

Finance and Public Administration Committee

Replacing EU Structural Funds in Scotland

Written Submission from Highland Council

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

Under the current 2014 – 2020 EU Funding Programme, Highland, as a constituent part of the Highlands & Islands Region is categorised as Transition Region as opposed to the rest of Scotland. Projections made by the Committee of Peripheral & Maritime Regions¹ indicated that, had the UK remained in the EU, the Highlands & Islands would have remained as a Transition Region and therefore eligible for a higher level of funding. This categorisation, in part, recognises the rural, remote and peripheral elements to our area and EU funding, based on Regional Policy and stretching back over several funding cycles, acknowledged the requirements and needs of the Highlands.

Given this context, Highland Council were very concerned that the metrics used, for the Community Renewal Fund (not classed as a priority) and the Levelling Up Fund (graded at the lowest level 3) did not take into account the circumstances of Highland such as:

- The sub regional variations of such as large area (differences between inner Moray Firth and wider Highlands,
- issues around rurality, peripherality and natural constraints,
- population decline and outward migration,
- lack of connectivity both physical and digital; and
- higher costs of living (such as fuel costs).

As a consequence, Highland Council commissioned the Fraser of Allander Institute to undertake an analysis of the Levelling Up Fund and Community Renewal Fund with a focus on the Highland Council Area. [A copy of this report is attached](#) but the key findings are:

- While the use of a range of indicators to assist with allocation of funding is to be welcomed, it is hard to identify the right set of indicators to use / or not to use to capture the different types of need in different areas. For example, the decision not to include transport connectivity data in the Scottish and Welsh index has likely changed the allocation.

¹ <https://cpmr.org/cohesion/cpmr-analysis-uk-to-lose-e13bn-regional-funding-post-brexit/20525/>

- The Levelling Up Fund methodology is not sufficiently transparent. The categorisations should not have been published in the first place without the methodology prepared/published.
- The Levelling Up Fund methodology does not capture the need for transport connectivity in rural areas in Scotland and Wales. The transport connectivity element was included for England and this resulted in significantly more English local authority areas with low population density (so, rural areas) defined as high priority. If used in Scotland this may have had positive impact on Highland categorisation.
- Policy makers will need to consider those areas most impacted since many of these metrics were last measured. It is likely that the COVID pandemic and associated lockdowns have had a disproportionate impact on particular areas of the country.
- particularly those who have a high proportion of employment related to social spending and tourism. Regional data fails to reflect these disproportionate impacts.
- FAI's replication of indices indicates that Highland was close to being categorised as Priority 2 (rather than the current Priority 3) – and thus excludes the impact transport connectivity could have made.

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 Levelling Up and Community Renewal Funds was resource intensive, having to move from inception to conclusion in a little over 3 months. Not all the information was available at the outset and was drip fed over a period of weeks, which proved to be a further handicap in the process.

This placed an onus on Highland Council to develop a system from scratch to invite and assess applications within a tight timeframe and with no cognisance around resource availability. There were no guarantees of success as we moved from a regional allocation model with EU Funding to a competitive process with all other Local Authorities in the UK. The new UK Funds ultimately removed any regionally responsive policies to that of a remote one size fits all policy.

Highland submitted three bids to the Levelling Up Fund comprising of bids for the Inverness, Nairn, Badenoch and Strathspey Constituency, the Caithness, Sutherland and Easter Ross Constituency and a Transport bid.

The Inverness, Nairn, Badenoch and Strathspey constituency bid is an Inverness zero carbon cultural regeneration project which will deliver three independent but complementary projects that combined, will drive the environmental, cultural and economic regeneration of the city of Inverness.

The bid for the Caithness, Sutherland and Easter Ross Constituency focused on the economic benefits of improvements to Wick harbour including, infrastructure works on the Wick Harbour outer seawall which will attract further investment to the port, whilst also progressing a number of regeneration projects linking the harbour to Wick town centre.

The Transport Bid sought to sustainably develop the internationally iconic North Coast 500 route which would include an expansion of Electric vehicle Charging Points and improvements to tourism related infrastructure.

A bid covering Lochaber & Skye will be submitted in the next round.

Highland also submitted seven applications to the Community Renewal Fund as follows:

- Phase 2 Russian Arctic Convoy Exhibition Space
- Great Trails in Highland Communities
- Moving Forwards post COVID
- Women's Focussed Incubator for Ambitious Entrepreneurs in The Highlands
- Fort William Links to the Water
- Community Jobs Scotland Intergenerational Pilot
- Geogemas Hydrogen Hub

3. How successful you have been in securing funding

On 27th October the Chancellor announced as part of his budget and Autumn Spending Review that the Inverness, Nairn, Badenoch and Strathspey constituency bid had been successful in the Levelling Up Fund process. The two other projects submitted were not successful. At the time of writing no indication has been given as to why the other projects were unsuccessful.

On 3rd November 2021 the UK Government announced that one of the seven applications to the Community Renewal Fund, the Community Jobs Scotland Intergenerational Pilot was successful. At the time of writing no indication has been given as to why the other projects were unsuccessful.

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

These issues are covered in response to question 2 above but it is worth highlighting the delay in announcing any successful Community Renewal Fund applications could have an impact on the success of the projects as while the spend date has been extended by three months, the UK Government has made no allowance for material changes which could impact

on the projects ability to deliver. For example, the delay between submission and approval has seen new Scottish Government employability initiatives which does not appear to have been accounted for by UK Government and will generate delivery challenges for the grant recipient and other similar projects.

Highland Council have always been of the view that any timescales for future funding programmes should be set at between 5 – 7 years.

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 report².

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
- 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.

Highland Council are also pragmatic in regard to funding sources. We recognise that the availability of funds can come from the UK Government, the Scottish Government or other funding bodies but on each occasion we will endeavour to maximise the opportunities this affords and align as and when possible.

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

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

A long-term view unfettered by election cycles is required to address the levelling up challenges. Previous answers support a multi annual approach with Local Authorities or Regions being allowed to develop a long-term vision for capital projects

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

Given that, at the time of writing, we do not know the outcomes of the Community Renewal Fund it is difficult to see how this can provide any meaningful input on the design of the UK Shared Prosperity Fund. Since the UK Shared Prosperity Fund was announced Highland and the wider Region have been calling for genuine consultation on the make-up of the Fund but this so far has proved to be elusive.