFs) will continue to be spent until the end of 2023, with the UKSPF expected to start in 2022.<sup>15</sup>

## Consultation and engagement

7. In 2018, the UK Government said it intended to host a consultation on the design of the UKSPF that same year.<sup>16</sup> However, no formal consultation has yet been held by the UK Government. Comhairle nan Eilean Siar (Western Isles Council) described this as “extremely disappointing”.<sup>17</sup> The Convention of Scottish Local Authorities (COSLA) referred to an “initial consultation exercise by the UK Government in Scotland” that it had organised, and stated it had had regular discussions with UK civil servants and UK ministers.<sup>18</sup> There were also regular meetings between COSLA, UK Ministers, the Scotland Office and COSLA sister organisations from the rest of the UK as part of the Brexit Ministerial Local Government Delivery Board.<sup>19</sup> The East of Scotland European Consortium (ESEC) explained that in late 2018, an event was held between the UK Government and local authorities from the East of Scotland, but that “despite this promising initial start, the launch of the consultation never materialised and no events of a similar nature were held by the UK Government”.<sup>20</sup> ESEC added that “the missed opportunity this presented cannot be stressed enough” and that that “the final framework of the UKSPF will be weaker and poorer in stature if local authorities are not fully consulted on how the fund can be most effectively delivered at grassroots level”.<sup>21</sup> The Royal Society of Edinburgh highlighted that “the continued uncertainty means it is not possible for national and local governments along with other potential delivery partners to make firm plans on how the funding will be used”.<sup>22</sup> The Scottish Islands Federation stated that “there is now a huge worry that at 2021 there will be a funding hiatus, with nothing in place to ensure a smooth transition”.<sup>23</sup> The West of Scotland European Forum and the Scottish Local Authority Economic Development Group (SLAED) called for “a full consultation” on the proposed “investment framework” for the UKSPF.<sup>24</sup>

8. In November 2019, the Scottish Government held a public consultation on a *Scottish Replacement for EU Structural Funds*, and published its proposals for a “Scottish Shared Prosperity Fund” in November 2020.<sup>25</sup> The following week, the UK Government made clear its plan to use the financial assistance powers in the UK Internal Market Act to deliver the UKSPF, with the intention to “level up and create opportunity across the UK for people and places”.<sup>26</sup> The ESEC highlighted that “there was no reference to the

15 Aberdeenshire Council ([SPF0002](#)); Ministry for Housing, Communities & Local Government, ‘[UK Community Renewal Fund: prospectus 2021–22](#)’, accessed 7 June 2021

16 HC Deb, 24 July 2018, [Col 927WS](#)

17 Comhairle nan Eilean Siar (Western Isles Council) ([SPF0021](#))

18 Convention of Scottish Local Authorities ([SPF0006](#))

19 Convention of Scottish Local Authorities ([SPF0006](#))

20 The East of Scotland European Consortium ([SPF0024](#))

21 The East of Scotland European Consortium ([SPF0024](#))

22 The Royal Society of Edinburgh ([SPF0015](#))

23 Scottish Islands Federation ([SPF0008](#))

24 West of Scotland European Forum ([SPF0011](#)); Scottish Local Authority Economic Development Group ([SPF0012](#))

25 Scottish Government, [Scottish Replacement for EU Structural Funds](#), November 2020

26 HM Treasury, [Spending Review 2020](#), November 2020, p 37

separate proposals published by the Scottish and Welsh Governments just the week before, and we understand there has been little consultation or involvement of the Devolved Administrations in the design of the UKSPF”.<sup>27</sup>

9. Ivan McKee MSP, Minister for Trade, Investment and Innovation, Scottish Government, described the Scottish Government’s lack of involvement as “hugely disappointing” and added “we have been rebuffed and ignored by the UK Government at every turn”.<sup>28</sup> However, the Rt Hon Alister Jack MP, Secretary of State for Scotland, did “not recognise the idea that we were not communicating with or talking to the Scottish Government”.<sup>29</sup> He told us that in February and March there were 18 ministerial meetings between the Scotland Office and the Scottish Government, with “many more meetings” held by the Scotland Office with the Scottish Government.<sup>30</sup> He clarified that these discussions covered a “range of issues” and were not focused solely on the UKSPF.<sup>31</sup>

