Written evidence submitted by Scotland's Rural College (SPF0025)

Submission to the Scottish Affairs Committee Inquiry on 'Scotland and the Shared Prosperity Fund'

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Introduction

Scotland's Rural College (SRUC) is pleased to have this opportunity to submit evidence to inform the Scottish Affairs Committee Inquiry on 'Scotland and the Shared Prosperity Fund'.

Scotland's Rural College (SRUC) was established in 2012 through the merger of the Scottish Agricultural College (SAC) with Barony, Elmwood and Oatridge Colleges. Through these institutions, it can trace its lineage back over 100 years.

Today, SRUC is on a journey to become Scotland's enterprise university at the heart of the sustainable natural economy. Its mission is to create and mobilise knowledge and talent – partnering locally and globally to benefit Scotland's natural economy.

To achieve this, it draws upon SRUC's longstanding strengths in world-class and sector-leading research, learning and teaching, skills and training and consultancy (through SAC Consulting). By focussing on the sustainable natural economy, SRUC will strive to lead the way in delivering economic, social and environmental benefits for all, in Scotland, and beyond.

Our submission to this Inquiry reflects the focus of SRUC's work on the rural economy and its communities, and raises a number of issues of particular relevance to rural Scotland and the Shared Prosperity Fund. We would welcome the opportunity to discuss these ideas further with the Committee.

Key Issues relating to rural Scotland and the Shared Prosperity Fund

The UK Government and Scottish Government relationship

- The UK Government announced that there would be a consultation on a future UK Shared Prosperity Fund (SPF) in 2018, though this consultation did not take place. Subsequently, the UK Government's proposals for a UK SPF were launched in November 2020 and at the same time the Scottish Government launched its proposals for a Scottish Shared Prosperity Fund. The Scottish Government's proposals contained many positive elements, including multiannual funding and the decentralisation of funding with decisions made as close as possible to the communities and businesses that will be impacted.
- The UK Internal Market Act 2020 establishes the UK SPF as a reserved power and suggests that it will be centrally managed. This is a very different situation to the

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spending of EU Structural Funds which were managed and delivered in a devolved way across the UK. The Comprehensive Spending Review in November 2020 confirmed that the Fund will operate UK-wide and will be delivered by the Ministry of Housing, Communities and Local Government and the Department of Work and Pensions.

- Clarity is required soon as to how the UK SPF will be designed, managed and delivered; the different announcements relating to a UK and also a Scottish SPF have only served to create confusion and uncertainty. The role of the Scottish Government and Scottish local authorities in informing the design, delivery and evaluation of the UK SPF requires clarification, as do the relationships between the SPF and other existing/new devolved responsibilities, policy priorities and funding schemes for local place-based development in Scotland (as set out in the National Performance Framework, Programme for Government, the Advisory Committee's report 'Towards a Robust, Resilient Wellbeing Economy for Scotland'[2], etc.). If the UK SPF is to be centrally designed and delivered from Westminster, it is vitally important that the priorities of Scotland and all of its communities, including its islands and remote rural areas (which have particularly unique challenges and opportunities as reflected in the Islands (Scotland) Act 2018 and associated National Islands Plan, Island Communities Impact Assessments, etc.), are reflected in the same way as those of England and the other devolved nations.

The role of local authorities

- As is the case with the Community Renewal Fund (the 'precursor' to the employment, skills and business support elements of the UK SPF, i.e. the previous ESF elements), local authorities will play a critical role in directly managing these funds (as they did in managing ERDF and ESF monies). Local authorities already have extensive expertise in delivering locally tailored development activities and very good knowledge of their communities. However, it is important that local authorities are resourced to take on the role of managing and delivering the UK SPF in future, and that they have the evidence and knowledge to fully understand all of their communities, rural and urban. For those local authorities with predominantly urban populations, achieving an in-depth understanding of their rural communities and their place-based opportunities and challenge may require additional focus and/or partnership working with relevant organisations, including research and education institutions. This may also require 'looking beyond their boundaries' to understand neighbouring rural areas and the contributions they could make to a sustainable, resilient and just recovery from the Covid-19 pandemic, built on the natural economy and green growth. This evidence and understanding is vital if the UK SPF's ambitions of 'levelling up' and reducing inequalities are to apply to all communities.
- In addition to this, local authorities (and relevant partners, including Scotland's three enterprise agencies) need to able and encouraged to work jointly with UK Government to help shape the UK SPF on an ongoing basis to ensure that they are fully 'bought into' the fund, its priorities and its delivery mechanisms. For some local authorities these

[2] For more information, see: [Towards a Robust, Resilient Wellbeing Economy for Scotland: Report of the Advisory Group on Economic Recovery - gov.scot (www.gov.scot)]

relationships may already be strong but for others they may take time to build and the latter local authorities should not be disadvantaged.

