

SCVO response to Scottish Parliament Finance and Constitution Committee

Scotland and the UK Internal Market

23 September 2020

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 national 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.

The voluntary sector and Brexit

In the run up to the EU referendum, and ever since the result was known, SCVO has been working closely and consistently with 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. Through our 'State of the Sector' survey¹ (which received 400 responses), for example, 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 Bill, we believe that the provisions in the Bill have the potential to impact on the first two of these areas.

Others across the sector may be able to say more about the impacts on other areas of the sector's work, or on the people and communities they work with, and we commend in particular the submission from the Human Right Consortium Scotland on the impact of the Bill on human rights to the Committee.

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.²

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

² <https://scvo.org.uk/post/2018/02/08/third-sector-says-uk-must-stay-in-single-market-and-customs-union>

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

Clauses 46 and 47 in the Internal Market Bill will allow UK ministers to make direct spending decisions on areas that are reserved competencies of the Scottish Parliament. These clauses breach the 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 run counter to the wishes and priorities of the Scottish Parliament, which has been elected by the people of Scotland to take responsibility for set and well understood devolved policy matters.

While the Bill makes no specific reference to the funding of devolved administrations, concerns have been raised that the introduction of direct spending on currently reserved matters by the UK Government will introduce additional complexity around the Barnett Formula and setting of block grants for the Scottish Parliament.³

UK Shared Prosperity Fund

In 2018, the Scottish voluntary sector benefited from European funding to the tune of £58mil. Details of the UK government's plans to replace the funding lost through departure from the EU through via UK Shared Prosperity Fund (UKSPF) are sparse.

Many, including the Institute for Government⁴, have suggested that clauses 46 and 47 in the Internal Market Bill are designed to allow the UK Government to directly implement and control the operations of the UKSPF, bypassing devolved administrations – who currently operate European funding projects.

SCVO believes that administration of the proposed UKSPF should continue to be delivered at a devolved level. We also believe it is crucial that the management of the UKSPF is devolved to the Scottish Government. This allows for specific regional priorities to be addressed at a more localised level by people who have a comprehensive understanding of the challenges local communities face and the solutions required to overcome these challenges. Re-centralisation of the fund

³ <http://www.parliament.scot/parliamentarybusiness/report.aspx?r=12827>

⁴ <https://www.instituteforgovernment.org.uk/explainers/internal-market-bill>

post-Brexit would be a backwards step. The UK's role in the fund should be limited to outlining a high-level framework, in similar vein of the EU's cohesion policy, which acts as a guide for devolved administration funding allocation decisions.

As such, the UKSPF should aim to support the Scottish Government's aims as set out in the Programme for Government and complement the actions published in the Scottish Government's Economic Recovery Implementation Plan as well as retaining alignment with Scotland's National Performance Network. This approach will ensure maximum impact is achieved from UKSPF monies; funded projects work in concert with other parallel projects and that decisions are tailored to need in the devolved nations.

Conclusion

As the UK extricates itself from the European Union, the voluntary sector has consistently called for more information, explanation, reassurance, commitments and transparency around the future arrangements we will soon have to navigate.

It is disappointing that, despite appearing to be a move towards creating more certainty and stability, the Internal Market Bill introduces more confusion and will be introduced with very little scrutiny, understanding or consultation – and without the legislative consent of the devolved administrations.

SCVO shares concerns around the practical realities of the Bill; including its challenge to the understanding and operation of devolution, the limitations it will place on devolved decision making, the muddled environment it will create in terms of spending priorities, and the groundwork it lays for EU successor funds.

Introducing a Bill containing measures which can alter the functioning and funding of the devolved settlement without proper debate, consultation or assessment of impact is not acceptable. Without proper parliamentary scrutiny, public consultation and introduction of safeguards, we hold concerns that this will create additional challenges and complexities for voluntary organisations in Scotland.

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