10. The ESEC and SLAED considered that the UK and Scottish Governments should collaborate in order for the UKSPF to be a success.<sup>32</sup> The ESEC called on the UK Government to “properly consult with the Scottish Government and local authorities as a matter of priority, both during the design of the pilot project phase and then the launch of the UKSPF itself”.<sup>33</sup> Iain Stewart MP, Parliamentary Under Secretary of State (Minister for Scotland), stated that “we have had extensive dialogue, particularly at official level, between [the Scotland] office, MHCLG and the Scottish Government, in designing the prospectuses for the two existing funds”, referring to the Levelling Up Fund and Community Renewal Fund.<sup>34</sup> He added that “we are continuing that for the forthcoming Shared Prosperity Fund, which [ ... ] is still in the development phase”.<sup>35</sup>

**11. We welcome the UK Government’s original intentions to formally consult on the UK Shared Prosperity Fund (UKSPF), and its early efforts to engage local authorities in Scotland. However, we are concerned that a formal consultation has not taken place, given that the UKSPF is due to commence next year. The uncertainty is hindering planning efforts and poses risks to a smooth transition from EU funds to the UKSPF. The UK Government must launch a formal, public consultation on its proposals for the UKSPF by autumn 2021.**

**12. The UKSPF could bring significant benefits to Scotland if it is designed and delivered effectively. Collaboration between the UK and Scottish Governments and local authorities will be vital to ensuring that the UKSPF uses the expertise built up through decades of delivering EU funds and benefits the people of Scotland. We urge the UK and Scottish Governments to work constructively together in the design and delivery of the UKSPF.**

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27 The East of Scotland European Consortium ([SPF0024](#))

28 [Q39](#)

29 Oral evidence taken before the Scottish Affairs Committee on 13 May 2021, HC (2021-) 53, [Q21](#)

30 Oral evidence taken before the Scottish Affairs Committee on 13 May 2021, HC (2021-) 53, [Q21](#)

31 Oral evidence taken before the Scottish Affairs Committee on 13 May 2021, HC (2021-) 53, [Q22](#)

32 The East of Scotland European Consortium ([SPF0024](#)); see also Scottish Local Authority Economic Development Group ([SPF0012](#))

33 The East of Scotland European Consortium ([SPF0024](#))

34 Oral evidence taken before the Scottish Affairs Committee on 13 May 2021, HC (2021-) 53, [Q17](#); HM Treasury, [Levelling Up Fund: prospectus](#), 29 March 2021; MHCLG, [UK Community Renewal Fund: prospectus](#), 11 May 2021

35 Oral evidence taken before the Scottish Affairs Committee on 13 May 2021, HC (2021-) 53, [Q17](#)



## Size of the UKSPF

13. The 2017 and 2019 Conservative Party manifestos pledged that the UK Shared Prosperity Fund would replace the ESI funds and “at a minimum match the size of those funds in each nation”.<sup>36</sup> This was welcomed.<sup>37</sup>

14. The Industrial Communities Alliance explained that “the position in Scotland is that the allocation of EU Structural Funds for the period 2014–20 was 894.6 million euros” equating to “8.7% of the UK total”.<sup>38</sup> It added that “the overall size of the Fund at UK level and the allocation to Scotland should be no less in real terms than the EU funding it replaces”.<sup>39</sup> However, it was unclear whether Scotland would receive an equivalent amount of funding every year. Professor John Bachtler, Co-Chair of the Scottish Government Steering Group on the Replacement of EU Structural Funds, pointed out “the terminology is on average ‘reaching’ about £1.5 billion a year” and that this may not be “the same as averaging—that there will be £1.5 billion per year across the period”.<sup>40</sup> He added that he had “not seen anything that commits the UK Government to match at the Scotland level” and that with the competition for funding being UK-wide, “there is no guarantee that Scottish local authorities would get any minimum level of the share of the cake”.<sup>41</sup>

