

## Written evidence submitted by MillionPlus (SPF0010)

### SELECT COMMITTEE SUBMISSION

# Scotland and the Shared Prosperity Fund: Submission to the Scottish Affairs Committee

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**Inquiry topic:** *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?*

## Introduction

1. MillionPlus is the Association for Modern Universities, representing 23 member institutions across the UK, including all seven modern universities in Scotland. Modern universities make up over half of the UK's higher education sector, educating over a million students a year. Modern universities are dynamic powerhouses of pioneering teaching and research, excelling at improving access to education and ensuring jobs and economic growth in their region and place within Scotland.

## HIGHER EDUCATION AND THE EUROPEAN STRUCTURAL AND INVESTMENT FUNDS

2. The targeting of European funding to support different regions in the constituent nations of the UK can be traced back to the early 1990s and supported many areas experiencing significant economic decline as a result of deindustrialisation. This new funding stream coincided with the birth of modern universities, the ending of the binary divide in UK higher education, and the subsequent expansion of the university sector. The net effect of this economic and social shift is a context in which universities are a main employer in many towns or cities in Scotland and UK, where once it was the heavy industries.
3. The economic backdrop to the growth of modern universities meant that these institutions grew with an express goal of contributing towards the revitalisation of their local areas as a core part of their institutional mission. For decades, European Structural and Investment Funds, including European Regional Development Funding, have been a key source drawn on to great effect by modern universities to support regeneration, not only as innovators themselves, but also as facilitators of collaboration between local partners. This has been especially true of modern universities, and their communities, in Scotland.

## THE SHARED PROSPERITY FUND

4. When the UK government announced the replacement of European funding with a new UK Shared Prosperity Fund (SPF) MillionPlus stated that this gave the UK a chance to build on the achievements already made and create a more flexible and synergised approach with other 'place-based' research and innovation funds. Prior to the ending of the transition period in 2020 MillionPlus set out clear principles that we believed the Shared Prosperity Fund needed to adhere to in order to make a successful transition from the previous European Structural and Investment Funds<sup>1</sup>. These were:

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<sup>1</sup> [http://www.millionplus.ac.uk/documents/MillionPlus\\_Policy\\_Briefing\\_-\\_How\\_the\\_Shared\\_Prosperty\\_Fund\\_can\\_protect\\_the\\_UK\\_economy.pdf](http://www.millionplus.ac.uk/documents/MillionPlus_Policy_Briefing_-_How_the_Shared_Prosperty_Fund_can_protect_the_UK_economy.pdf)

- i. Devolve decisions as far away from the centre as possible so that the UK's regions and nations can target development where it is most needed.
  - ii. Promote long-term, flexible, local approaches to investment to avoid the pitfalls of electioneering on economic development and ensure there is no centralised one-size-fits-all approach.
  - iii. Reduce bureaucracy and burden to enable swift action and innovation in regional economic development.
5. The subsequent decisions taken by the UK Government on the SPF, through the Internal Market Act 2020 and the 2020 Spending Review, indicate strongly that SPF will not be devolved. Whatever the rights and wrongs of the decision to allocate according to a UK Government determined framework, there remains scope to deliver SPF across Scotland in a way that is long-term, flexible and locally driven. Investment decisions need to be informed by local factors and include an element of democratic accountability. Achieving this will take time, careful planning and an awareness of the strengths of the old system, as well as areas of potential improvement. Ignoring these, or moving too quickly ahead with a heavily centralised system designed exclusively in Westminster, does run the risk of missing out on real opportunities for regeneration and economic development across Scotland and the UK.

