Finance and Public Administration Committee

3rd Meeting, 2023 (Session 6), Thursday 18 January 2024

Replacing EU funds in Scotland

Purpose

1. The Committee is invited to take evidence in relation to replacing EU funds in Scotland from the Rt Hon Michael Gove MP, Secretary of State for Levelling Up, Housing and Communities and Minister for Intergovernmental Relations.

2. This session builds on the Committee's earlier work on these funds, including hearing evidence from the Secretary of State on 24 February 2022. A further evidence session with the Secretary of State was expected to take place a year later, in the early part of 2023 and, to inform that session, the Committee in December 2022 sought written evidence from Scottish local authorities, COSLA, the Scottish Local Authorities Economic Development Group (SLAED) and the What Works Centre for Local Growth. These bodies were asked about their experiences of (1) the Community Renewal Fund (CRF), (2) Multiply, (3) the UK Shared Prosperity Fund (UKSPF), and (4) rounds 1 and 2 of the Levelling Up Fund (LUF). Reponses received are published on the Committee's webpage

3. The evidence session has now been arranged for 18 January 2024. Given the passage of time since submissions were sought in December 2022, the same organisations were invited (in November 2023) to provide any further comments on the funds ahead of this evidence session. Latest responses received are also published on the Committee's webpages.

4. SPICe has produced a summary of the responses received from both calls for views, which is attached at Annexe A.

5. In the intervening period between the two evidence sessions the Committee has also corresponded with the Secretary of State on the operation of the funds.

Spending in devolved areas

6. The Committee agreed at its meeting on 28 September 2021 to undertake scrutiny on replacing EU funds, building on its predecessor Committee's work in this area, including its report published in October 2019.

7. The Committee heard from the Scottish Government during pre-budget 2022-23 scrutiny that it is “extremely difficult to determine how to use our limited capital funding as far as we can for hospital projects, roads and schools when the UK Government is making decisions about capital spend that we are not sighted on”. The Secretary of State, during evidence to the Committee in February 2022, stated that the disbursement of funds would be on the basis of objective criteria and said “we will work in partnership with the actors in local government and Scottish Government”.[1] The Secretary of State also said, in relation to the UKSPF, that he wanted to ensure “intensive dialogue” with Scottish Ministers on the basis on which the money should be distributed. However, regarding the LUF “ultimate decisions will be for the UK Government…the conclusion about whether the funding has been distributed equitably will come at the end of the process [in March 2025].”

8. The Secretary of State further confirmed that an intergovernmental committee would be set up to provide for discussions between the UK Government and Scottish Government “to make sure that policies are aligned”. In May 2022, the Secretary of State advised that the first meeting of the Interministerial Standing Committee (IMSC), established following the Joint Review of Intergovernmental Relations, was held on 23 March 2022.

9. In her letter to the Committee of 19 October 2023, the Deputy First Minister and Cabinet Secretary for Finance emphasised that “the Scottish Government’s firm view remains that it is for the Scottish Government, accountable to the Scottish Parliament, to decide how policies in devolved areas are developed and delivered in Scotland, including allocation of funding, in line with the devolved settlement”.[2]

The UK Shared Prosperity Fund (UKSPF)

10. On 1 August 2022, the UK Government published its UKSPF prospectus in which it restates the overarching objective for the UKSPF as “building pride in place and increasing life chances”. The prospectus explains that the UKSPF forms part of a suite of complementary Levelling Up funding, building on the competitive LUF and Community Ownership Fund and aims to “complement Levelling Up Fund capital projects, strategic Freeport investments or community-level Community Ownership Fund projects, as well as existing employment and skills provision”.

11. The UK Government states that “the UKSPF will be worth over £2.6 billion over the next 3 years”[3] (to March 2025), which will “at least match current EU receipts” of which £430 million is ringfenced for Multiply, an adult numeracy project. Annexe B (figure 1) sets out the status of funding to local authorities through the UKSPF (as well as LUF and the Towns Fund).[4]

[1] Finance and Public Administration Committee, Official Report, 24 February 2022.
[2] Deputy First Minister letter to the Committee, 19 October 2023.
[3] UK Government, Community Renewal Fund Guidance: Frequently Asked Questions.
[4] As well as across the Levelling Up Fund, and the Towns Fund.

12. The UK Government explained that this funding comprises of—

"a tail of EU project funding, which for obvious reasons is winding down. We then layer UKSPF money on top of that. If you take the two together, what you get overall is matching, and in some cases exceeding, the amount that we would have got had we carried on being in the EU with spending at that level."[5]

13. The UKSPF provides a mix of revenue and capital funding and, as the UK Government explained, all areas of the UK will receive an allocation from the Fund via a funding formula rather than a competition. The National Audit Office (NAO) in its report on Levelling up funding for local government published on 17 November 2023 states that by March 2023:

- £2.51 billion had been allocated across the UK (supporting more than 3000 projects),
- the first full year's allocation (for 2022) had been given to local authorities, and
- approximately £81 million had been spent by local places.

14. The UKSPF Prospectus notes that "as we simplify the funding landscape, we will consider further opportunities to integrate funding with the UKSPF, including alignment with additional rural funding from the Department for the Environment, Food and Rural Affairs in England".