15. When asked whether Scotland would receive the same amount of funding as under EU schemes, the Secretary of State replied that “that guarantee has been given by the current Prime Minister and the previous Prime Minister over a number of years. The amount of funding will be as great, or greater, than the EU funds”.<sup>42</sup> In April, the UK Government stated that it would “publish a UK-wide investment framework in 2021 and confirm a multi-year funding profile at the next spending review”.<sup>43</sup>

16. **We welcome the UK Government’s commitment that all UK nations will receive at least the same amount of funds under UKSPF as under the EU Funds. It is, however, unclear how much funding will be available per year, even as an average. *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.***

## Retaining expertise

17. Tyne Esk LEADER, an EU rural development fund covering rural Midlothian and East Lothian, was disappointed by the announcement of a “£220m package for pilot schemes, [ ... ] for 2021–22, with the full SPF to run from 2022–27”.<sup>44</sup> It explained that “the monies would not be made immediately available to enable the investment to continue seamlessly (especially with Covid), and secondly, it would not address (but rather compound) a much

36 [Conservative and Unionist Party Manifesto 2019](#) p 44; House of Commons Library, [The UK Shared Prosperity Fund, January 2021](#)

37 For example, Industrial Communities Alliance ([SPF004](#)); Scottish Council for Voluntary Organisations ([SPF005](#))

38 Industrial Communities Alliance ([SPF004](#))

39 Industrial Communities Alliance ([SPF004](#))

40 [Q33](#)

41 [Q16](#)

42 Oral evidence taken before the Scottish Affairs Committee on 13 May 2021, HC (2021-) 53, [Q24](#)

43 HC Debate, 19 April 2021, [Col 637](#)

44 Tyne Esk LEADER ([SPF0001](#))

made criticism of EU funding programmes, the hiatus points between each”.<sup>45</sup> According to Tyne Esk LEADER, this causes “expertise, knowledge and structures to be lost, which take valuable time to build up, losing time on allocating funds”.<sup>46</sup>

18. The East of Scotland European Consortium (ESEC) questioned whether the UKSPF would replace EU funds for rural development.<sup>47</sup> The European Agricultural Fund for Rural Development (EAFRD) and European Maritime Fisheries Fund (EMFF) which contributed £4.6 and £0.2 billion across the UK respectively between 2014–20, have helped fund improvements in rural areas through programmes such as LEADER.<sup>48</sup> LEADER is “a bottom-up method of delivering support to communities for rural development” that falls under the Scottish Rural Development Programme (SRDP) 2014–20.<sup>49</sup> Unlike the ESI funding that is available until 2023, the EAFRD and EMFF effectively end in 2021.<sup>50</sup> ESEC highlighted that “the Scottish Government offered an extension to LEADER until the end of this year but this is to wind up existing projects, not to develop and deliver new ones, and this uncertainty risks losing a lot of staff and expertise”.<sup>51</sup> The Scottish Government was “proceeding with its plans for replacing LEADER on the assumption that LEADER will be included as part of the UKSPF, meaning that this vital programme is in limbo”.<sup>52</sup> Aberdeenshire Council stated capacity within partnerships and local authorities “would take significant time to rebuild if lost”.<sup>53</sup>

**19. *The UK Government must clarify how and when EU rural development funding, including the European Agricultural Fund for Rural Development (EAFRD) and European Maritime Fisheries Fund (EMFF), will be replaced. Otherwise, there is a risk that expertise and capacity built up through delivering those funds will be lost.***

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45 Tyne Esk LEADER ([SPF0001](#))

46 Tyne Esk LEADER ([SPF0001](#))

47 The East of Scotland European Consortium ([SPF0024](#))

48 Tyne Esk LEADER ([SPF0001](#)); House of Commons Library, [The UK Shared Prosperity Fund](#), January 2021

49 Scottish Rural Network, [LEADER](#), accessed 1 June 2021

50 Aberdeenshire Council ([SPF0002](#))

51 The East of Scotland European Consortium ([SPF0024](#))

52 The East of Scotland European Consortium ([SPF0024](#))

53 Aberdeenshire Council ([SPF0002](#))

## 2 Allocation of funding

20. Given that full details of the UKSPF are yet to be published, this Chapter highlights issues for the UK Government to consider as it develops the Fund.

