

Written evidence submitted by Highlands and Islands Enterprise (SPF0018)

UK Parliament Scottish Affairs Committee
Scotland and the Shared Prosperity Fund

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

HIE welcomes the opportunity to respond to this call for evidence. We recognise the substantial impact that European Structural and Investment Funds have had on the socio-economic development of the Highlands and Islands over the last three decades, in terms of infrastructure investment, business support, skills and employability programmes and community capacity building. We therefore see the proposed Shared Prosperity Fund (SPF) as a key mechanism to support future development across the Highlands and Islands.

About Highlands and Islands Enterprise

Highlands and Islands Enterprise (HIE) is the economic and community development agency for the Highlands and Islands of Scotland. We work in a diverse region which extends from Shetland to Argyll, and from the Outer Hebrides to Moray, covering more than half of Scotland's land mass. We have offices across the region helping communities and businesses to develop and grow.

In recent months HIE's focus has been on addressing the emerging fiscal, economic and social challenges of COVID-19. We have been responsive and re-prioritised to help ensure that individuals and businesses are able to access the support they need. However, our long-term vision remains unchanged: we want the Highlands and Islands to be a highly successful, inclusive and prosperous region in which increasing numbers of people choose to live, work, study, invest and visit. Our attention now is on maximising the region's ability to weather the economic crisis and on facilitating a robust recovery.

HIE has played a leading role in the development, delivery and evaluation of successive EU Structural Funds programmes (including the ERDF INTERREG programmes), working closely with Scottish Government and other national and regional stakeholders. We were a strategic delivery body in the 2007–13 programme and are a lead partner in the current programme. We, and other stakeholders, have worked closely with the Scottish Government to develop Scotland's position on the Shared Prosperity Fund¹ and we support the approach detailed in that position.

We have noted the Internal Market Bill, particularly clauses 50-51 that provide UK ministers with the power to invest across all part of the UK for many of the purposes previously covered by EU Structural Funds. We have further noted the intention, highlighted in the UK Spending Review and subsequently confirmed in publicly released ministerial correspondence, that management of the Shared Prosperity Fund will be undertaken centrally by the UK Govt.

¹ [Shared prosperity Fund - Scottish position](#)

There is clearly, considerable further work to be done in developing the specific priorities to be addressed by the SPF; the scale, scope and timescales of funding, mechanisms for allocation of funds and management, administration and governance of the SPF. Regional stakeholders clearly have a valuable input to make to this.

In considering SPF development and delivery from a Scottish, and Highlands and Islands perspective, we would highlight the following points:

- We welcome the UK Govt recognition that the SPF should be place based, and that places have different scale and nature of needs and opportunities. This is fundamental to addressing and reducing economic and social disparities between and within places. The Highlands and Islands has unique geography, demography and economy within the UK – the region accounts for half of Scotland’s land mass and has a complex geography, including 94 inhabited islands. Its population (470,000) is just 9% of Scotland’s and is sparsely distributed across the region (12 inhabitants km²). There is an over representation of older age groups and working age population is projected to decline over the next 20 years. The regional economy is dominated by SMEs across a diversity of sectors, with strengths in “traditional” rural sectors such as food and drink, tourism and creative industries, alongside emerging sectors such as life sciences and renewable energy.
- An approach that is responsive to the challenges and opportunities of places is, in our view, best served through a needs-based allocation of funding, using objective criteria, rather than, for example, challenge funding. Historically, GDP per capita has been the major indicator determining fund allocation. It is possible that a wider “basket” of indicators could be used to articulate, more clearly, regional need, and particularly differences between, for example urban and rural “places”.
- Furthermore, responding effectively to place based challenges and opportunities requires extensive regional stakeholder involvement in programme development and delivery.
- We support, fully, a multiannual SPF, providing a degree of funding certainty and enabling a longer-term approach to addressing regional challenges and opportunities. This is particularly important in the Highlands and Islands where challenges (notwithstanding current issues relating to COVID and leaving the EU) are long term in nature – building business and community resilience and raising productivity - and opportunities such as exploiting our renewable energy resource as a response to climate change and capitalising on the region’s marine economy potential require sustained and co-ordinated investment.
- There should be flexibility in the priorities and objectives of the SPF at UK level to enable alignment with objectives set out in Scotland’s National Performance Framework.² This will ensure a consistent focus for SPF investment alongside wider public investment in Scotland. It is particularly important to ensure that there is no misalignment in objectives between SPF funds and match funding contributions.
- We would also welcome provision, within the SPF, to enable continued participation in INTERREG programmes, supporting regional development through transnational co-operation and collaboration.

² <https://nationalperformance.gov.scot/>

We recognise that the SPF, along with wider public funding, will be subject to UK Subsidy Control rules. HIE notes the recently issued consultation on subsidy control and it is our intention to submit a response to this.

Highlands and Islands Enterprise looks forward to engaging in the development and delivery of the Shared Prosperity Fund to the benefit of all parts of the region.

We would be happy to provide further information to the committee.

Highlands and Islands Enterprise

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