# Finance and Public Administration Committee

# Replacing EU Structural Funds in Scotland

# Written Submission from South Lanarkshire Council

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

Our response will focus on the UK Community Renewal Funds (UKCRF) as it is this that is intended as forerunner of the UK Shared Prosperity Fund (UKSPF) where reference is made of the UK Levelling Up Fund (UKLUP) it will be specific in explaining the differences of approach or issues.

South Lanarkshire Council welcomed the UKCRF focus on need at a local authority spatial level and identification of priority local authorities and would anticipate the UKSPF will follow similar metrics and priority local authorities.

Firstly, it is considered correct at a spatial level that the UKCRF and UKSPF target need and focus investment on areas most in need of economic assistance and it is correct this should be done at a local authority spatial level. The previous NUTS2 areas and current City Region levels are too large to address community needs and the SIMD data too fine grained in spatial terms to define funding levels.

Previous EU funding allocations were based on larger NUTS 2 geography which unfortunately masked levels of need in areas and local authorities such as in South Lanarkshire, Dumfries and Galloway, Borders and the Ayrshires councils. This is highlighted by the redefinition of the NUTS 2 geography and its worth recognising that the new NUTS 2 geography for Southern Scotland region including these councils had the lowest GVA per head in the whole of the UK in 2018 and would likely have been classified as “less developed” in European classification and attracted significant more EU funding in the EU 21-27 programme than in recent years. The significance of the spatial level of targeting is emphasised by the reality that many more millions EU funds may have been invested within the geography if this had been recognised in previous programmes. Future programmes need to target need and ensure money is invested in the correct areas and at levels that will drive change.

It is appropriate that local authorities are the geographic level prioritisation is now established at but programmes should guide investment as to how the UKCRF and UKSPF will assist deprived and most in need communities within rural and urban areas. Programmes for change should be developed locally and cover local authority areas but focus on deprived communities and capital investment can be in or support deprived communities to help wealth building.

In regard the specific indicators and metrics used it is appropriate that productivity measured by GVA is given priority and weighting 30% in the UKCRF. Addressing productivity is the most important single factor in economic growth, if areas continue to lag in productivity they will continue to lag in all measures of economic wealth. It is recognised this does not fully capture labour market areas and commuter flow however it forms a sound basis for targeting the correct geographies.

The other indicators: household income, skills, unemployment rate are all appropriate and should be aggregated over a number of years to smooth out any anomalies. South Lanarkshire particularly welcomes the inclusion of population density and recognition that rural areas can be considered less economically resilient and can be given a prioritisation on that basis.

While both the metrics used, and spatial level used by the UKCRF are broadly welcomed a deep concern remains around the competitive nature of the funds and uncertainty on the final awards. Considerable resources were required to prepare and submit UKCRF applications by local authorities and local delivery organisations and the 3rd sector groups. This work with no certainty on allocation to each area has built in a waste of limited resources and potentially lowers the areas productivity.

The alternative would be an allocation to areas on a needs basis and while straight allocations to priority areas on a metric basis may in theory support targeting, it focuses project development on area projects where delivery and innovation can be managed at a local bidding level.

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

The process of bidding for funding under the UKCRF was resource intensive both for local authorities and local groups and agencies. The requirement to move from the fund’s inception to conclusion of detailed bids within 3 months was deliverable but only just. This deliverability required to include local authorities launching a local bidding process, supporting local applicants, and developing a robust assessment process for local applications and seeking local political approvals for key stages was challenging. For local delivery organisations it required similar development of large bids and internal approval processes.

Each local authority could bid for up to £3m of funding with any number of sub projects within the total bid. The guidance from the UK Government to seek application from sub projects of scale (around £500k) produced along with the exceptionally short delivery span August 2021 - March 2022 resulted in a distorted bidding and award process. The UK Government’s own scoring criteria prioritised deliverability by March 2022 at least as significantly as impact and importance of the projects. If the fund had not such a compressed bidding and delivery period and had not prioritised large bids the range and community significance of projects may have been more impactful. These comments are made in further reflection of the several delays in the decision making timeline that made the delivery by the end of March 2022 undeliverable.

The priorities of the programme listed below are recognised as some of the correct priorities:

- Investment in skills;
- Investment in local business;
- Investment in communities and place;
- Supporting people into employment;

However, sustainability, rural development and tacking poverty could all have been themes in their own right.

In addition, the UKCRF limitations on timescale, revenue focus and guidance on scale limited the types of project that could have delivered greater renewal.

If the UKSPF is to deliver deep impacts for areas and communities most in need an understanding that delivery will take time is fundamental. Significant change will not be delivered by revenue funding alone and not in a condensed 6 – 7 months duration.

The UKSPF requires to be a blend of capital and revenue funding over multiyear timescales with local authority coordination on timescales and local priorities. The theme list should be expanded to also include

- Rural communities;
- Sustainability;
- Poverty and inclusion.

While employability is a cornerstone of EU ESF programmes the inclusion of employability within the UKSPF created layered duplication given the existing employability offer in Scotland (ESF, No One Left Behind etc) it was difficult for projects focussing on employability alone to convince on the issue of additionality.

Local authorities have experience of running open bidding processes for several funds including ESF however this should be over multi year periods with certainty over the level of funds available. The overall programme should be underpinned by trust in local government to know its communities, their needs and those of the local economy and to allocate funds to greatest effect on that basis rather than a central assessment of themes and consequent bids without the benefit of that local knowledge.