15. The UK Government's Department for Levelling Up, Housing and Communities (DLUHC) is accountable for the overall implementation of the UKSPF across the UK and 'Multiply' in Scotland, Wales and Northern Ireland. HM Treasury was involved in designing the UKSPF, including the decision to fund Multiply as part of the UKSPF.[6] The Fund's interventions are to be planned and delivered by councils and mayoral authorities across England, Scotland and Wales – 'lead local authorities' - working closely with local partners and the Scottish and Welsh governments.

16. In determining the allocations, different approaches have been taken for different nations in the UK. For Scotland, the UK Government explains that it has, in consultation with local stakeholders, adapted the approach to funding allocation (compared to that used in England) to take into account the remote nature of parts of the country and the special needs of the Highlands and Islands such that:

- 60% of funding is allocated on a per capita basis across Scotland.
- 30% of the allocation uses the same needs-based index previously used to identify UK Community Renewal Fund priority places.
- 10% are allocated using the lower population density measure contained within the UK Community Renewal Fund, recognising the higher cost of

[5] Hansard of the Housing, Levelling up and Local Government Committee, House of Commons, 8 November 2021,

[6] National Audit Office Report: Levelling up funding for local government, 17 November 2023

delivering services in rural areas and the unique rurality of some Scottish authorities and island communities.

17. The UKSPF objective is supported by the following three investment priorities. Alongside each investment priority, the Prospectus identifies which of the 12 levelling up missions (set out for the LUF) it supports:

- *Communities and place* investment priority “will enable places to invest to restore their community spaces and relationships and create the foundations for economic development at the neighbourhood-level. The intention of this is to strengthen the social fabric of communities, supporting in building pride in place”
- The *Supporting Local Business* investment priority “will enable places to fund interventions that support local businesses to thrive, innovate and grow”
- The *People and skills* investment priority through which “places can use their funding to help reduce the barriers some people face to employment and support them to move towards employment and education”. In addition, “places can also target funding into skills for local areas to support employment and local growth”.

18. The UK Government explained that each lead local authority in England, Scotland and Wales will be paid annually in advance.

19. Following the Fund’s launch on 1 April 2022, local authorities had to submit their investment plans by 1 August 2022, but, as the NAO reports, DLUHC did not approve the investment plans until December 2022, leaving local authorities three months to spend their 2022-23 allocation. Local authorities were given flexibility to carry forward their unspent funding, subject to submitting a spending plan to DLUHC, however, this has delayed their timescales.[7]

20. Despite these delays, the UK Government expected funds to be spent by the original deadlines. The NAO reports that this, however, “looks unlikely given the risks to project delivery, and there is a risk that attempts to hold local authorities and other organisations to original deadlines could reduce the overall value for money of their projects.” DLUHC explained that it continues to keep the deadlines for funds under review.[8]

21. On 13 April 2022, the UK Government also published an Interventions list for Scotland which it explains has been developed with the Scottish Government and COSLA “to inform the most appropriate mix of interventions for Scotland. This engagement has informed the interventions list for each of the three investment priorities of the UKSPF”. Investment Plans should also have regard to other Scottish Government policies such as the National Strategy for Economic Transformation.

22. The UKSPF Prospectus sets out other aspects of how the UKPSF will operate:

[7] National Audit Office Report: Levelling up funding for local government, 17 November 2023
[8] National Audit Office Report: Levelling up funding for local government, 17 November 2023

- UK MPs “should be closely engaged in the design and delivery of the Fund [and] in most cases, all MPs in the area should be invited to join the local partnership group”. Members of the Scottish Parliament, the Senedd and the Northern Ireland Assembly should also be engaged where relevant.
- Places will be able to choose from investment across three investment priorities and each place will have flexibility to invest across a range of activities that represent local need. Plans should build on existing national provision to create the optimal mix of support for each place and in Scotland and Wales “involve the Scottish and Welsh governments, and the Offices of the Secretary of State for Scotland and Wales respectively, in the preparation of their investment plans”.
- Lead local authorities will receive an area’s allocation to manage, including assessing and approving applications, processing payments and day-to-day monitoring.
- Working with other places is strongly encouraged in the delivery of Fund interventions where it meets the needs of their place and achieves value for money or better outcomes for local people or businesses.
- In Scotland and Wales “the lead local authority for each strategic geography will receive £40,000 [which] reflects the extra work required to establish new delivery and governance arrangements in these areas” whilst up to 4% of their allocation can be used to undertake necessary Fund administration, such as project assessment, contracting, monitoring and evaluation and ongoing stakeholder engagement.
- The milestones, expectations and timescales will be set out in a Memorandum of Understanding with each lead local authority. There will be a formal reporting request every six months, with qualitative updates on a more frequent basis also required. Lead local authorities in England, Scotland and Wales will be asked to report data to the UK Government to ensure that allocations are being spent to agreed timescales and milestones, including achievement of outputs and outcomes at the project level.
- Lead local authorities and project deliverers must ensure that the appropriate UK government logos are used prominently in all communication materials and public-facing documents relating to funded activity – including print and publications, through to digital and electronic materials.

