

Written evidence submitted by Comhairle nan Eilean Siar (SPF0021)

HOUSE OF COMMONS SELECT COMMITTEE ON SCOTTISH AFFAIRS

Call for Evidence: Scotland and the Shared Prosperity Fund

Call for Evidence: 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?

Comhairle nan Eilean Siar welcomes the opportunity to respond to the Scottish Affairs Committee's call for evidence. This response focuses largely on the Comhairle's view on proposals for the Shared Prosperity Fund (SPF), as much as can be determined at this juncture, following the cessation of European Structural Funds, effectively from December 2022, with financial close in June 2023. Although promised, there has been no formal consultation emerging from UK Government on the SPF and that has been extremely disappointing. There have been several consultations on the replacement of EU Structural Funds at Scottish level, with the expectation that the UK Government would follow the principles of the devolution settlement in the dispensation of any future funding programme. It is unclear how much dialogue there has been between Scottish Government and UK Government about the SPF.

As mentioned previously, the Comhairle has responded to a number of consultations on this matter to Scottish Parliamentary Committees and Scottish Government. These have included a submission to the Scottish Parliament's Finance and Constitution Committee, to which the Comhairle gave evidence, and the All-Party Parliamentary Group (APPG) consultation on Post-Brexit Funding for Nations, Regions and Local Areas:

<https://cne-siar.gov.uk/media/12625/appg-report-on-ukspf.pdf>

The Comhairle broadly supports the recommendations of the APPG's Report in terms of proposed overall budget value; financial allocations, including regional and sub-regional allocations; funding that addresses regional priorities; and governance that gives local authorities a key decision making role.

Most recently, the Comhairle contributed to Scottish Government's Report on the Replacement for the European Structural and Investment Funds (ESIF) Post-EU Exit in Scotland:

<https://www.gov.scot/publications/scottish-replacement-eu-structural-funds/>. This Report includes several assumptions and recommendations that the Comhairle supports such as the retention of a similar or greater quantum to that of current ESIF, and the retention of ERDF, ESF, LEADER and EMFF in SPF.

However, the Comhairle would express caution around Scottish Government taking the strategic lead if the delivery bodies were to be at national level or wholly aligned to enterprise network geographies, alongside regional economic partnerships. The latter could mean a rather unwieldy framework which may well be unworkable on a

practical level. It is also worth noting that it is a model that is not currently working for ESIF 2014-2020 (effectively 2022), is overly centralised and which has been beset with suspensions, decommitments, underspends and disproportionate audit regimes. The European Commission and the prescriptive nature of EU 2020 and Cohesion Policy have not helped but these will no longer be a factor. As Scottish Government's Report states "discussions have shown a preference for routing the monies through regions, however, this is still to be agreed." In general, the Report is also relatively silent on the future role of local authorities in the delivery of any such programmes.

There would be little merit in replicating a model which has not worked, particularly for the more peripheral island and more remote rural islands areas. It is worth noting that local authorities have had a peripheral role in the governance and delivery of the current ESIF programmes, restricted as they are to Employability, Poverty and Social Inclusion and Business Gateway programmes. This represents a relatively small amount of funding in what was a ringfenced transitional funding for the Highlands and Islands. It is well documented and supported by evidence, at least in the Highlands and Islands, that the most successful and effective ESIF programmes in the past four decades have been those run and delivered through stakeholder-led regional Intermediary Advisory Boards such as the Highlands and Islands Partnership Programme (HIPP) which ceased midway through the Highlands and Islands 2007-13 Convergence Programme. This was a streamlined application process with agreed and consistent deadlines and participative decision making.

While greater detail has yet to emerge on the SPF, it has been stated that it will reduce bureaucracy and is aimed at "reducing inequalities in communities across our four nations". That is to be welcomed although the Comhairle would add intra-regional disparities to reflect diversities within regions. To achieve this, there needs to be cognisance of factors that affect islands and rural areas, beyond GDP per capita, to include population sparsity, demographic imbalance, peripherality, insularity, economic concentration, cost of living, remoteness, fragility and rurality.

