Kenneth Gibson MSP, Convener, Finance and Public Administration Committee.

By email

16 February 2023

Dear Convener,

Levelling Up and the voluntary sector

Thank you for the opportunity to submit written evidence to the Committee. The Levelling Up (LU) agenda remains a key policy across the UK, and we are keen to work closely with the UK Government and partners in Scotland, including Scottish Government. If the Levelling Up missions are to be achieved in a way that best suits Scottish communities, the role of the voluntary sector must be acknowledged and valued.

Last February, we were pleased that you raised our concerns about the engagement of the third sector in the Levelling Up agenda at the last evidence session with the Secretary of State for Levelling Up, Housing and Communities. We welcomed the Secretary of State's commitment at that time that the UK Government would ensure that successful projects currently funded through European funds would continue to be delivered in Scotland. Since then, we have developed good relationships with the UK's Cities and Local Growth Unit (CLGU) team based in Scotland. Over the past 12 months, we have met with several ministers (most recently Dehenna Davison MP, Minister for Levelling Up) to discuss the role of the sector in Levelling Up. On each occasion, we heard a commitment from the UK Government to work with us to ensure that the voice of our sector comes across strongly in the implementation of the UKSPF, and the broader Levelling Up agenda.

Nevertheless, we still have concerns about how the third sector is effective engaged in the implementation of Levelling Up, including access to funding. These issues are outlined below.

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Our ask of the Committee is to be cognisant of the role of the sector and the need for it to be properly engaged with and resourced.

Levelling Up Funding

Beyond the Levelling Up Fund (LUF), we believe that greater and clearer commitment is needed from the UK Government on the future of Levelling Up post-2025. At present the UK Government argues that decisions regarding the future of LUF will be made to coincide with the next spending review. This leaves too much uncertainty for voluntary organisations and local authorities in Scotland. The Levelling Up missions outlined in the White Paper give a timescale of 2030 and we are of the view that LU funds should follow the same timeframe. Therefore, we believe that funding should be made available for at least another 5 years, and that commitment should be made now.

Our ask of the Committee is to press the importance of a long-term investment approach to Levelling Up funding.

UK Shared Prosperity Fund

A significant benefit of European funding was the fact it was long term (7 years). It is impossible to over-emphasise what a difference this makes to the quality and outcomes of the sector's work, not least because of the ability to recruit and retain skilled staff. We welcome the fact that the various Levelling Up funds seem to be taking a lighter touch approach to applications, monitoring and reporting than European funding, or indeed other government funding. We would like to see a clear commitment to longer term funding included in that approach so that more strategic and sustainable programmes can be put in place to benefit our communities.

We believe that the UKSPF, along with other LU funds, should match the Levelling Up missions and be funded for at least another 5 years - ie until 2030.

From the publication of the Levelling Up White Paper, we have consistently stressed the importance of engagement between the third sector and local authorities in Scotland across the three investment priorities of the UK Shared Prosperity Fund: communities & place, supporting local business, and people & skills.

On the process to agree and submit investment plans, we welcomed the specific reference made to the role of Third Sector Interfaces (TSIs) in the UKSPF Prospectus as a key partner in local partnerships. However, a survey carried out by the TSI Scotland Network following the submission of investment plans shows that this has not happened consistently in practice.

The survey shows that over half of TSIs had either no involvement in developing their Local Investment Plan or only had sight of it once the lead authority had completed its work. Some TSIs still haven't seen their Local Investment Plans while a small number said they had helped write their Local Investment Plan.

Nearly half of respondents said they did not know how voluntary sector organisations would be able to access the UKSPF. A similar number were unsure how they would access information about the level of UKSPF resources going to the third sector in their area.

We acknowledge that this is partly due to time constraints, but it is important for the success of the Levelling Up approach that our sector is engaged strategically, not just as a delivery vehicle. Engagement with our sector encourages more innovative ways of working as well as reaching into the heart of local communities. The best way to do that is through the appropriate TSI. We are very clear that partnership working is the only way for the UKSPF, and other related funds, to make a positive difference for communities in Scotland.

We have developed good relationships with SLAED (Scottish Local Authorities' Economic Development) on this agenda and have shared our evidence with them. We hope that we can build on that partnership as the Levelling Up agenda develops. Lead authorities must involve their TSIs in implementation, as they look at how to distribute their funding allocation and how to deliver on the priorities. This is the most effective way of engaging the third sector at a local level in the design and delivery of funds due to their local bases and understanding of local areas; the impact of the funding will be weaker without their input.

Our ask of the Committee is to emphasise the invaluable role of the third sector in this agenda and encourage local authorities to collaborate with the sector from as early a stage as possible.

Finally on the issue of funding more specifically, members of the Committee will be aware that with only a couple of months left in this financial year, it is likely that many local authorities will work on submitting 'credible plans' to the UK Government to be able to carry funding forward into 2023/24. The option to carry funding forward is important to optimise the impact of the investment. However, we are already seeing evidence that the current financial situation means that councils are less likely to pass this funding on to the voluntary sector. I am sure the Committee is aware that European Structural Funds tail off in 2023/24 and there has been no commitment from UK Government to bridge that gap.