## 3. How successful you have been in securing funding

The awards for the UKCRF funding were made on the 3rd of November, 3 months later than indicated in the published documentation and S Lanarkshire were awarded a grant for the single largest project in Scotland at £874k and while this is good the decision making did not follow the local priority order as submitted and therefore projects ranked as more significant locally where not funded.

S Lanarkshire is frustrated that the guidance while indicating projects of different size may be funded the guidance specifically requested projects of scale and more than £500k but awards have focused on smaller projects in direct contradiction to the published guidance.

While all 13 priority local authorities in Scotland have received awards its not clear that there is further correlation with need or recognition of the scale of individual local authorities. There is a very wide range in the value awarded by head of population through the UKCRF to Scottish local authority from £32.35 to £1.62 both priority 1 local authorities.

South Lanarkshire have recently been informed they were unsuccessful on an ambitious EV charging infrastructure bid to the UK LUF, mistakenly assessed, and rejected on not meeting a technical gateway criterion of spend in 2020/21. The bid and supporting documents clearly indicated that £0.880m of spend was profiled for 2021/22. Given the scale of resource that was incurred in preparing such an ambitious and detailed bid and the explanation provided for non award, the Council will be seeking an urgent meeting with the UK Government officials.

Its concerning that levelling up funding states the aim of targeting areas of need still resulted in wealthy local authority areas in lower category (2,3) areas securing funding while category 1 areas such as S Lanarkshire were not successful. If the aim of the UK LUF is truly to “level up” investment and economies and productivity, then funding requires to flow to category 1 priority areas.

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

As indicated above, the timescales for submitting bids to the UK Government were challenging. In addition, the requirement that all activities associated with approved UKCRF projects (including evaluation) be completed by 31st March 2022 was and is a major cause for concern which has only been heightened by the long delay in announcing UKCRF awards.

If the completion date remains March 2022, then there is a strong likelihood that many projects, even if approved, will simply not be able to deliver at all in the remaining time now available and will not accept the funding and risk. Furthermore, organisations prepared plans planning the use of resources and scheduled other work around the possibility of this funding. In terms of timescales, it is not as simple as adding a few months onto the end and expect projects to run as set out in the bid documents. A delivery deadline of September 2022 would now be more appropriate.

Regarding the UK Levelling up fund the completion deadline of March 2024 for project of the scale of £20m is limiting the scope of projects. This is particularly so for projects approved in rounds 2 or 3 of the fund as each year the project delivery period becomes unnecessarily tighter. One of the first stages for local authorities and partners is not what will deliver the most significant economic benefit to the area but what can be delivered within the time constraint.

This will lead to missed opportunities within some areas and reduce the impact of the fund.

It is with significant disappointment that we note the quantum allocated in round one of the LUF in Scotland was £172m – had all 32 authorities submitted a £20m bid in round one there would have been £640m of bids being prepared when less than a third would have been able to be supported. As noted earlier this is massively wasteful of resources and a formula based allocation providing some certainty and local prioritisation is vital to avoid these mistakes being repeated.

# 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

Aspects that have worked well within the UKCRF and UKLUF

- High levels of financial intervention UKCRF was 100% and UKLUF 90%;
- Intervention at the right spatial scale (local authority level with focus then on communities);
- The UKCRF priority themes;
- The UKCRF local bidding process;
- Bid support process and dialogue from UK Government;

- Funding to support development and administer delivery (in UKCRF);
- Local authorities leading on UKCRF and UKLUF local economic development.

Areas of concern

- Bidding timescales for UKCRF and UKLUF;
- Resource requirements of bidding process particularly UKLUF;
- Wasteful of resources in preparing large scale LUF bids in a competitive process where only a fraction of projects will be successful in any round;
- Quality of feedback on unsuccessful LUF bids and inaccurate reason for non award;
- Delivery timescales for both UKCRF and UKLUF;
- Lack of consultation Requirements of UKSPF;
- High level of intervention;
- Mix of capital and revenue funding;
- Multi year funding;
- Broadening of themes from UKCRF;
- Certainty on level of funding;
- Genuinely additional resource;
- Trust in local government to target resources to best effect reflecting the needs of their communities and local economy;
- Shared vision and commitment by all levels of Government; and
- Local partnership decision making – with capacity building support.

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

As indicated in the answer to the previous question, a genuinely multi annual approach is required to address the levelling up challenges. For example, improving the employability prospects for those currently with significant barriers to labour market participation does not lend itself to short term, “quick fix” solutions.

The UKSPF should be able to blend capital and revenue awards similar to the EU LEADER programme which was able to deliver through linked capital investment and support for initial delivery. Leader had no set “balance” of capital to revenue and local experts and projects could plan the best model. While this fund was exclusive to rural areas it would work well in delivering change in deprived urban areas. Fundamental though is resource to run the programme and LEADER allowed up to 25% to engage with communities and develop capacity, this support help ensure sustainability of the investments.

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

This is covered in Section 9 of the UKCRF prospectus. However, given the planned timescale for the rollout of the UK Shared Prosperity Fund, it is difficult to see how the evaluation activity cited in the UKCRF prospectus could meaningfully have an input on the design of the UK Shared Prosperity Fund.