

Scottish Affairs Committee

Scotland and the Shared Prosperity Fund

20 January 2021

About SCVO

The Scottish Council for Voluntary Organisations (SCVO) is the national membership organisation for the voluntary sector. We champion the sector, provide services, and debate big issues. Along with our community of 2,000+ members, we believe that charities, social enterprises, and voluntary groups make Scotland a better place.

Scotland's voluntary sector

The Scottish voluntary sector encompasses an estimated 40,000+ organisations, from grassroots community groups and village hall committees to more than 6,000 social enterprises, nearly 25,000 registered charities, and over 100 credit unions.

Scotland's voluntary organisations are focused on delivering vital services and empowering some of Scotland's most marginalised communities. They also have a big role to play in protecting Scotland's environment as well as campaigning and advocating for change.

Together, they employ over 100,000 paid staff, work with over 1.4 million volunteers, and have a combined annual turnover that reached £6.06bn in 2018. This includes a range of mixed-income sources such as contracts, grants, and fundraising.

Our position

As part of the European Union, and as a participant in the last seven-year European Structural Fund cycle, Scotland was apportioned approximately €875 million in funds.

Based on 2018 figures alone, the voluntary sector received some £58 million of these funds (in that year). And, through analysis of previous funding periods, we estimate that around 11% of ESF funding is accessed by voluntary organisations.¹

While somewhat flawed – particularly in terms of bureaucracy – European Structural Funds are well understood, accessible, long-term and seek to achieve a raft of laudable aims; in keeping with the goals and objectives of many Scottish voluntary organisations.

Following the decision by the UK Government to leave the European Union, it appeared inevitable that the country would lose access to structural fund monies and that a replacement fund would need to be designed. We were pleased to see the UK Government quickly commit to the creation of a UK Shared Prosperity Fund (UKSPF). We also welcomed the commitment that the fund will “*at a minimum match the size of [Structural] funds in each nation*”.²

Sadly, engagement and availability of information on the development of the UKSPF, have been sorely lacking. The voluntary sector has been kept in the dark as the drawbridge is pulled up on European Funding and detail around the UKSPF is developed.

SCVO remains optimistic that the UKSPF will be a success and potentially lead to even greater involvement of voluntary organisations in delivering life-changing services and opportunities. However, for this to be fully realised, we strongly believe that priorities and spending decisions must be made at a devolved and (subsequently) local level, with the full and unhindered involvement of Scotland’s charities and voluntary organisations.

The voluntary sector and Brexit

In the run up to the EU referendum, and ever since the result was known, SCVO has worked closely and consistently with our members to discover what Brexit means for them and the people and communities they support.

We’ve worked directly with the voluntary sector in an attempt to gauge concerns, identify risks and help ensure our collective voice is heard as negotiations proceed. We’ve also tried to find and exploit any opportunities, with less success. Through our

¹ http://www.parliament.scot/S4_EuropeanandExternalRelationsCommittee/Inquiries/SCVO.pdf

² <https://www.instituteforgovernment.org.uk/explainers/european-structural-funds-after-brexit>

'State of the Sector' survey³ (which received 400 responses), we found that Scotland's voluntary sector felt it had benefited through our membership of the EU:

- 86% felt leaving the EU would negatively impact the Scottish economy
- 81% felt leaving the EU would negatively impact poverty & social exclusion
- 80% felt leaving the EU would negatively impact human rights & equalities
- 68% felt EU policy priorities had been good for the voluntary sector in Scotland.

We also found that the sector's key Brexit concerns could be grouped into these main areas:

- transfer of laws and repatriation of powers
- European funding (and what replaces it)
- free movement of people and trade
- human rights, social protections and environmental standards
- maintaining connections with European networks.

While it is important to recognise that there is a high degree of uncertainty around the implications of the Internal Market Act, we believe that the provisions in the Act have the potential to impact on the first two of these areas.

Devolution

Alongside civil society colleagues from the devolved nations of the UK, SCVO has consistently called for a Brexit withdrawal process which sees devolution enhanced – pursuing a devolution by default process, unless otherwise agreed between parliaments.

We have serious concerns that the Internal Market Act poses a threat to the smooth functioning of devolution as it stands, and believe it could have both direct and consequential impacts on decision-making and efforts to introduce progressive policies in Scotland.