Our ask of the Committee is therefore to impress on local authorities the importance of honouring their plans to invest in their local voluntary organisations, and to urge UK Government to bridge the gap between the end of EU funds and the full implementation of Levelling Up funding.

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At a meeting with Minister Davison last November, we were pleased to hear that the UKSPF will be used to trial a simplified, flexible approach to funding. Following an evidence session at the Westminster Levelling Up, Housing and Communities Committee in January, we understand that the UK Government will soon publish a 'funding simplification plan' looking at Levelling Up funds. It is of course crucial that public funds are managed robustly, but a proportionate approach frees up resources for all of us, including civil servants. The Committee should also note that the stated route to address concerns about the funds is through local MPs rather than through the UK Government department, which is unusual and unlikely to bring a consistent approach to resolving issues as they arise.

Our ask of the Committee is to press for a straightforward, proportionate, outcomes-based approach to administering the funds and to seek clarification of how the role of individual MPs is resolving issues will operate in practice.

Multiply

As far as we know, there is no lead within the Scottish Government on Multiply and we would therefore question the extent to which policies in this area can be aligned in the way claimed by UK Government.

Community Renewal Fund

The TSI Scotland Network has reflected on their members' experience. This has demonstrated the need for the UK Government to consider the following when developing the next phase of CRF:

- The need to go through local authorities puts an additional barrier in the way of third sector organisations accessing funding, particularly in the current financial climate when councils are struggling with, and protecting, their own budgets. Third sector organisations should be able to apply directly, without the need to go through local authorities or other public sector structures. It is important to address the fact that where local authorities have in-house services competing for the fund, there is an inherent conflict of interest which enables them to favour their own staff over third sector providers.
- Criteria for decision-making in relation to the allocation of funds needs to be much more explicit/transparent.
- There were slippages in the timescales for distributing the funding so there needs to be more flexibility around the deadline of June 2023 to enable projects to recruit staff and deliver the desired outcomes.
- There needs to be greater clarity on the contract arrangements. A range of questions have been raised over procurement, consortia and evidence of delivery already, but it's proving difficult to get any answers.
- The delays in decision-making and distribution were very problematic and it's important that lessons are learned to improve future rounds.

We understand that the UK Government is in the process of gathering evidence from lead authorities and about to start their evaluation of CRF that ended in December 2022.

Our ask of the Committee is to take on board the points above when communicating with UK Government on the Community Renewal Fund.

Alignment with Scotland's policy direction and the NPF

It would be fair to say that most of us in Scotland still have many questions as to how the UK Government's ambitions for Levelling Up will be implemented and how this will align with the Scottish Government's priorities. There has been little sign of any interest in engaging with Scottish Government or acknowledging the National Performance Framework, which has cross-party support. While it is good not to over-complicate funding arrangements with multiple layers of decision-making, it is confusing and complex for voluntary organisations and others to engage with differing or even conflicting priorities and approaches.

It remains unclear how or whether the Levelling Up missions align with other economic development and recovery strategies in Scotland. That creates a confusing landscape around both strategy and funding. We need to see greater co-ordination between the Scottish and the UK governments on this agenda. That confusion also plays out over the Levelling Up and Regeneration Bill currently going through the UK Parliament, to which Scottish Ministers have yet to consent. Following last year's evidence session, we understood that a new body would be set up to ensure that new policies align with the Scottish Government's National Performance Framework and Outcomes. It would be helpful if the Committee could seek an update from the Secretary of State on this.

We are very interested in the new Levelling Up and Community Investment programmes and how they will support voluntary organisations as essential contributors to our economy and society. The UK Government has already distributed some of that funding in Scotland. But in June, the House of Commons Committee of Public Accounts challenged how the first round of Levelling Up Fund was allocated. It raised the need for the UK Government to consider devolved administrations' priorities better when administering funds. It is important that there is transparency and accountability around crucial funding decisions that will significantly impact on Scotland's voluntary sector just as EU funding ends.

There are also other concerns relating to partnership working. If Levelling Up is to be successful, LU funds must invest in social infrastructure and human capital, including in the voluntary sector. The funds must take a community-based approach to tackling inequality and embrace the expertise of voluntary organisations that have been supporting local communities for many decades through European funding. The

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ambitions of the Levelling Up White Paper will be difficult to achieve without the expertise of voluntary organisations at all stages in the design and delivery of these funds.

Our ask of the Committee is to seek an update from the Secretary of State on the mechanism for achieving alignment with the Scottish Government's priorities and the outcomes in the NPF; to emphasise the need for transparency on criteria and decision-making around funding allocations; and to press UK Government and local partnerships to invest in social infrastructure and human capital at a local level.

Thank you again for this opportunity to provide written evidence and we look forward to further engagement with the Committee as this agenda develops.

Yours sincerely

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