What is clear from the current EU Structural Funds programmes is that a national 'one size fits all' programme does not work optimally as it lacks flexibility and a territorial dimension. Needless to say, a UK-wide, similarly centrally driven programme, would be likely to exhibit the same problems on a larger scale. However, the issue is not so much about models as about a willingness of central government and local authorities to work together to achieve regional and local competitiveness and prosperity which is in the national interest. That requires insight, effective communications and coordination between all parties so that local government can deliver on its aspirations.

The Comhairle has worked with UK Government departments directly for many years in various areas of interest. It is noted that clauses 46-47 of the Internal Market Bill provide UK Ministers with a single, comprehensive power to provide financial assistance in all parts of the United Kingdom for many of the purposes previously covered by the EU Structural Funds and other EU funds. Direct interaction with local authorities by any Government should seek to promote greater devolution, decentralisation and community empowerment.

The Comhairle, in cooperation with Shetland and Orkney Islands Councils made a direct submission to UK Government's Communities Team last year which outlined what islands have to offer the UK economy, what the key challenges are and how these might be addressed, at least in part, through regional priority setting, decision making and sufficient governmental intervention and investment, whether that be at UK or Scottish Level. It should be noted that the three Scottish Islands Councils have had a productive working relationship with both governments thus far, as the Islands Growth Deal goes through its various stages.

The Highlands and Islands has benefited considerably from ESIF funding in the past four decades and this has had a transformational impact in terms of improving infrastructural connectivity and strengthening communities. Levels of experience and expertise of what works and what is needed have been built up over this time which is why regional and local input is critical to the future success of the UKSPF. However, recent ESIF programmes, and certainly the current one, have not focused on infrastructure at all, with the effect that island communities which have geographic and permanent disadvantage have not accrued full socio-economic benefit from these programmes in recent years. Digital and transport Infrastructure have been mentioned as an area the UKSPF would consider supporting and this is a development that the Comhairle would welcome. One potential consequence of Brexit is an opportunity to see greater autonomy in terms of how repatriated EU funds are allocated nationally, without the constraints of EU rules. While the principles of EU Cohesion Policy are sound, i.e. to reduce regional disparities EU-wide, in recent years the more prosperous Member States have been unable to capitalise on infrastructure development monies as these funds have moved to the less prosperous former Eastern Bloc, reflecting EU enlargement.

It is noted that the Spending Review advised that a portion of the UKSPF would target places most in need across the UK, such as ex-industrial areas, deprived towns and rural and coastal communities. The Comhairle welcomes this but would seek clarity around the detail as well as confirmation as to whether LEADER and Fisheries funding would be included in the SPF and how these might be supported. These would require additional funding. The position on transnational programmes also needs to be clarified.

The Comhairle would also seek clarity on which organisations might best deliver what might be described as ESF type activity which develops bespoke activities that respond to local labour market challenges. The employability landscape is already a cluttered one, but these programmes have largely and historically been delivered and coordinated by local authorities. The Comhairle, for example, has been delivering ESF activity since the early 1990s and has built up considerable experience and continuity. There appears to be some indication from the Comprehensive Spending Review statement last year that future delivery of this type of activity would be delivered by DWP UK-wide. DWP has not led any strategic interventions in any Scottish European Social Fund programmes so it is unclear why this agency has been selected (at least in Scotland, should that be the case). 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 conclusion, it is proposed that to bridge the gap until the SPF is developed and operational, a one-year programme, provisionally entitled the Community Renewal Fund (CRF), will operate from April 2021. This is worth £220m for one year across the whole of the UK, and the Comhairle, like other stakeholders, is keen to ascertain how these funds might be allocated: regional allocations or competitive bids or some other funding mechanism? It is important to receive detail on this transitional funding as early as possible, as it is apparent that many current EU programmes will have ceased by the time the SPF commences in earnest and that brings employment uncertainties for existing staff on current programmes.

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