

Finance and Public Administration Committee

Replacing EU Structural Funds in Scotland

Written Submission from Scottish Local Authorities Economic Development Group (SLAED)

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

SLAED 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 (UK Levelling Up and UK Community Renewal).

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 also the spatial scale at which they are applied. Many economies within Scotland operate at a scale which goes beyond individual local authority boundaries. As well as addressing the issue of cross boundary commuting flows, looking at larger spatial units reduces the sampling error issue alluded to above,

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.

This is enormously wasteful of scarce public sector 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.

The process placed the onus on local authorities to develop a system for inviting and assessing applications – whilst this was supported by information from the UK Government it still took considerable time for officers within local authorities to deliver at a time when resources were already stretched due to COVID. The timescales for the process were also very tight. Projects were developed and bid for with no assurance of success.

When local authorities in the past delivered challenge fund programmes these were carried out in a local context with a predefined allocation to the local authority (eg ESF Employability funds) This gave local stakeholders a feeling that there was a more realistic chance of success than through a UK wide competition. Another point with localised decision making is that those assessing the bids would have a thorough knowledge of the local labour market which is impossible if appraisal is carried out at a UK level.

The themes for the UK Community Renewal Fund were not contentious but given the existing employability offer in Scotland (ESF, No One Left Behind etc) it was difficult for projects focussing on employability alone to convince on the issue of additionality. In the longer term SLAED is concerned at the potential duplication of the “people” dimension of the UK Shared Prosperity Fund with the existing employability offer in Scotland. This would be wasteful of resources, cause confusion in the “market place” and lead to poorer outcomes.

Many projects straddled 2 or more of the 4 themes – an approach which was permitted in the prospectus.

3. How successful you have been in securing funding

On 27th October 2021 the UK Government announced the results of the first application round under the UK Levelling Up Fund. 8 Projects in Scotland were selected as undernoted below:

LOCAL AUTHORITY (AND LEVEL)	PROJECT TITLE	AWARD
Aberdeen City (2)	Aberdeen City Centre Master Plan	£20,000,000.00
City of Edinburgh (3)	Granton Gas Holder (Waterfront Cultural Regeneration)	£16,482,845.00
Falkirk (1)	Westfield Roundabout (Transport Infrastructure Improvement Project)	£20,000,000.00
Glasgow City (1)	Pollok Stables and Sawmill (Heritage and Community Centre Development)	£13,050,500.00
Highland (3)	Inverness Zero Carbon Cultural Regeneration	£19,856,253.00

North Ayrshire (1)	Infrastructure Improvements on B714 (Transport Infrastructure Improvement Project)	£23,693,443.33
Renfrewshire (1)	AMIDS South (Travel Links Improvement Project)	£38,725,218.00
West Dunbartonshire (1)	Artizan Shopping Centre, Glencairn House & Connecting Dumbarton	£19,900,000.00
TOTAL		£171,708,259.33

These awards accounted for about 10% of the UK total.

With respect to the UK Community Renewal Fund, the outcome of the bidding round was finally announced on 3rd November 2021. It is worth noting that it took the UK Government longer to complete the assessment process than it gave to local authorities to assemble the bids.

The summary outcomes from a Scottish perspective were:

- 28 of the 32 local authorities submitted at least one application to the fund;
- All 13 local authorities designated as “priority places” submitted at least one application;
- In total 176 eligible bids were submitted by Scottish local authorities (about one sixth of the total number across the UK);
- Of these bids 56 (about one third) were successful – the associated grant award was about £18.4m (9% of the UK total);
- Bids originating from priority places in Scotland had a much higher “success” rate (41%) than those from non priority places (16%);
- No local authority was successful in all its bids – 6 councils were unsuccessful in all their bids; and
- 22 local authorities received approval for at least one of their bids.

It is interesting to note that the allocation of the fund by UK nation fairly closely mirrors that of the 2014-20 EU Structural Funds programmes.

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

As previously indicated 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. The announcement alongside the awards of a 3 month extension to end June

2022 for implementation is welcome but in reality the time for project delivery will be no more than 7 months.

There is a risk that some approved projects might not now be able to deliver due to the delay.

With respect to the timing for payments under the Community Renewal Fund, the UK Government has indicated that:

“The first tranche of grant payments to lead authorities ... will be made in December 2021 with the balance of grant made on completion **from July 2022 onwards.**”

Source “Frequently asked questions on the UK Community Renewal Fund - updated 3 November 2021”

The issue here is that if there are delays in being paid this will create a cash flow strain on projects, many of which are run by small, third sector organisations. This in turn may lead to requests to local authorities to underwrite the cash flow hiatus which not all will necessarily be in a position to do.

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

Highland and the broader Highlands & Islands region have made several submissions on this subject and support the conclusions of the Scottish Replacement for EU Structural Funds report¹.

Decentralisation of funding is a key theme to this, and we would consider it critical that decisions are made as closely as possible to the people, businesses and communities who will be impacted. We need to set our own priorities to ensure a regionally responsive approach as opposed to a centralised one size fits all approach.

We would also agree with the broad thrust of the SLAED submission on this topic whereby:

- Intervention needs to be at the right spatial scale.
- There needs to be a long term, multi annual approach of 5 to 7-year funding cycles

¹ <https://www.gov.scot/publications/scottish-replacement-eu-structural-funds/pages/2/>

- Funds should be allocated on need rather than through a UK wide challenge
- Funding streams need streamlined to prevent cross over and allow flexibility
- There needs to be regional/local partnership decision making – with capacity building support.

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 SLAED 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.