Written evidence submitted by West of Scotland European Forum (SPF0011)

HOUSE OF COMMONS SELECT COMMITTEE ON SCOTTISH AFFAIRS

Inquiry: Scotland and the Shared Prosperity Fund

Submission from the West of Scotland European Forum

INTRODUCTION

The West of Scotland European Forum (WOSEF) welcomes the opportunity to contribute to the Committee's inquiry into Scotland and the Shared Prosperity Fund. The Forum brings together the 12 local authorities within the region who have all had extensive experience of dealing with the EU Structural Funds that the Shared Prosperity Fund is seeking to replace Since the EU Referendum, the Forum has given high priority to the subject of replacement funding for EU Structural Funds. This has included responding to the Scottish Government's consultation on this matter that took place between November 2019 and February 2020 and this response draws extensively on that submission and the 2018 consultation conducted by the House of Commons All Party Group on Post Brexit Funding on for Nations, Regions and local areas.

In view of the timescales associated with this inquiry this is an officer level response which will be put forward for homologation at the next meeting of the Forum.

SHARED PROSPERITY FUND – GOVERNANCE ARRANGEMENTS

The Forum has noted the publication of both the Scottish Government's Plans for the replacement for EU Structural Funds (19 November 2020) and the "heads of terms" for the Shared Prosperity Fund published as part of the UK Government Spending Review (25th November 2020). The Forum is also aware of the extensive debate on what has become Section 50 of the United Kingdom Internal Market Act 2020. This response will not directly comment on the appropriateness or otherwise of the use of these powers for the purpose of the Shared Prosperity Fund but instead will offer some comments on the more general topic of governance arrangements.

If, as the Forum understands the position to be, the funding of the UK Shared Prosperity Fund falls outwith the Barnett framework, then a degree of high level oversight at UK level might be appropriate. The approach used in the 2014-20 European Structural Fund arrangements, in which there was a UK Partnership Agreement within which there were chapters for the individual nations within the UK, may provide some pointers as to how this might be taken forward. One of the criticisms of recent rounds of EU structural funds has been their overly prescriptive top down setting out of what the funds might be spent on and this should be avoided in the Shared Prosperity Fund.

The Forum would stress the broad guidelines for the use of the fund should be developed jointly by the UK Government and the Devolved Administrations and not be imposed "top down". There should thus be full consultation on the proposed "investment framework" for the Shared Prosperity Fund that is referenced in the "heads of terms" section of the 2020 Spending Review. The Forum is disappointed that the oft promised formal UK Government consultation on the Shared Prosperity Fund did not take place.

The Forum has indicated that the deployment of the funds in Scotland should essentially be driven by Scottish priorities and circumstances. However the Forum has further argued that, within Scotland, there should be a genuine devolution of priority setting, funding and decision making powers to a regional or local level where the detailed knowledge of what is required lies. In view of their democratic accountability to their communities, local authorities need to be at the heart of this process.

One of the concerns that the Forum has identified is the possible use of a UK wide bidding process to allocate funds. There are ways to ensure genuine project quality other than relying on such competitive grant or "challenge fund" processes. Competitive bidding between (as opposed to within) regions risks misallocating resources towards "easy wins" thereby distorting the objectives of the fund which should be on targeting funds at areas of greatest need (the levelling up agenda). A critical factor is the need to ensure that Shared Prosperity Fund resources are allocated in a way that reflects the real distribution of socio-economic need.

Another potential downside of a UK wide "top down" approach in the risk that a lack of strategic fit will result in duplication of effort and "clutter" in the market. To give one example in Scotland local authorities have an agreement with the Scottish Government regarding the delivery of employability services. Under this arrangement local authorities will progressively be given greater discretion, using Scottish Government money, to develop bespoke activities that respond to local labour market challenges. Additional DWP interventions "parachuted" into this framework risk creating confusion for clients and a sub optimal use of taxpayers' money. It is worth noting in this context that DWP has not led any interventions in recent Scottish European Social Fund programmes.

SHARED PROSPERITY FUND – FINANCIAL ISSUES FOLLOWING THE 2020 SPENDING REVIEW

The Forum would draw the Select Committee's attention to the following extract from the UK Budget documentation published on 11th March 2020:

"In repatriating the EU structural funds, the government has an historic opportunity to design a UK Shared Prosperity Fund to match domestic priorities. The UK Shared Prosperity Fund will replace the overly bureaucratic EU structural funds, levelling up opportunity in each of the four nations of the country. Funding will be realigned to match domestic priorities, not the EU's, with a focus on investing in people. At a minimum, it will match current levels of funding for each nation from EU structural funds. The government will set out further plans for the Fund, including at the CSR." (para 1.156)

While the £1.5bn per year is broadly equivalent to the sums allocated to the UK in the 2014-20 period through EU Structural Funds, it should be stressed that that, in order fully to match these EU funds, this £1.5bn per year should be available over a 7 year period. This should be however be seen as a “floor” rather than a “ceiling” since there is a substantial body of evidence to suggest that regional socio economic disparities have widened in the UK over recent years.

In addition the Forum is concerned that the Spending Review document did not explicitly confirm the maintenance of allocations to each of the 4 nations within the UK. In the Scottish context an allocation of between £130m and £140m per year would be required to match EU structural fund allocations for the 2014-20 period.

Finally the Forum notes the allocation within the 2020 Spending Review document (para 6:60) of £220m across the UK in 2021/22 as support to local areas for preparation for the introduction of the Shared Prosperity Fund, Clarification is required as a matter of urgency as to the timescales involved, how this fund will be managed, what activities will be eligible and whether there will be set allocations within the £220m total for the 4 nations of the UK.

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WOSEF

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