### Community Renewal Fund

21. In the 2021 Budget, the UK Government announced the £220 million Community Renewal Fund (CRF) to invest in “skills, community and place, local business, and supporting people into employment” during 2021–22.<sup>54</sup> This will replace some of the EU structural funds as they “tail off”.<sup>55</sup> The CRF “will help inform the design of the UK Shared Prosperity through funding of one-year pilots, but the funds are distinct with regard to design, eligibility and duration”.<sup>56</sup> Up to £14 million will be available to help “places” prepare for the introduction of the UKSPF and for making bids.<sup>57</sup> £20–25 million will be allocated to Scotland.<sup>58</sup>

22. Applications for the CRF across Great Britain closed on 18 June 2021, with the UK Government expected to announce successful bids in late July.<sup>59</sup> Successful CRF bids “will be for 2021–22 only”.<sup>60</sup> The UK Government considered the CRF to be “a competitive process with no pre-set eligibility”, although 100 priority places had been identified, “based on an index of economic resilience”.<sup>61</sup> These priority places are based on an “index of economic resilience” designed by the Ministry of Housing, Communities and Local Government (MHCLG).<sup>62</sup> Priority places are based on measures such as productivity, population density and household income.<sup>63</sup> Scotland’s Rural College (SRUC) emphasised the importance of having appropriate indicators and metrics to monitor and evaluate the impacts of projects. SRUC welcomed “the use of Gross Disposable Household Income as an indicator in the selection of priority local authorities for Community Renewal Funds, not just GVA [Gross Value added] per head”.<sup>64</sup>

23. The final decision on each CRF funding bid will be made by MHCLG.<sup>65</sup> The CRF prospectus stated that “where appropriate, UK Government will seek advice from the Devolved Administrations at the shortlisting stage on projects that will be delivered in their geographical areas, including on deliverability and alignment with existing provision”.<sup>66</sup>

54 MHCLG, [UK Community Renewal Fund: prospectus](#), 11 May 2021

55 Oral evidence taken before the Scottish Affairs Committee on 13 May 2021, HC (2021-) 53, [Q14](#)

56 MHCLG, [UK Community Renewal Fund: prospectus](#), 11 May 2021

57 MHCLG, [UK Community Renewal Fund: prospectus](#), 11 May 2021

58 Convention of Scottish Local Authorities ([SPF0006](#))

59 MHCLG, [UK Community Renewal Fund: prospectus](#), 11 May 2021

60 MHCLG, [UK Community Renewal Fund: prospectus](#), 11 May 2021

61 MHCLG, [UK Community Renewal Fund: prospectus](#), 11 May 2021

62 MHCLG, [UK Community Renewal Fund: prospectus](#), 11 May 2021

63 MHCLG, [UK Community Renewal Fund: prospectus](#), 11 May 2021; see also Public Accounts Committee, Twenty-Fourth Report of Session 2019–2021, [Selecting towns for the Towns Fund – Public Accounts Committee – House of Commons \(parliament.uk\)](#)

64 Scotland’s Rural College ([SPF0025](#))

65 MHCLG, [UK Community Renewal Fund: prospectus](#), 11 May 2021

66 MHCLG, [UK Community Renewal Fund: prospectus](#), 11 May 2021

24. **It is unclear how the CRF will feed into the development of the UKSPF. 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.**

25. **A lack of transparency in the selection process for the UKSPF could damage trust in the fund and those delivering it. The UK Government should ensure that its methodology and criteria for allocating UKSPF funds are clear and transparent.**

