

Written evidence submitted by Shetland Islands Council (SPF0009)

UK Parliament Scottish Affairs Committee - Scotland and the Shared Prosperity Fund

Call for Evidence: What are the implications of the financial assistance powers in the Internal Market Bill and the announcements made by the UK Government in the 2020 Spending Review for the delivery of the Shared Prosperity Fund in Scotland?

Shetland Islands Council (SIC) welcomes the opportunity to provide evidence on the implications of the financial assistance powers in the Internal Market Bill and the announcement made by the UK Government in the 2020 Spending Review for the delivery of the UK Shared Prosperity Fund in Scotland (UKSPF).

SIC has also contributed to the All-Party Parliamentary Group consultation on Post-Brexit Funding. At that time we advised that the priorities of the new Fund should be needs-driven, determined by the objectives which need to be achieved, and enable regional economies to make a contribution to national outcomes, while also being flexible enough to respond to changing economic circumstances. We further advised that the new Fund should build upon the achievements of previous programmes and have the ability to address regional disparities which still exist. In Scotland, we would expect the new Fund to take cognisance of rural and island areas and economies, and address geographic and permanent structural challenges which are still evident.

It is crucial that the UKSPF takes on board the views of regional stakeholders so that the aforementioned disparities and challenges can be addressed by the most appropriate model of funding distribution, which in our view is one which allows for regional or local flexibilities. A one size fits all policy will not work for the UK or Scotland as a whole which is why it is important to consider approaches which can devolve decision making to regional and local level to properly address challenges faced by these areas.

There is a genuine concern that the Internal Market Bill, which provides power to UK Ministers to effectively replace EU Structural Funds (and other EU funding) with financial assistance through a comprehensive UK-wide fund, will lead to a centralised approach to funding which previously has been vital for the socio-economic development of remote, rural and island areas, and has had components (such as LEADER) which allowed for community led local development. There is concern that decision making will be further removed from the regional and local approach that has been delivered via the EU and which we continue to recommend and advocate.

Shetland has benefited considerably from funding via EU programmes in the past four decades and this has had a transformational impact on our islands and on the quality of life in our communities. Experience of funding programmes in the public, private and community spheres has been built up over this time, which is why regional and local input is critical to the future success of the UKSPF.

Multi-annual allocations give stability and enable longer-term strategic planning of investments. The 7-year funding period for EU funds seemed to work well in this regard, but it is crucial for the new Fund to have the flexibility to adapt to changing economic and regional circumstances. In addition, we would support a proportionate audit regime aligned with existing Local Authority processes and funding to a level no less than that which we previously received through EU funding.

It is also noted that the Spending Review advised that a portion of the UKSPF will target places most in need across the UK, such as ex-industrial areas, deprived towns and rural and coastal

communities. The intent of this rightly places the focus on the regions with the greatest challenges. Resources need to be commensurate with the scale of challenge and opportunity.

There is the opportunity to consider more sophisticated selection criteria beyond GDP per capita – for example, population sparsity, economic concentration, ‘remoteness’, ‘fragility’. Clear and objective criteria are required, considering spatial scale and definition of selected regions.

The development of infrastructure is an area which SIC are keen to see considered as a key aspect of how the UKSPF can contribute to meeting the challenges of remote, rural and island communities. Investment in areas such as transport infrastructure, communications and digital connectivity are the types of initiatives that can address issues such as market failure in remote or peripheral areas and allow businesses to compete and communities to function on a more equitable basis with other areas of the country.

One of the strongest aspects of the delivery of EU funds in Scotland has been those areas of funding which have used a community led local development model. Not only has this allowed for local decision-making to distribute funds in a manner which takes specific recognition of local issues and uses key local knowledge as a determining factor, but the collaboration between the public, private and community spheres through the Local Action Group model has strengthened ties between local actors, and allowed for knowledge sharing and genuine engagement in productive projects. However, delivery of the LEADER programme required considerable organisational resource from within local authorities. We request that clarity over where any LEADER successor programme will sit is delivered as soon as possible.

We note that within the Spending Review the Government gave a commitment of additional funding to allow communities to prepare for the introduction of the UKSPF via pilot programmes and new approaches during 2021/22 and we urge that this funding is rolled out as soon as possible.

Submitted by:

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