Written evidence submitted by the East of Scotland European Consortium (ESEC) (SPF0024)

Introduction

The East of Scotland European Consortium (ESEC) was established in 1992 to represent the European interests of local authorities in Eastern Scotland. We have a membership of 7 local authorities within this area (Aberdeen City, Angus, Dundee City, Falkirk, Fife, Perth and Kinross, and Stirling). Our member councils have been fully engaged with the both the previous and current EU funding programmes and we therefore welcome the opportunity to respond to this consultation on Scotland and the Shared Prosperity Fund.

For examples of the EU projects being delivered by our member councils, please take a look at our case study booklet.

THE DEVELOPMENT OF THE SHARED PROSPERITY FUND

In 2018, the UK Government announced that a consultation on the UK Shared Prosperity Fund would be launched by the end of 2018. On 1 November 2018, Dundee City Council hosted the team responsible for the UKSPF, from the Ministry of Housing, Communities and Local Government (MHCLG) who held an event to introduce the initial principles of the fund, in anticipation of the launch of the consultation. The event was well attended by local authorities from across the East of Scotland, and other interested stakeholders. The cumulative experience of those present at the meeting in delivering EU Structural Fund projects amounted to decades. Despite this promising initial start, the launch of the consultation never materialised and no events of a similar nature were held by the UK Government. The missed opportunity this presented cannot be stressed enough. Local authorities have unparalleled and distinctive expertise in delivering local activity specific to local needs, either independently or within partnerships. They have the best foresight into local growth potential, and are in a position to identify local issues such as potential skills gaps. The final framework of the UKSPF will be weaker and poorer in stature if local authorities are not fully consulted on how the fund can be most effectively delivered at grassroots level.

THE SCOTTISH GOVERNMENT’S PROPOSALS FOR A SCOTTISH SHARED PROSPERITY FUND

On 19 November 2020, the Scottish Government launched its proposal for a Scottish replacement funding programme – the Scottish Shared Prosperity Fund (SSPF). The proposal was very positive in that it acknowledged the need for the SSPF to be multiannual, operating over at least five years but optimally seven. At the core of the Scottish Government’s proposal is the decentralisation of funding, with decisions within the proposed SSPF being made as closely as possible to the people, businesses, and communities who will be impacted. We are of the view that this is the most effective method of delivering funding which is intended to have the most beneficial impact for communities.

THE UK INTERNAL MARKET ACT AND THE COMPREHENSIVE SPENDING REVIEW

Subsequent events in the development of the UKSPF have raised concerns that the fund will not be devolved to the lowest, most appropriate level, but instead will be highly centralised. Section 50 of the Internal Market Act (2020) on financial assistance powers states that “a Minister of the Crown may, out of money provided by Parliament, provide financial assistance to any person for, or in connection with, any of the following purposes” and goes on to list a number of areas which are of devolved competence.

As part of the Comprehensive Spending Review (CSR) of November 2020, the Heads of Terms of the Shared Prosperity Fund were released, which confirmed that the fund will operate UK-wide, using the new financial assistance powers in the UK Internal Market Act. Furthermore, the CSR also confirmed that the UKSPF will be delivered by MHCLG and the Department for Work and Pensions (DWP). There was no reference to the separate proposals published by the Scottish and Welsh Governments just the week before, and we understand there has been little consultation or involvement of the Devolved Administrations in the design of the UKSPF.

These announcements, combined, confirm that the UK Government is intent on pursuing a 'top-down' rather than 'bottom-up' approach. This method would risk tying Scottish local authorities into a bureaucratic and confusing framework, and will remove the existing capabilities for local authorities to design and deliver employability projects suited and adapted for local employability needs, as just one example. MHCLG does not have a remit in Scotland, and while the DWP has an integral role in ESF programmes in Scotland, the programmes themselves are led by local authorities, so these new arrangements raise questions on where the roles of the MHCLG and DWP will sit alongside that of the Scottish Government and local government.

