SCOTTISH PARLIAMENT FINANCE AND PUBLIC ADMINISTRATION COMMITTEE

REPLACEMENT FOR EU STRUCTURAL FUNDS IN SCOTLAND (JANUARY 2023 UPDATE)

Submission by Scottish Local Authority Economic Development Group (SLAED)

INTRODUCTION

The Scottish Local Authority Economic Development Group (SLAED) welcomes the opportunity to provide updated information to the Committee on its experience with the various UK Government Levelling Up funding streams.

LEVELLING UP FUND

Many of the points that the SLAED made in its previous (November 2021) submission to the committee on the UK Levelling Up Fund remain valid. In round 1 of the fund, the lengthy period between the deadline for bids to be submitted (June 2021) and awards being announced (November 2021), together with the expectation that projects would mobilise resources, complete procurements, finalise contracts and ensure site start before the end of March 2022 placed significant pressures on Local Authorities.

In the first round of the Levelling Up Fund 8 Scottish local authorities were successful securing awards totalling £172m These awards accounted for about 10% of the UK total. The second-round approvals were announced on 19th January 2023 and here 10 Scottish local authorities secured grant of £172m (approximately 8.2%) of the UK total. No authority that had been successful in round one was successful in round 2. SLAED is very concerned that this situation was a consequence of a UK Government decision, taken at a late stage in the process, not to approve any bids submitted by a local authority that had been successful in round 1. This gives rise to doubts that the bids selected were not necessarily the best submitted in terms of quality. In addition, the decision meant that significant resources were wasted not just in the LAs affected (8 in Scotland) but in the UK Government in assessing what proved ex post to be abortive bids.

SLAED notes the intention of the UK Government to run a third round of Levelling Up Fund applications, using the approximate £1bn left after the first 2 rounds. SLAED has reservations about the practicality of this approach unless there is greater flexibility to extend the period for project activity beyond March 2025. Shoehorning expenditure on major capital projects into such a restricted timeframe is not practical– a situation that the delay in announcing round 2 awards only exacerbated. Delivering the expenditure within the time allowed will be very challenging even for the projects approved in round 1.

Another concern that SLAED has identified relates to the impact on the delivery of approved UK Levelling Up Fund projects within budgets due to the significant inflationary pressures experienced in the UK economy over the past year.

The delay in the announcements of awards under both rounds illustrates one of the weaknesses of using a UK wide competitive bidding process to make decisions on individual capital projects. Instead, it is suggested that the UK Government should be looking at a longer term, genuinely multi annual approach for supporting major capital expenditure, more closely based on the City/Growth Deal model.

UK SHARED PROSPERITY FUND

SLAED welcomes the fact that allocations for UKSPF were made by formula rather than through a UK wide competitive bidding process. This gave a degree of certainty to councils in terms of developing projects which supported identified local priorities and economic strategies.

As the committee will be aware, the UKSPF prospectus was published on 13th April 2022 with an expectation that Investment Plans would be submitted by 1st August 2022. This was an almost impossible deadline to meet due to local government elections that took place in May 2022 and the fact that most councils were in recess in July (sign off by local authority political leaders being an essential aspect of the plan). Some local authorities were given an extension to the end of August in recognition of these factors. In summary, the process of preparing the Investment Plan, including the required stakeholder engagement, was a "dash to design" which was hampered by some of the UKSPF guidance not being published until 19th July - with some material, for example in relation to evaluation, still awaited.

The UK Government announced the approval of all UKSPF Investment Plans on 5th December 2022 with the transfer of the first tranche of grant taking place at the end of the year. While these are positive developments, it effectively means that there will be a "dash to deliver" over, what is effectively only 2 years.

In terms of the scope of the 3 investment themes set out in the prospectus these created few substantial issues regarding fit with councils' priorities. SLAED, alongside COSLA, had some constructive discussions with the new UK Government Scotland team on the range of UKSPF interventions prior to their publication. One benefit of this engagement was to allow activities under the People and Skills Investment Priority to begin from the start of the delivery period. In England activities under this priority could as a rule not begin until 2024/25.

Of much greater concern to SLAED was the requirement to spend "in year". In contrast EU Structural Fund programmes, which UKSPF is intended to replace, were genuinely multi annual with considerable, but not unlimited, flexibility to carry forward resources from one year to the next – all within the context of a long-term framework.

On the issue of the provisions of administrative expenditure, there was no clarity given by the UK Government as how these should be reflected in the Investment Plan and further clarity as how this provision is to be managed is urgently required from the UK Government.

MULTIPLY

SLAED welcomed the flexibility given in the UKSPF prospectus to allocate, following stakeholder engagement, its UKSPF budget across the 3 investment themes as local authorities saw fit. In contrast, the allocation for Multiply which accounted for over 17% of total UKSPF resources, was ring fenced. Notwithstanding the importance of improving adult numeracy levels, it is doubtful whether such a significant allocation would have been agreed if the councils had been given discretion on this matter.

SLAED considers that the "menu" of Multiply interventions is sufficient to meet the aspirations of the initiative. However, the issue that impacts particularly on Multiply relates to its financial profile across the 3 financial years. Unlike the "core" UKSPF, allocations under Multiply follow an even pattern. It is simply not realistic to expect councils to spend one third of their Multiply allocation by March 2023 from a standing start. While it may be possible to roll forward "underspend" into 2023/24 this will inevitably entail an avoidable bureaucratic process had a more realistic assessment of the likely spending profile been undertaken at the outset.

UK COMMUNITY RENEWAL FUND

As a reminder the outcome of the UKCRF bidding process in Scotland, announced in November 2021 was,

- 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.

The deadline for delivering projects was extended to December 2022 and final claims were to be submitted to the UK Government by 31st January 2023. Monitoring these projects proved to be a resource intensive process- if not to quite to extent of EU Structural Funds - both for the applicants and the councils.

Some learning was gained by councils from this experience in designing processes to be adopted in administering the Communities and Place Investment Theme within the UKSPF.

UK GOVERNMENT LEVELLING UP FUNDING AFTER 2025

At the time of its publication in February 2022, many commentators observed that there was very little “new” money associated with the Levelling Up White Paper. SLAED is aware that the UK Government is committed to rationalising its funding steams in this policy area and has started work on this exercise. A key concern is obviously that any rationalisation in the number of funding streams will result in less money overall being available. SLAED accepts however that resource levels is only one prerequisite for success. In order to have a realistic chance of achieving the objectives set out in this publication, the following elements are necessary:

- A genuinely long term, multi annual framework with a programme rather than project-based approach;
- Rationalisation of the number of individual UK Government funding streams; but
- Levels of funding, allocated directly to local authorities (either individually or collectively) according to need, that are commensurate with the objectives;
- A partnership approach between the UK and Scottish Governments, respecting the devolution settlement and building on the City/Growth Deal model;
- A clear performance framework focussing on results; and
- Empowerment of local authorities either individually or in collaboration so that they can “do the right thing” by and for the communities they represent.