

Finance and Public Administration Committee

Replacing EU Structural Funds in Scotland

Written Submission from Glasgow City Council

1. The approach taken to identifying areas of greater need or priority

Despite Glasgow being classified under the highest priority under both the Community Renewal and Levelling Up Funds, the council is aware of the concerns that have been expressed at the choice of indicators used for this exercise -with differing metrics for the 2 funds.

On the technical side there can be problems, particularly with labour market data, associated with sampling errors. These become more acute the lower the geographical scale at which these are applied. One way of mitigating this would be to move from a single snapshot to a 3 year average which would tend to smooth out the sampling effect.

However the issue is not just about the indicators chosen but the spatial scale at which they are applied. Many economies within Scotland operate at a scale which goes beyond individual local authority boundaries – the Glasgow City Region being a good example.

The metrics used by the UK Government were not fundamentally about the allocation of funds but essentially to provide a handicapping system for classifying local authorities in bidding for these funds under a UK wide challenge fund. This approach does not provide ex ante assurance that the majority of funds will be allocated to the highest priority areas with the greatest needs.

This is enormously wasteful of scarce public sector (and those of the organisations who submitted bids) resources since most of the bids under this approach will be unsuccessful (see description under question 2 below). The delay in announcing the UK Community Renewal Fund awards may reflect capacity limitations within the UK Government to manage an exercise of this magnitude. (see response to question 3).

2. The process of bidding for funding including the types of projects you sought funding for

The process of bidding for funding under both the UK Levelling Up and Community Renewal Funds was resource intensive, having to move from inception to conclusion in a little over 3 months.

In respect of the Community Renewal Fund the actions that the Council took were:

- To organise a webinar for parties potentially interested in bidding (over 60 attendees);
- To create a web page and an email box to manage the application process;
- To generate an “expression of interest template” for use by potential bidders;
- To assess the expressions of interest (33) to filter out ineligible/weak proposals and provide feedback to applicants;
- To assess the 27 full applications received - this required a significant input of senior management time within the Council’s economic development service;
- To liaise with shortlisted applicants to ensure that the value of the Council’s package remained within the £3m limit;
- To complete the paperwork accompanying the shortlisted bids to send to the UK Government;
- To advise the Council – through 2 reports to Committee – of the exercise and to seek approval of the final package of bids.

In terms of content of bids the council accepted applications under all 4 themes within the UK Community Renewal Fund but laid a particular emphasis on the contribution of any applications to the net zero agenda.

Many of the bids, including those shortlisted, straddled – as permitted by UK Government guidance - several of the themes set out in the UKCRF prospectus.

In the case of Levelling Up Fund, the requirement that projects approved as part of the first funding call would be on site by the end of the current financial year (March 2022) and completed by 2024 was hugely challenging.

Whilst the task of preparing a full bid for the first funding call deadline had its challenges, concerns / risks remain regarding the fact that successful applications would not be announced until Autumn 2021. This timeframe presents challenges in terms of mobilising resources, completing procurements, finalising contracts and ensuring site start before the end of March 2022.

In Glasgow’s case, officers have had to mitigate these risks by continuing to develop the Pollok Stables and Sawmill project throughout the summer and early autumn period. This includes putting in place project management, legal and procurement resources, so that the Council is ready to move forward with delivery once the UK Government makes its announcement.

All these preparatory activities have been done as risk and have costs associated with them. Unfortunately, these costs aren’t viewed as eligible

under the Levelling Up Fund as they are considered to be ‘sunk’ costs. By way of an example, the Levelling Up Fund bid for Pollok Stables and Sawmill includes an estimate of these kinds of development costs (for the period from June to early September 2021) – circa £230,000. These are costs that the Council had to shoulder with no certainty at the time regarding the Levelling Up Fund bid.

3. How successful you have been in securing funding

On 27th October 2021 the Council received notification from the UK Government that the one bid it had submitted in the first round of the Levelling Up Fund (Pollok Stables and Sawmill) had been successful.