OTHER ISSUES RELATING TO THE UKSPF

The second portion of the UKSPF will be targeted to "people most in need through bespoke employment and skills programmes that are tailored to local need" and can therefore be assumed to be a replacement for the European Social Fund (ESF). This portion of the fund must be allocated to local authorities, as is the case with the ESF, rather than as part of a bidding process, and local authorities must then have the flexibility to design local programmes based on local need and to ensure there is no overlap with other programmes and funds.

If the second portion of the UKSPF can be translated as a replacement of the ESF, then it can be assumed that the first portion will be to some extent a replacement for the European Regional Development Fund (ERDF). The ERDF has been a vital instrument is supporting business and green growth, and in rolling out programmes such as Smart Cities and low carbon travel and transport. As we emerge from the Covid-19 crisis, supporting business growth and creating smart, resilient economies will be as important for economic recovery as supporting workless people and addressing poverty. The UKSPF is a tool that can support these objectives.

The UKSPF must not operate solely as a challenge fund, managed by the DWP and MHCLG. This would be the poorest model for the UKSPF and would achieve the opposite of the stated aims of the fund, by increasing disparities and inequalities rather than reduce them. The fund should encourage cooperation across our regions, not competition. Funding should be allocated to support local authorities and/or regional partnerships in delivering vital employability services and for initiatives which tackle poverty, social exclusion, and this in turn will lead to the greatest, most effective reduction in disparities and inequalities. This will ensure that no area of Scotland gets left behind. If the Government pursues a challenge fund model, then there is the real risk that councils will need to spend large sums of money commissioning consultants to bid for projects due to scale of projects which is not best use of resources. Furthermore, dedicated council funding teams have been reduced and resources diverted as existing EU funding programmes come to an end, resulting in loss of expertise which again creates great disadvantages.

The CSR introduced the concept of pilot projects being launched in 2021, to support local areas in preparing for the introduction of the UKSPF. We call for clarity on the details of these projects, including how areas for piloting projects will be selected, what will be the eligible activities, and how the fund will be managed. At the ESEC Policy Board meeting of 20 January 2021, it was agreed that ESEC would seek to engage with MHCLG in the pilot project process, and to offer to be a partner in designing and delivering projects. As local authorities were not properly and formally consulted on the UKSPF, we are of the view that this is an appropriate avenue to try and proactively influence the shape of the fund ahead of its final launch.

At this stage it is not clear which funding programmes will be replaced by the UKSPF, apart from the ERDF and the ESF. This lack of clarity has impacted on particular on arrangements regarding the replacement for LEADER, the rural development programme which is an exemplar of the bottom-up approach to funding. The Scottish Government offered an extension to LEADER until the end of this year but this is to wind up existing projects, not to develop and deliver new ones, and this uncertainty risks losing a lot of staff and expertise. This cliff-edge is more keenly felt by LEADER compared to the current ERDF and ESF programmes, which have until 2023 to conclude. The Scottish Government is proceeding with its plans for replacing LEADER on the assumption that LEADER will be included as part of the UKSPF, meaning that this vital programme is in limbo. We urge the Scottish Affairs Committee to use its influence to persuade the relevant UK Government ministers to clarify intentions around replacing LEADER, and where it stands in the context of the UKSPF.

CONCLUSION

Finally, we have always held that the UKSPF provides an opportunity to be more flexible than its predecessor, and has the strong potential to address more closely both the challenges and opportunities across Scotland’s diverse regional economies. We called on the delivery model to be co-designed by the UK Government, the devolved administrations, local authorities and other relevant stakeholders, but unfortunately this opportunity was missed. A collaborative approach is essential if the UKSPF is to be a success, and so we call on the UK Government to properly consult with the Scottish Government and local authorities as a matter of priority, both during the design of the pilot project phase and then the launch of the UKSPF itself.

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