## Local authorities

26. The Convention of Scottish Local Authorities (COSLA) wanted to be sure that “the UKSPF in Scotland recognises the role of Local Government in directly managing these funds, reflecting its nature as the other sphere of elected Government of the country”.<sup>67</sup> However, Professor David Bell, Professor of Economics, University of Stirling, and Chair of the Scottish Government Steering Group on the Replacement of EU Structural Funds, stated that “whereas some larger local authorities would have the capacity to compete, that would not be true of some local authorities in Scotland, which are very small and maybe do not have the capacity to compete on the same grounds”.<sup>68</sup> He added that this “was part of the rationale for thinking at regional level”.<sup>69</sup> Professor Bell considered that if funding was determined competitively, there would be “no guarantee” of funding.<sup>70</sup> He explained that “competition doesn’t make for stability” and that “stability was very much welcomed by those who could therefore take a longer-term view about how to engage with community and economic development”.<sup>71</sup> Professor John Bachtler, Professor of European Policy Studies and Director of the European Policies Research Centre, University of Strathclyde, and Co-Chair of the Scottish Government Steering Group on the Replacement of EU Structural Funds, suggested that there could be allocations to regional or sub-regional partnerships and that competitive bidding within sub-regions was “potentially a very good tool, because it has the potential to drive up quality and rigour in terms of funding”.<sup>72</sup> Aberdeenshire Council suggested “universal coverage of the funding in order to ensure that support is available for all disadvantaged communities and individuals”, with “variations in the level of funding to each area and/or the grant intervention rate permitted”.<sup>73</sup>

27. The Minister Iain Stewart explained that “we have a live, weekly support system for local authorities in place” and that “we are giving each local authority a sum of unringfenced money to help them build capacity in developing those bids”.<sup>74</sup>

28. **We welcome UK Government support to help local authorities build their capacity to develop bids. 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.**

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67 Convention of Scottish Local Authorities ([SPF0006](#))

68 [Q22](#)

69 [Q22](#)

70 [Q17](#)

71 [Q20](#)

72 [Q21](#)

73 Aberdeenshire Council ([SPF0002](#))

74 Oral evidence taken before the Scottish Affairs Committee on 13 May 2021, HC (2021-) 53, [Q23](#)

## Universities

29. Universities in Scotland have benefitted from EU funding; according to Universities Scotland, “our research excellence is underpinned by significant funding from Europe”.<sup>75</sup> Universities Scotland explained that the level of funding that Scottish universities were awarded on a competitive basis from EU research grants was 14% higher than that received by universities in the rest of the UK.<sup>76</sup>

30. Dr Stuart Fancey, Director of Research and Innovation, Scottish Funding Council, stated that structural funds were “very important for some of our economic development activity in Scotland” and have also “supported a lot of students, and a lot of the students in routes that sometimes help people from disadvantaged backgrounds into further and higher education”.<sup>77</sup> The University of Highlands and Islands received approximately 35% of all EU Structural Funds going to Scottish universities in 2017–18.<sup>78</sup> This led to more people staying in the Highlands, as well as development of the research capacity, skills and the labour market in the region.<sup>79</sup> In terms of the wider impact of research funding, Richard Lochhead MSP, then Scottish Minister for Further Education, Higher Education and Science, stated that, “for every £1 spent on research in Scotland, over £5 is created in the economy”.<sup>80</sup>

31. Scottish universities shared the concerns outlined in the previous Chapter about the transition to the UKSPF.<sup>81</sup> Ivan McKee MSP, Minister for Trade, Investment and Innovation, Scottish Government, stated that:

Under the European context, the Highlands and Islands was a separate region, which benefited in a number of ways as a consequence in recognition of the particular challenges there. That appears to have completely bypassed the UK Government officials who have pulled [together a list of priority places].<sup>82</sup>

