

Finance and Public Administration Committee

Replacing EU Structural Funds in Scotland

Correspondence from the Convener to the Secretary of State for Levelling Up, Housing and Communities of 8 December 2021

Dear Secretary of State,

On the 15 October I wrote inviting you to give evidence to the Finance and Public Administration Committee on the replacement of EU Structural Funds in Scotland. The Committee welcomes your commitment to give evidence in person at a Committee meeting in January 2022. We are keen for a meeting date to be confirmed as soon as possible particularly given replacement funding is now committed to being spent in Scotland. Together these new funds represent a potentially significant level of funding to be spent in Scotland which is not allocated as part of the usual Scottish budget process.

As part of preparations for our evidence session with you, we wrote to Scottish Local Authorities asking them their views and experiences of the Community Renewal Fund (CRF) and Levelling Up Fund (LUF). We also sought any information on communications regarding the UK Shared Prosperity Fund (UKSPF). Having now analysed the responses received¹, and given there is now some time until your evidence session in January 2022, we seek a written response from you on some of the key themes that have arisen. This will also help inform and develop our discussions with you in January 2022.

We are keen to explore many of the issues raised by Local Authorities with you in person. In the meantime, however, we seek clarification on the following aspects of the methodology used for these funds:

- How the UK Government assures itself that the criteria used to prioritise areas will, in turn, ensure that funding is awarded to those places most in need;
- the extent to which you consider that the approach the UK Government chose to classifying priority areas under both the LUF and CRF adequately recognises rurality and connectivity challenges faced in areas such as the Highlands and Island or pockets of deprivation within local authorities;
- why transport connectivity was included in the methodology for the LUF for England but not for Scotland and Wales;
- the reasons for single year indicators being chosen to determine priority areas rather than multi year averages and, more generally, how the UK Government's approach has taken account of the impacts of the COVID pandemic.

¹ The SPICe summary of the responses can be found [on the Committee's webpage](#).

We recognise that Scottish Local Authorities received funding to assist with the LUF bid process, however we seek further information on:

- how the bidding process addresses the differing sizes and in-house capacity of local authorities to ensure that there equality of opportunity when it comes to bidding for funding;
- why the UK Government considered that a competitive bidding approach would deliver the most effective use of public money particularly given the cost and time required to put together bids (not all of which would then be successful) – for example how does this approach ‘deliver quicker funding’ and cut ‘burdensome EU bureaucracy’ as described in the CRF prospectus;
- the UK Government’s approach to notifying unsuccessful applicants of this outcome and to providing feedback to unsuccessful applicants (either CRF or LUF) on why they had been unsuccessful;
- in relation to the LUF, what discussions the UK Government had with the Scottish Government over which bids should be successful?

We are particularly keen to explore with you the outcomes these funds will deliver and how the UK Government proposes to assess the effectiveness of this funding in ‘levelling up’. We therefore seek clarification of how progress towards levelling up will be measured and published and, in particular:

- when the supplementary guidance on evaluating the LUF will be published and what role it envisages the Scottish Parliament will have in scrutinising the effectiveness of the LUF in devolved policy areas.
- given the UK Government chose to ascribe a role to MPs in supporting LUF bids and determining the number of bids, what role it sees for MSPs in relation to the LUF, given they represent the interests of constituents in devolved areas?
- what are the consequences of successful bids not spending all their funding within the set deadlines (particularly in relation the timescales for the CRF) or of funds subsequently proving to be insufficient to deliver the bid for other external reasons such as supply chain issues or inflationary impacts on costs?

Finally, the Committee notes that further details of the UKSPF framework will be published by the end of this year and that it will be used to fund Multiply, a new UK-wide numeracy programme. We look forward to exploring these areas in more detail with you in January 2022.

I look forward to hearing from you regarding your availability to attend a Committee meeting in January. In the meantime, a response to the above queries by Monday 10 January would be most welcome.

Yours sincerely

Kenneth Gibson MSP
Convener
Finance and Public Administration Committee