### Potential Risks

6. ERDF projects have been lauded for their ability to build on networks of local actors, based on relationships that have built up over many years. The regional dimension of the funds allowed for a local angle that felt unconstrained by a centralised 'one-size-fits-all' approach, or a single idea of what constitutes value for money in achieving desired social and economic outcomes. The differences between London and, for example, the Highlands and Islands region, in terms of both demography and geography are stark, and thus their use of funds, and the rationale for such usage, will most likely be very different.
7. An overcentralised system, or perhaps a system with centralised and codified notions of certain key concepts (such as value for money) runs a very serious risk of not allowing the vastly different areas of the UK to be treated as such. On a national level the significant differences in population density between England and Scotland could prove problematic in this regard, unless a local/regional element is built into the system from its outset in the way the fund is designed in Scotland.
8. An associated issue related to an overcentralised system, and a concentration of power and decision making in one place, can be that it makes it less open to long-term planning and addressing long-term issues, in favour of quicker 'wins'. A key strength of European funding streams, repeatedly highlighted by modern universities, is the long funding cycles (seven years in the case of ERDF), which enables organisations to employ a strategic approach. This has been keenly felt in the Highlands and Islands in Scotland, some of the most sparsely populated areas of the UK.
9. The idea of a "Highland problem" was presented within Scottish and UK public policy for many years. Since the 1980s European funds have sparked a transformation, to the extent that the region is now hailed as "an example of what a successful peripheral region looks like"<sup>2</sup>. Part of the problem was a narrative of hopelessness that framed the region itself as the problem. European funds were a fundamental part of a change in outlook which instead saw opportunity through investment, and European Structural and Investment Funds played an instrumental role in the foundation of the University of the Highlands and Islands (UHI), a unique institution in the UK that continue to excel in the mission it delivers with its communities.
10. In the early 1990s, the idea of a university spanning such a rural and complex geography would to many have seemed farfetched. Now though the university stands as a pillar of the regional economy and part of the social fabric from Inverness to Orkney. The university is a rare 'dual-sector' institution, spanning

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<sup>2</sup> McCulough, K. (2018) "Resolving the 'Highland Problem': The Highlands and Islands of Scotland and the European Union" *Local Economy* 2018, Vol. 33(4) page 433

the complementary missions of higher and further education. The range of courses UHI provides, some of which relate directly to the culture and heritage of the region, create a unique local offer that reflects the needs and ambitions of residents. Those involved in the process cite the importance of European structural funds in enabling long-term vision and the ability to build on different projects and initiatives to create overall output greater than the sum of its parts.

11. As Linda Stewart, Director of European and International Development at UHI, wrote in a blog on the MillionPlus website in 2017:

*"The ability to plan strategically through this synergistic approach, instead of a scatter-gun series of more opportunistic projects, is crucial. This has allowed our university to maximise the benefit from EU investment in the longer-term, through economies of scale and sequence planning. Simply replacing individual allocations of funding on a piecemeal basis will not achieve the same result. Such strategic planning has facilitated collaboration on EU initiatives across different regional partners (local government, regional economic development agency, voluntary sector) as well as with our counterparts in other member states - and lead to greater benefits for us all"<sup>3</sup>.*

12. The risk of an overly centralised system design at the outset is that it can lead to short-term thinking and quick fix approaches, without considering the importance of differentiating investment approaches based on crucial local factors. A local tailoring of SPF support is more likely to address many of the long-term problems that have been identified by the previous European funds, simply because it was the decentralised nature of the funding system that drove these projects forward and reached areas that had been overlooked by more traditional methods of funding or development.

## Possible Solutions

13. To ensure a more locally driven and successful SPF it would be sensible to ensure that the framework used by the UK Treasury to allocate funding has within it structures that enable real local input, be that through formal devolved administrations or through another system of local influence.
14. In relation to the agencies crucial for delivering the fund, UK Research and Innovation (UKRI), consulting with the Scottish Funding Council and Scottish Enterprise, should also play a role in ensuring that projects boosting innovation and productivity utilise the expertise of Scotland's modern universities. Knowledge exchange and technology transfer between universities and employers will be crucial aspects of the fund, and so the role of UKRI working with Scotland-based agencies could be an important one.
15. This should also be the case when determining the fundamental metrics that will define how resources are allocated in the fund, and how it will be administered by various agencies.
16. Having genuine influence, and perhaps even an element of control, over the funding process in partnership with the UK Treasury will not only ensure that much of the good work will be able to continue through the SPF, but it will also increase confidence and support in the new scheme from every part of the UK. It is vital that communities, regions or nations buy into the new SPF with the same or greater confidence that they had using the previous system.
17. The funding should also commit to maintaining a commitment to long-term funding rounds that can tackle chronic issues. Some of the biggest successes of ERDF have been when looking to tackle issues that cannot be easily addressed in only a few years. Ensuring that this model of long-term stable funding will continue is critical to the success of the SPF as an added value successor to EU structural funds.

## Conclusion

18. The key principles that MillionPlus identified in its policy proposal for the SPF in Spring 2020 are still highly relevant to the SPF programme as it emerges in 2021. There remains a great deal of detail to

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<sup>3</sup> See <http://www.millionplus.ac.uk/news/blog/guest-blog-universities-brexit-and-european-structural-funds-what-next>

come out concerning the programme. We hope this means there is still time to genuinely influence thinking and development of the final framework to ensure it garners wide support from across sectors in Scotland. Committing to a system that is strongly focused on knowledge exchange between universities and local business would be a key way in which the aspirations of the fund to boost growth and regenerate communities can be met.

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