Rebecca Hackett, Deputy Director, Policy Delivery and Relationship Management, Office of the Secretary of State for Scotland, told us that as existing EU funding tails off, and we see the Shared Prosperity Fund coming in, the UK Government will be “involving the devolved administrations in those discussions to make sure that all of these different funding streams work very well at a local level”.<sup>83</sup>

**32. *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.***

75 Universities Scotland, [Scotland’s relationship with the EU](#), September 2016, p 1

76 Universities Scotland, [Scotland’s relationship with the EU](#), September 2016, p 4

77 Oral evidence taken before the Scottish Affairs Committee on 11 November 2021, HC (2019–2021) 673, [Q83](#)

78 Universities Scotland, [Funding of EU Structural Fund Priorities in Scotland, post-Brexit](#), April 2019, p 1

79 Universities Scotland, [Funding of EU Structural Fund Priorities in Scotland, post-Brexit](#), April 2019, p 1

80 Oral evidence taken before the Scottish Affairs Committee on 28 January 2021, HC (2019–2021) 673, [Q192](#)

81 Oral evidence taken before the Scottish Affairs Committee on 8 October 2020, HC (2019–2021) 673, [Q13](#)

82 [Q74](#)

83 Oral evidence taken before the Scottish Affairs Committee on 25 February 2021, HC (2019–2021) 673, [Q244](#)

***33. 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.***

# Conclusions and recommendations

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## Transition to the UKSPF

1. We welcome the UK Government's original intentions to formally consult on the UK Shared Prosperity Fund (UKSPF), and its early efforts to engage local authorities in Scotland. However, we are concerned that a formal consultation has not taken place, given that the UKSPF is due to commence next year. The uncertainty is hindering planning efforts and poses risks to a smooth transition from EU funds to the UKSPF. *The UK Government must launch a formal, public consultation on its proposals for the UKSPF by autumn 2021.* (Paragraph 11)
2. The UKSPF could bring significant benefits to Scotland if it is designed and delivered effectively. Collaboration between the UK and Scottish Governments and local authorities will be vital to ensuring that the UKSPF uses the expertise built up through decades of delivering EU funds and benefits the people of Scotland. *We urge the UK and Scottish Governments to work constructively together in the design and delivery of the UKSPF.* (Paragraph 12)
3. We welcome the UK Government's commitment that all UK nations will receive at least the same amount of funds under UKSPF as under the EU Funds. It is, however, unclear how much funding will be available per year, even as an average. 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 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.* (Paragraph 16)
4. *The UK Government must clarify how and when EU rural development funding, including the European Agricultural Fund for Rural Development (EAFRD) and European Maritime Fisheries Fund (EMFF), will be replaced.* Otherwise, there is a risk that expertise and capacity built up through delivering those funds will be lost. (Paragraph 19)

## Allocation of funding

5. It is unclear how the CRF will feed into the development of the UKSPF. *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.* (Paragraph 24)
6. A lack of transparency in the selection process for the UKSPF could damage trust in the fund and those delivering it. *The UK Government should ensure that its methodology and criteria for allocating UKSPF funds are clear and transparent.* (Paragraph 25)
7. We welcome UK Government support to help local authorities build their capacity to develop bids. 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. *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.* (Paragraph 28)

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.* (Paragraph 32)
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.* (Paragraph 33)



## Annex: Glossary of acronyms

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COSLA	Convention of Scottish Local Authorities
CRF	Community Renewal Fund
EAFRD	European Agricultural Fund for Rural Development
EMFF	European Maritime Fisheries Fund
ERDF	European Regional Development Fund
ESF	European Social Fund
ESEC	East of Scotland European Consortium
ESIF	European Structural and Investment Funds
GVA	Gross Value Added
MHCLG	Ministry for Housing, Communities and Local Government
SLAED	Scottish Local Authority Economic Development Group
SRDP	Scottish Rural Development Programme
SRUC	Scotland's Rural College
UKSPF	UK Shared Prosperity Fund

## Formal minutes

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**Monday 5 July 2021**

Virtual meeting

Members present

Pete Wishart, in the Chair

Mhairi Black	Jon Cruddas
Andrew Bowie	Sally-Ann Hart
Deidre Brock	John Lamont
Wendy Chamberlain	Douglas Ross
Alberto Costa	

Draft Report (*The UK Shared Prosperity Fund and Scotland*) proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 33 read and agreed to.

