

## **Written evidence submitted by Convention of Scottish Local Authorities (COSLA) (SPF0006)**

### **Scotland and the Shared Prosperity Fund House of Commons Scottish Affairs Committee Call for evidence**

#### **Purpose**

The Convention of Scottish Local Authorities (COSLA) is the national and international voice of the 32 Scottish Local Authorities. COSLA has long been involved in the negotiations on the EU Structural Funds and is playing the same active role as the UK Shared Prosperity Fund is being developed. We welcome the opportunity of contributing to this call for evidence from the Scottish Affairs Committee.

#### **Background**

1. Both the Scottish Government and the UK Government have made new proposals last November 2020 to replace the existing EU Structural Funds with a domestic fund, known as the UK Shared Prosperity Fund (UKSPF), with levels that are commensurate with the current EU funding levels 2014-2020.
2. COSLA helped organise the initial consultation exercise by the UK Government in Scotland and has had regular discussions with UK civil servants. Our Presidential team has regularly met with UK ministers both bilaterally with the Scotland Office and, together with our sister organisations from the rest of the UK, as part of the Brexit Ministerial Local Government Delivery Board.
3. Our Environment and Economy Spokesperson Cllr Steven Heddle was part of the European Structural and Investment Funds Replacement Consultation Steering Group which, following a dedicated consultation and two inquiries from the Scottish Parliament, put together a Scottish proposal, a version of this was subsequently formally endorsed by Scottish Ministers.
4. Prior to these UK and Scottish announcements, what is now the UK Internal Market Act 2020, laid the legal basis for this new Fund as a reserved power. This is a new development, as currently EU Structural Funds' management across the UK nations is the most devolved in Europe.
5. The Bill also provided the legal basis for the UK to finance international projects such as INTERREG, even if at the moment the UK has not opted into this EU programme for the 2021-2027 period. Regrettably, that language was removed in the approved version of the Internal Market Act 2020. However, the UK-EU Trade and Cooperation Agreement makes explicitly clear that it is up for the UK to decide to opt into this programme, using a provision that COSLA had actively lobbied to retain in the new EU Regulation 2021-2027. The Scottish Government in partnership and consultation with many bodies, including councils and COSLA, has put forward a series of proposals should a Scottish opt in be authorised by the UK Government.

#### **Detail**

6. COSLA shares the view the main aim of the UKSPF in Scotland would be to address and reduce economic and social disparities within and between places and

people. It would focus on promoting place-based economic development and cohesion, helping communities to improve key economic, social and well-being performance indicators. The Fund would support local responses to economic and social challenges, empowering communities across the country to respond to issues which impede their development.

7. As such the outline of the UKSPF supports, just as COSLA does the development of resilient people, communities, and places. This is also consistent with and complements the Scottish Government's Economic Recovery Implementation Plan.
8. COSLA has consistently arguing for a degree of continuity from the positive elements of the EU funding programmes on issues such as partnership working and additionality, with a focus on sustainable development and wellbeing in all places of Scotland, urban or rural.

### Delivery

9. We want to be sure, however, that notwithstanding the need for embedding local activity in wider regional partnership or city deal collaboration (and we welcome the Spending Review announcements concerning four City and Growth deals in Scotland), 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.
10. It is worth noting that back in 2014 COSLA had secured from the Scottish Government that one third of the EU Structural Funds would be managed by Local Government with intervention being directly defined by them.
11. COSLA understand that once fully up and running the UKSPF would have a place strand and a people strand. The information so far is still limited but this split would broadly appear to repeat the investment logic of the ERDF and of ESF: on place, localities would be able to apply based on UK-wide outcomes (training, community infrastructure, regeneration), and on people, it would be targeted at people most in need through local employment and skills programmes.
12. Therefore, it makes sense that these Investment prospectuses not only build upon the abundant evidence of Local Authority delivering ESF and ERDF but also that they are coproduced by them. This is what in the EU Regulations is known as the partnership principle and we expect the UK Government to apply it so that Local Government or their representative bodies are involved in the design, delivery and monitoring of the UKSPF, both on a Scotland and on a UK-wide basis. We have previously called for a dedicated UKSPF Local Authority forum.

### Finances

13. The Chancellor indicated that the UK Shared Prosperity Fund will amount to £1.5 billion a year from 2022 onwards. That roughly equivalent to the UK-wide annual EU receipts from the EU Structural Funds budgeted for 2014-2020 if rural development funding (European Agricultural Fund for Rural Development, EAFRD) is excluded. Five percent of EAFRD, known as LEADER, is geared to local development, and is essentially delivered by Local Authorities. As it appears that

the UKSPF will also target rural communities we would be keen that existing LEADER spend is matched by UKSPF monies. In the 2014-2020 period, Scotland has been allocated and managed €1,66bn of the three above-mentioned EU funds.

14. For 2021, and to phase into the full UKSPF, the Chancellor announced the small UK pilot of £220m for communities, about £20-25m of which is expected to be invested to Scotland. We would be keen that both the pilot and the full UKSPF investment prospectus are developed with Local Government and they are delivered by Scottish Local Authorities, building upon our extensive experience and statutory roles, as well as other functions such as Local Economic Development.
15. As part of the Spending Review, the new “Levelling Up Fund” worth £4 billion for England allows any local area to bid directly to fund projects. Considering that due to Barnett consequential Scotland will receive a share of the £800m foreseen for Scotland, Wales, and Northern Ireland, it seems logical to us that the Scottish Government either pass it down to Local Authority budget or at least makes the Scottish share of the Levelling Up available for Local Authority bids just as in England.
16. Last but not least given that a new Infrastructure Bank will be launched to notionally replace the role of the European Investment Bank it is necessary to consider how it fits with the wider investment landscape in terms of its complementarity with the UKSPF, other lending bodies such as the Local Authority sponsored and EU financed Business Loans Scotland fund for Scottish SMEs, the Scottish National Investment Bank, the private sector or any present or future UK-wide state sponsored strategic and green investment vehicles as well as private sector lending. Lessons from the EU Structural Fund financial engineering vehicles (e.g., JESSICA fund) show that it is necessary that grant, and loan financing are properly designed to complement each other as to maximise investment and public value.

### **Conclusion**

17. This is the start of a debate around a potentially historical refashioning of how sustainable economic development policies work across Scotland and the rest of the UK. There will be difficult decisions to be made by both Governments, and COSLA will seek to work in partnership with both to ensure the best outcomes for our communities.

**Dr Serafin Pazos-Vidal**  
**Head of Brussels Office**  
**Convention of Scottish Local Authorities (COSLA)**

*January 2021*