

Written evidence submitted by Scottish Rural Action (SPF0013)

FEB 2021 - Submission to the UK Government Scottish Affairs Committee:

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?

About Scottish Rural Action

[Scottish Rural Action](#) works with our 400+ members to:

- build a grassroots-led rural movement in Scotland that connects rural and island communities with each other and with government and decision-makers;
- collaborate with marginalised and seldom-heard groups to better enable their participation in the rural movement;
- develop a cross-sectoral, locally-informed understanding of rural and island Scotland's economy, society and culture that shapes local practice and national policy;
- deliver the biennial Scottish Rural Parliament and a Manifesto for Rural & Island Scotland.

Response to the Scottish Affairs Committee

In considering the question posed by the Scottish Affairs Committee, there are three areas for immediate reflection:

1. The absolute amounts made available
2. Allocation framework
3. Governance and delivery mechanisms

1. The absolute amounts made available

Under the previous programme, the EU structural fund projects supplied 60% of the funding with the remaining 40% leveraged through matched funding mainly from the public sector with some lottery/private sector investment.

The Chancellor confirmed on the 15th December 2020 that funding '*will at least match current EU receipts to an average of £1.5 billion per year*' across the UK. Similar wording was used by David Davies to the Welsh Assembly on the 16th December when he said: "*We have already made the commitment that the amount of money will match everything that came from Europe*". This is not confirmation of funding projects to the same level as the previous system.

With matched funding arrangements lacking clarity, **SRA seeks assurance that the proposed SPF programme will leverage financial investments to the totality of pre-Brexit receipts.**

2. Allocation framework – targeting places and setting funding priorities

SRA acknowledges the commitment¹ to ensuring that “the UKSPF will target places most in need across the UK, such as ex-industrial areas, deprived towns and rural and coastal communities” with the intention to “support people and communities, opening up new opportunities and spurring regeneration and innovation.”

The SR2020 document also states that the UKSPF’s “funding profile will be set out at the next Spending Review”. This suggests a top-down approach which runs the risk of failing to capture the diversity of need and opportunity at regional and local levels.

Accordingly, **SRA seeks assurance that ongoing deliberations around the allocation framework for the UKSPF are based on an engagement process that is inclusive, fair and accessible to all.**

In terms of targeting places, recent data shows that, were we still in the EU, six regions of the UK would be classed as ‘less developed’ in the next framework period and therefore prioritised for funding. These include Tees Valley and Durham, South Yorkshire, Lincolnshire, Cornwall and Isles of Scilly, West Wales and the Valleys, and Southern Scotland².

SRA does not wish to suggest that the UK Government and devolved administrations adopt the profiling approach employed by the EU. Indeed, we question the suitability of some measures, including GDP per capita. Instead, **we seek assurance that, based on an inclusive engagement approach as outlined above, clarity is swiftly established on a suite of meaningful and relevant measures that allows accurate capture of the development status of Scotland’s rural and island places.**

In terms of funding priorities, there is headline policy alignment between the direction provided in the UK Government’s SR2020 and the Scottish Government proposals for the UKSPF in Scotland.

UK Government	Scottish Government
Investment in people and skills tailored to local needs	Increasing Skills
	Reducing Poverty
Investment in communities and place	Improving Places
Investment for local businesses including to support innovation, green and tech adoption	Growing Business and Jobs to aid a just and green recovery from the COVID pandemic

With the exception of referencing ‘levelling up’, an agenda which has little resonance for rural and island Scotland, detail is lacking in the UK Government’s narrative on the wider policy drivers of these proposed funding priorities. The policy drivers for rural and island Scotland are described in relevant Scottish Government Strategies and the National Performance Framework. They are rooted in a wellbeing economy model and a just and green recovery from the COVID pandemic.

SRA seeks assurance that funding priorities for the SPF in Scotland will be fully aligned with the policy drivers that are relevant to rural and island communities in Scotland.

¹ HM Treasury Policy Paper Spending Review 2020

² Replacement of EU structural funds for Least Developed Regions, Research Briefing, Published 26 June 2019

3. Governance and delivery mechanisms

The Internal Market Act (2020) gives power to the UK Government to invest directly in policy areas previously devolved to the Scottish Government. It is presently unclear whether or not the UKSPF will be devolved to the Scottish Government or whether other arrangements will be put in place.

SRA's [research](#) evidences the power and responsiveness of localism, devolving decision-making about priorities and resources as close to communities as possible. The positive impact of the EU Structural Fund programme was constrained by its administrative complexity, in part due to the detailed rules it applied and in part due to the distance between the intended fund recipients and the bodies setting the overarching strategy and policy.

SRA seeks assurance that the UKSPF programme design takes cognisance of the efficacy of devolving governance arrangements – overarching policy and strategy, accountability etc. – as close to the intended fund recipients as possible.

SRA also seeks assurance that the UKSPF programme design builds on this opportunity to decentralise decision making to local and/or regional partnerships and simplify the bureaucracy that was characteristic of the EU programme.

Funding for rural development and fisheries-related initiatives ends in 2021 and there is a clear need to ensure the delivery infrastructure is in place to manage a smooth transition between the programmes once details about amounts and allocation frameworks have been firmed up. In setting delivery mechanisms, there is potential to build on existing local and regional initiatives in rural and island Scotland, including LEADER, which have strong established networks and a robust understanding of the local context.

SRA seeks assurance that delivery mechanisms for the UKSPF build on already-successful approaches such as LEADER and are agreed in a timely manner than enables a smooth transition between the funding programmes.

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