Annex agreed to.

*Resolved*, That the Report be the Third Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Adjourned till Monday 12 July 2021 at 3.00 p.m.

## Witnesses

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The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

### Thursday 4 March 2021

**Professor David Bell**, Professor, University of Stirling, Chair, Scottish Government Steering Group on the Replacement of EU Structural Funds; **Professor John Bachtler**, Professor of European Policy Studies and Director of the European Policies Research Centre, University of Strathclyde, Co-Chair, Scottish Government Steering Group on the Replacement of EU Structural Funds

[Q1-37](#)

**Ivan McKee MSP**, Minister for Trade, Investment and Innovation, Scottish Government; **Hilary Pearce**, Deputy Director, European Structural Funds and Subsidy Control, Scottish Government

[Q38-77](#)

The following witnesses also gave evidence on Scotland and the Shared Prosperity Fund. The Transcript can be viewed on the [inquiry publications page](#) of the Committee's website.

### Thursday 13 May 2021

**Rt Hon Alister Jack MP**, Secretary of State for Scotland; **Iain Stewart MP**, Parliamentary Under Secretary of State (Minister for Scotland); and **Laurence Rockey**, Director, Office of the Secretary of State for Scotland

[Q1-53](#)

## Published written evidence

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The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

SPF numbers are generated by the evidence processing system and so may not be complete.

- 1 Aberdeenshire Council ([SPF0002](#))
- 2 Colleges Scotland ([SPF0017](#))
- 3 Comhairle nan Eilean Siar ([SPF0021](#))
- 4 Convention of Scottish Local Authorities (COSLA) ([SPF0006](#))
- 5 East of Scotland European Consortium (ESEC) ([SPF0024](#))
- 6 European Marine Energy Centre Ltd (EMEC) ([SPF0020](#))
- 7 Highlands & Islands European Partnership ([SPF0003](#))
- 8 Highlands and Islands Enterprise ([SPF0018](#))
- 9 MillionPlus ([SPF0010](#))
- 10 Orbital Marine Power ([SPF0016](#))
- 11 Scotland's Rural College (SRUC) ([SPF0025](#))
- 12 Scottish Council for Voluntary Organisations ([SPF0005](#))
- 13 Scottish Islands Federation ([SPF0008](#))
- 14 Scottish Local Authority Economic Development Group (SLAED) ([SPF0012](#))
- 15 Scottish Rural Action ([SPF0013](#))
- 16 Shetland Islands Council ([SPF0009](#))
- 17 Stirling Council ([SPF0014](#))
- 18 The Industrial Communities Alliance (Scotland) ([SPF0004](#))
- 19 The Royal Society ([SPF0023](#))
- 20 The Royal Society of Edinburgh ([SPF0015](#))
- 21 Tyne Esk LEADER ([SPF0001](#))
- 22 University of Glasgow ([SPF0019](#))
- 23 University of the West of Scotland ([SPF0022](#))
- 24 Welsh Government ([SPF0007](#))
- 25 West of Scotland European Forum ([SPF0011](#))

## List of Reports from the Committee during the current Parliament

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All publications from the Committee are available on the publications page of the Committee's website.

### Session 2021–22

Number	Title	Reference
1st	Universities and Scotland	HC 54
2nd	Welfare policy in Scotland	HC 55

### Session 2019–21

Number	Title	Reference
1st	Coronavirus and Scotland: Interim Report on Intergovernmental Working	HC 314
2nd	Coronavirus and Scotland	HC 895
1st Special Report	Problem drug use in Scotland: Government Response to the Committee's First Report of Session 2019	HC 698
2nd Special Report	Coronavirus and Scotland: Government Response to the Committee's First and Second Reports	HC 1118