The priorities and focus of the UK Shared Prosperity Fund (SPF)

- SRUC believes that the aim of the UKSPF in Scotland, as elsewhere in the UK, should be to address and reduce social and economic disparities within and between places and people. To do this, projects should focus on promoting place-based economic development, ensuring that communities can improve on key socio-economic wellbeing indicators. In practice, communities across Scotland could be empowered to respond appropriately to their particular local challenges and opportunities, for example, through projects that focus on tackling disadvantage and poverty, promote local capacity-building and cohesion, increase health, wellbeing and quality of life, etc.. In principle, this place-based approach to development appears to 'chime' well with the policy focus of the Scottish Government.
- However, it is critical that the priorities and objectives of the UK SPF explicitly acknowledge and recognise the particular challenges and opportunities present in Scotland's diverse rural and island communities. The specific circumstances of many of Scotland's island and remote rural communities mean that approaches need to be designed, implemented and evaluated differently from urban communities.
- 98% of Scotland's land mass is rural and rural areas (classified as communities with less than 3,000 people) account for 17% of Scotland's population. Particular long-standing rural and island challenges exist around ensuring affordable housing for local people to buy and rent, tackling often hidden rural poverty and inequality, improving transport and digital connectivity, and supporting community capacity-building particularly as the public sector withdraws from some aspects of service provision and the private sector does not invest due to higher costs. Many of these challenges have been acknowledged by the Scottish Government's Advisory Group on Economic Recovery in its 2020 report.
- It is our strong belief that the UK SPF should not operate as a challenge fund, i.e. through a competitive bidding process. This would be at odds with its stated aims of reducing inequalities in all areas as it would encourage a situation whereby the strongest (larger or more visible) communities which are in a better position to bid for money are awarded more money in a self-perpetuating cycle. In contrast, many of the least visible, smaller or most disadvantaged communities are less able to bid for money and fall further and further behind. Consequently, inequalities are reinforced not reduced. Collaborative bids between local authorities and communities should also be encouraged where this is appropriate to the issue being addressed.
- Instead of a competitive bidding process, funds could be allocated to local authorities in an appropriate way, for example, based on population density and geography, thereby taking account of the higher costs of delivering services and projects in rural locations where populations are dispersed and geographical distances substantial.
- The priorities, challenges and opportunities of rural and urban communities differ substantially, and thus projects need to be designed, delivered and monitored in very different ways. It may also be worth considering the need for funding for rural and island

communities to be weighted to reflect these differing priorities, challenges and opportunities and thus avoid a situation whereby small rural and island communities are competing for funding with large urban communities.

- In terms of monitoring and evaluating the impacts of projects, having appropriate indicators and metrics is key. For example, SRUC welcomes the use of Gross Disposable Household Income as an indicator in the selection of priority local authorities for Community Renewal Funds, not just GVA per head. This indicator is much more appropriate in taking account of the lower large business base of many rural places, as well as the income situation of many households in rural areas with earnings from several different seasonal, part time and full time jobs and/or self employment sources, including benefits and pensions, and their contribution to outputs of goods and services in more urban centres to which they commute. While measuring the numbers of new jobs created, people brought out of the welfare system or businesses supported may be appropriate metrics in an urban context, this is not necessarily the case in a rural or island context. Just one job created or secured, one business sustained or started or one community network strengthened, may have a significant impact in a small community, for example by keeping a family locally who support local services.
- It might also be more appropriate to focus on measuring the wider and often indirect and longer term economic, social, environmental and community benefits of, for example, support to start, sustain or develop one business or create one job in a small rural community, including the health, wellbeing, community empowerment and cohesion impacts. It is vitally important that the UKSPF outcome indicators reflect the priorities of Scotland and all of its communities, including its islands and remote rural areas (which have particularly unique challenges and opportunities). This approach would be more fully in line with the principles and approach of Wellbeing Economics that the Scottish Government appears to have embraced since 2018.
- Once the UK SPF is up and running it will be important to ensure that all funding streams that are available for local projects from various different sources (UK Government, Scottish Government, local authorities, third sector organisations, etc.) are complementary and not overlapping.
- More work is required to establish the appropriate timescales for funding through the UK SPF. There were many benefits from the multiannual framework of EU funding in terms of providing stability and certainty and this should be considered for the UKSPF too.
- Finally, and importantly, we believe that facilitating and encouraging multiple authority, cross-boundary projects is vital in the UK SPF. Taking such an approach would enable the many positive contributions that rural areas can make to other areas - including urban centres - in terms of social, cultural and physical resilience, net zero and natural economy ambitions, food poverty alleviation, tackling health inequalities, delivering increased (sustainable) domestic tourism, etc. to be more effectively realised.

EU-funded LEADER Programme

- It is important that clarity is achieved sooner rather than later on future funding for the EAFRD-funded LEADER programme. It is clear that the UK SPF will largely mirror or replace ERDF and ESF funding, but the future of EAFRD funding which was the principal fund allocated to land dependant industries and rural communities is more uncertain, and as a result the Scottish Government is proceeding with its own plan to replace LEADER. Ideally, funding for a Scottish LEADER programme should continue on at least the same level as that provided by EAFRD. However, just as importantly, clarity is required on the future of the 'LEADER philosophy' in terms of the approach it advocated based on the principles of undertaking 'bottom-up' activity, locally designed and delivered projects meeting local needs, partnership and collaborative working between partners at local level, encouraging creativity and innovation, etc.

- The Scottish Government has agreed to provide funding for LEADER until the end of 2021, but this is for finalising existing projects rather than funding new projects. There is a real danger that, if clarity and certainty are not established soon, LEADER staff will leave, taking with them years of experience, networks, etc. While recent LEADER programmes have been criticised for the excessive bureaucracy and there is a need for a more proportionate approach in future, it is worth giving consideration to how the positive principles of LEADER and its approach to local place-based development could be expanded to all UKSPF projects.

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