On 3rd November 2021 the Council received notification that 2 of the 6 bids it had submitted for funding under the Community Renewal Funds had been approved. Details of the successful projects below:

APPLICANT	PROJECT TITLE	AWARD
REMADE Network	Building a Repair Economy in Glasgow	£550,000
SWG 3	GRID: Creating a Cultural Place and a Net Zero Innovation District	£480,000

It is worth noting that decisions were originally expected from “late July onwards” and it took the UK Government longer to complete the assessment process than it gave to local authorities to assemble the bids. The mitigation that the UK Government has now put in place – to extend the timeframe for delivery by 3 months to the end of June 2022 – is welcome. Nevertheless implementation of these projects to this timescale will be a real challenge.

4. The appropriateness of any timescales and criteria which determine when, how and on what funding must be spent

As indicated above, the timescales for submitting bids to the UK Government were challenging. In addition the initial requirement that all activities associated with approved UKCRF projects (including evaluation) be completed by 31st March 2022 was a major cause for concern which was only heightened by the long delay in announcing UKCRF awards. As indicated above the 3 month extension is welcome but in reality the time for project delivery will be no more than 7 months.

In terms of the areas of eligible expenditure under UKCRF no major issues emerged during the process within Glasgow. Looking forward to the UKSPF,

the Council would welcome greater scope for this fund to support capital projects.

5. What has worked well and what needs to be improved in terms of future funding approaches; including the extent to which the new and emerging, (multi government) landscape of economic development will enable effective use of public funds

Communication between UK Government / civil service and Local Authorities (as applicants) could be improved. The initial weekly-drop in calls that were facilitated during the pre-application stage (April to mid-June 2021) provided applicants with an opportunity to clarify any technical issues and take general advice on the types of projects that may be supported. Post application (from 17th June 2021 onwards) communication from UK Government / civil service has been minimal.

With respect to the UK Shared Prosperity Fund the Council participated in (and indeed hosted) a stakeholder event on behalf of the UK Government on 1st November 2018. There was however little follow up to this although recently there has been some exploratory engagement with the UK Government at city region level.

In the case of Glasgow's Levelling Up Fund bid (Pollok Stables and Sawmill), the Council received a query in mid-September regarding 'subsidy control', for which the Council was given 1 week to respond. Several attempts were made to contact the Levelling Up Fund team to seek clarification on where subsidy control applied. As no guidance was provided, the Council ended up having to obtain an independent legal view (at additional cost to the Council) which confirms that the activities and investments identified within the Pollok Stables and Sawmill bid do not constitute a subsidy. However no formal response was received from UK Government to confirm this has been accepted.

Finally, the recent publication of the UK Government's Net Zero Strategy highlights the important role that Shared Prosperity is envisaged to play in the funding mix needed to transition the UK to a net zero economy. For this to be effective, the design and administration of the SPF have a material impact on the types of projects and programmes being brought forward, including what they intend to do, the criteria by which they are assessed, and how they are evaluated.

At a strategic level, in order to achieve the best results from the expenditure of public funds on the "levelling up" or "shared prosperity" agenda the following building blocks need to be in place:

- Intervention at the right spatial scale;

- Long term, multi annual approach;
- Genuinely additional resource – allocated on need rather than through UK wide challenge funds;
- “Decluttered” Funding streams – “single pot” if possible;
- Shared vision and commitment by all levels of Government; and
- Regional/local partnership decision making – with capacity building support for both programme management and project pipeline development.

6. The sustainability of funding for the longer term operation of projects or capital investment delivered under these funds

As indicated in the answer to the previous question, a genuinely multi annual approach is required to address the levelling up challenges. For example, improving the employability prospects for those currently with significant barriers to labour market participation does not lend itself to short term, “quick fix” solutions

While the council welcomes the recognition that investment in infrastructure can play an important role in levelling up this is not always best achieved by cherry picking a small number of high profile projects. What is required instead is giving local authorities the capacity to develop and bring forward a range of capital works of varying sizes over the long term.

7. The evaluation and accountability mechanisms in place or proposed to assess the effectiveness of any funding provided

This is covered in Section 9 of the UKCRF prospectus. However, given the planned timescale for the rollout of the UK Shared Prosperity Fund, it is difficult to see how the evaluation activity cited in the UKCRF prospectus could meaningfully have an input on the design of the UK Shared Prosperity Fund.