Written evidence submitted by Scottish Local Authority Economic Development Group (SPF0012)

HOUSE OF COMMONS SELECT COMMITTEE ON SCOTTISH AFFAIRS

Inquiry: Scotland and the Shared Prosperity Fund

Submission from the Scottish Local Authority Economic Development Group (SLAED)

INTRODUCTION

SLAED welcomes the opportunity to contribute to the Committee's inquiry into Scotland and the Shared Prosperity Fund. SLAED is a network of local authority economic development professionals and over the past few years SLAED has established itself as a key interlocutor between the Scottish Government and Local Government on both the detailed operational issues relating to the implementation of the current Scottish EU Structural Funds programmes as well as plans for the replacement for EU funding. It has played an active role in the work of the Steering Group set up by the Scottish Government to develop proposals on this funding.

SHARED PROSPERITY FUND – GOVERNANCE ARRANGEMENTS

SLAED has noted the publication of both the Scottish Government's Plans for the replacement for EU Structural Funds (19th November 2020) and the "heads of terms" for the Shared Prosperity Fund published as part of the UK Government Spending Review (25th November 2020). SLAED 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 wider issue of governance arrangements.

SLAED considers that the Shared Prosperity Fund should fully respect the devolution settlement in the UK and that accordingly the Scottish Government should have a key role in setting the strategic framework for the deployment of funds and monitoring the delivery of the fund in Scotland. A collaborative approach between the UK and Scottish Governments is essential if the full potential of the fund is to be achieved. Within this collaborative framework there should be substantial delegation of priority setting, decision making and implementation either at a regional or a local authority level within Scotland.

One of the practical downsides of the EU approach to cohesion policy over the past 2 funding cycles has been the high degree of top down prescription or "earmarking" which has hindered regional and local flexibility to use the funds to best effect. Such constraints should not form part of the replacement funding.

SLAED is disappointed that the oft promised formal consultation on the UK Shared Prosperity Fund by the UK Government did not take place. Thus it considers that there should be full consultation rather than top down imposition on the proposed "investment framework" for the Shared Prosperity Fund that is referenced in the "heads of terms" section of the 2020 Spending Review.

SLAED would have serious concerns if the Fund were to be managed, as implied by the heads of terms in the Spending Review, on a UK wide challenge fund basis as this could distort the stated intention of the UKSPF – that of promoting inclusive growth – by allocating on the basis of the availability of match funding rather than on 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, although of course Scottish local authorities have extensive experience of working with DWP in other contexts, for example city/growth deals.

It is also unclear how a DWP managed series of operations could cover the full range of activities covered by ESF, for example in relation to anti-poverty measures and support for the social economy. In addition Scottish Employability Services will be co-commissioned and co-produced locally supporting a place based approach to service design and delivery positively contributing to skills development to meet the changing labour market demands.

SHARED PROSPERITY FUND – FINANCIAL ISSUES FOLLOWING THE 2020 SPENDING REVIEW

SLAED 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 figure £1.5bn per year cited in the Spending Review 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 annual figure should also be seen as a "floor" rather than a "ceiling".

In addition SLAED 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. Again this should be seen as a minimum level of support.

Finally SLAED 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 planned timetable for the delivery of this fund, how this fund it 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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