

Finance and Public Administration Committee

Replacing EU Structural Funds in Scotland

Written Submission from Shetland Islands Council

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

Shetland Islands Council is extremely concerned about the approach taken to identifying priority areas. In particular, it is felt that the metrics used by UK Government do not fully take into account the disadvantages faced by peripheral island areas, which can be mitigated by targeted investments. Peripheral areas suffer a number of challenges not fully accounted for in the prioritisation matrices used for LUF and CRF, including access to services, high costs of living, distance from markets, limited access to labour and lower rates of connectivity than mainland areas.

Previously, EU Structural Funds recognised and accounted for the difficulties experienced by peripheral areas and the need for greater support in terms of investment in infrastructure and social fabric. We would encourage UK Government to review the approach taken to ensure the specific issues facing peripheral and island areas are recognised within this framework.

2. The process of bidding for funding including the types of projects you sought funding for

The process of bidding was extremely labour intensive and placed a considerable resource burden on Council officers at a time when these resources were already under strain due to the impacts of COVID-19 on service delivery. In particular, developing a system for inviting and assessing applications, with very tight timescales and fitting in with required reporting to elected officials, with no assurance of success for any bid, created a great deal of pressure for Council services.

Previously, EU programmes delivered by local authorities have been developed and managed in a local context (eg in the case of LEADER, via a Local Development Strategy constructed through a bottom-up process of engagement with local communities) with a predetermined allocation provided through which to support projects and programmes. Not only did this ensure investment in the local area through a direct allocation, but made local decision making and input from stakeholders central to investment of development funds. This meant that assessment of bids was carried in the context of, and informed by, knowledge of local economic conditions,

community needs, local plans and strategies, and other factors which cannot be brought to bear when decision making is made at a UK, rather than local, level.

3. How successful you have been in securing funding

The Council has been unsuccessful in its bids for both the Levelling Up Fund and the Community Renewal Fund. For applicants to learn the outcome of their funding bids via a public announcement on a Government website is fairly unsatisfactory. At the very least, a communication to applicants should have preceded a public announcement.

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

The main concern was that the spend deadline for CRF was unrealistic, given projects were required to have all activity completed by 31 March 2022. While the spend deadline has been extended, projects were developed and planned with specific timescales in mind, which now require to be amended.

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

It is well documented and supported by evidence, at least in the Highlands and Islands, that the most successful and effective ESIF programmes in the past four decades have been those run and delivered through stakeholder-led partnerships with participative decision making at both a local and regional level. Levels of experience and expertise of what works and what is needed have been built up over time which is why regional and local input is critical to the future success of the UKSPF and why it should build upon the achievements of previous programmes.

One of the strongest aspects of the delivery of EU funds in Scotland has been those areas of funding which have used a community led local development model (e.g. LEADER). Not only has this allowed for local decision-making to distribute funds in a manner which takes specific recognition of local issues and uses key local knowledge as a determining factor, but the collaboration between the public, private and community spheres through the Local Action

Group model has strengthened ties between local actors, and allowed for knowledge sharing and genuine engagement in productive projects.

For the UKSPF to be a success and deliver for the most peripheral parts of the UK there needs to be:

- appropriate targeting to places in need of funding and cognisance of factors that affect islands and remote/rural areas including population sparsity, demographic imbalance, insularity, economic concentration, cost of living, remoteness, fragility and rurality; intervention at the right spatial scale to allow decision-making at the most appropriate level;
- alignment with domestic policies and interventions to prevent a 'cluttered' landscape of funding programmes;
- a long-term, multi-annual approach to give stability and enable longer-term strategic planning of investments;
- flexibility to adapt to changing economic and regional circumstances; and
- less bureaucracy with an audit regime proportionate with the scale of projects and aligned with existing Local Authority processes.

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

In order to provide confidence in the future funding mechanisms it is essentially that a multi-annual programme period is put in place for delivery of SPF, as per EU Structural Funds programming periods. This will provide bodies involved in the delivery of funding with a clear route map for the coming years, rather than having to deal with shifting and changing challenge funds on a rotational basis. It is also essential that local involvement in delivery of programmes is focused around building capacity for local authorities and regions, rather than pitching every council in the UK into a competitive process for a handful of key projects.

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

Given the timescales involved it is difficult to see how feedback and monitoring related to UKCRF and LUF will be able to impact on delivery of UKSPF.