Clauses 50 and 51 (Financial Assistance) in the Internal Market Act will allow UK ministers to make direct spending decisions in areas that are reserved competencies of the Scottish Parliament. These clauses breach the – previously respected – Sewell Convention and could see UK ministers make policy and spending decisions in devolved policy areas without legislative consent from the Scottish Parliament.

This would represent a radical reinterpretation of what devolution means and introduces the prospect that policy and spending decisions in key areas become muddled and run counter to 'rival' projects. At worst, decisions could be implemented which are at odds with strategies and priorities of the Scottish Parliament, which has

³ <http://nen.press/wp-content/uploads/2017/02/Scotland%E2%80%99s-Place-in-Europe-third-sector-concerns-1.pdf>

been elected by the people of Scotland to take responsibility for established and well understood devolved policy matters.

While the Act makes no specific reference to the funding of devolved administrations, concerns have been raised that the introduction of direct spending on currently devolved matters by the UK Government will introduce additional complexity around the Barnett Formula and setting of the block grant for the Scottish Government.

In his letter⁴ to the Scottish Government's Cabinet Secretary for Finance (Kate Forbes MSP), the Cabinet Secretary to the Treasury (Steve Barclay MP) Stated unequivocally that:

"[The UKSPF] will operate UK-wide, using the new financial assistance powers in the UK Internal Market Act."

For the reasons outlined above, this approach is an uneasy fit with the views expressed by SCVO and our members.

Design and delivery

When SCVO facilitated two meetings of voluntary organisations in Glasgow and Inverness, it was clear that organisations felt EU replacement fund priorities should be set at a devolved level, within the Scottish Government. Further, the replacement should aim to tackle inequalities, enhance human rights and promote wellbeing by linking outcomes with Scotland's National Performance Framework and other relevant policy frameworks. Members also felt the fund should seek to utilise non-economic evaluation metrics by measuring wellbeing outcomes in order to effectively measure the full impact of projects.

In defining the direction of the fund, SCVO and our members also believe that the voluntary sector in Scotland must play a key role in the creation of the fund in order to ensure its accessibility and transparency. Through this, the voluntary sector can identify challenges ESF has been subject to in the past and propose solutions so that the replacement fund does not suffer from the same problems.

SCVO also participated in the work led by Professor David Bell to produce the proposal for a *Scottish Replacement For EU Structural Funds* submitted to the UK Government in November 2020.⁵ There was wide consultation with voluntary organisations to inform its development and it represents a consensus on issues around Funding and Allocation; Governance and Delivery; Policy Alignment; and Monitoring and Evaluation.

⁴ <https://www.gov.uk/government/publications/cst-response-to-scottish-government-request-for-additional-funding/cst-response-to-scottish-government>

⁵ <https://www.gov.scot/publications/scottish-replacement-eu-structural-funds/pages/1/>

While detail about the UKSPF remains scarce and the management of the fund looks set to be centralised at a UK level, SCVO remains keen to play its role in ensuring the fund has the maximum positive impact in a way that will “*respect the devolution settlements Scotland, Wales and Northern Ireland*”, as the UK Government has insisted it shall.⁶

Conclusion

SCVO is pleased to have the opportunity to engage with the committee on the establishment of the UK Shared Prosperity Fund and to explore how the fund can be delivered with maximum impact.

Since the EU referendum, we have consistently engaged our members on what form the replacement of EU funding should take. The clearest illustration of what Scotland’s voluntary sector thinks is contained in the recently published *Scottish Replacement For EU Structural Funds* – led by Prof. David Bell.

Sadly, the contents of the Internal Market Act and subsequent indications from UK Ministers that the UKSPF will be centrally managed by the UK Government provide for a quite different solution, which does not fit with the views of our members or the wider voluntary sector.

While we welcome the limited progress on the establishment of successor European funds; for the UKSPF to be successful, we believe it is essential that the UK Government swiftly engage with Scottish stakeholders, including SCVO and the voluntary sector, to ensure it works in terms of purpose, design and implementation.

⁶ <https://questions-statements.parliament.uk/written-statements/detail/2018-07-24/HCWS927>