23. The Prospectus states that the Scottish and Welsh governments and the Northern Ireland Executive have been invited to be part of a UK-wide ministerial forum that will support delivery of the Fund. In Scotland and Wales “we want each government to work with their strategic geographies on the development of investment plans and to attend all local partnership groups in a full way”.

Levelling Up Fund (LUF)

24. On 2 February 2022, the UK Government published its Levelling Up White Paper alongside a report on Levelling Up: delivering for all parts of the UK.’ The UK Government outlined that “in England, Scotland and Wales, funding will be delivered through local authorities” and that “the Scottish and Welsh Territorial Offices will be consulted in the assessment of relevant bids”. In its LUF Prospectus published in March 2021, the UK Government explains that the

LUF will focus on capital investment in local infrastructure and that it will sit within the wider context of capital infrastructure spend announced by the UK.

25. Figure 2 at Annexe B sets out the funding awarded through LUF by local authority area (rounds 1-3).

26. It further identifies that the Fund will deliver as part of a broad package of complementary UK-wide interventions such as the UK Community Ownership Fund, the Plan for Jobs; the Freeports programme[9], the UK Infrastructure Bank, the Towns Fund, the UK Community Renewal Fund and UKSPF (as set out above).

27. The DLUHC and the Department for Transport (DfT) share accountability for the LUF. DLUHC leads on town centre, regeneration and culture projects while DfT takes the lead on transport projects. Alongside DLUHC and DfT, HM Treasury co-designed the bidding and assessment criteria for the LUF and all three departments were responsible for deciding where funding was allocated.[10]

28. The Levelling Up Advisory Council (an independent, non-statutory Council with 11 members) has been established to provide “candid, expert advice to inform, support and challenge Ministers in driving forward the levelling up agenda and strengthening government’s approach to place-based policy and delivery”.

29. The White Paper explains that levelling up will require “us to:

- boost productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging.
- spread opportunities and improve public services, especially in those places where they are weakest,
- restore a sense of community, local pride and belonging, especially in those places where they have been lost, and
- empower local leaders and communities, especially in those places lacking local agency.”

30. It further explains that a focused, long-term plan of action and a clear framework to identify and act upon the drivers of spatial disparity (or geographical differences) will be needed. To that end, the LUF has 12 medium-term missions[11] (to 2030) set by the UK Government to provide consistency and clarity over levelling up policy objectives. These ambitions are for all parts of the UK and delivering on them, “while being fully respectful of the devolution settlements, will require close and collaborative work with the devolved administrations”.

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[9] Letter from the Cabinet Secretary for Finance and the Economy on the introduction of green freeports in Scotland, 15 February 2022.
[10] National Audit Office Report: Levelling up funding for local government, 17 November 2023
[11] See table 2.1 on Page 120-121 of the Levelling Up White Paper for the 12 missions which the UK Government explain will “guide the UK’s approach to levelling up over the next decade.”

31. In order to ensure that the funding is targeted at the areas in most need, a UK Government index has categorised local authorities across the UK into three categories with places marked as "1" being most in need. Need has been informed by:

- need for economic recovery and growth;
- need for improved transport connectivity; and
- need for regeneration.

32. This methodology also treated transport connectivity differently in Scotland compared with England where a 25% weighting was applied. This, the Secretary of State explained, was as a consequence of policy advice received from officials on the best and most equitable way of allocating resource. Whilst objective criteria was used to assess need, Ministerial discretion could then be used to ensure that changes could be made to the methodology to address any concerns.[12]

Round 1

33. The first round of the LUF focussed on three key themes - "smaller transport projects that make a genuine difference to local areas; town centre and high street regeneration; and support for maintaining and expanding the UK's world-leading portfolio of cultural and heritage assets."[13] The Fund focused on investment in projects that require up to £20m of funding. However, there was also scope for investing in larger high-value transport projects, by exception. Bids above £20m and below £50m were to be accepted for transport projects only, such as road schemes, and submitted only by a bidding local authority.

34. Capacity funding of £125,000 was provided to those local places classed as category 1, as well as all local authorities in Scotland, to support the preparation and submission of high-quality bids. In evidence to the Committee in February 2022, the Secretary of State explained that if local authorities in Scotland needed additional support to prepare capacity funding for round 2 bids, DLUHC "stand ready to provide that support…and we will work to give them a fair assessment of the likelihood of success".

35. The Prospectus explained that Members of Parliament were expected to back one bid that they see as a priority. Therefore, the number of bids that a local authority in the first category can make related to the number of MPs in their area. Local authorities could submit joint bids with the maximum bid size for joint bids determined by adding up the individual £20 million caps of each bidding authority. Joint bids counted towards the maximum number of bids that each local authority was able to submit.

36. Local authorities can only have one successful bid for each of their allocated number of bids over the lifecycle of the Fund. All proposals in Scotland, Wales

[12] Official Report, Finance and Public Administration Committee, 24 February 2022
[13] Levelling Up Fund – prospectus, March 2021

and Northern Ireland also had to fall within the scope of the financial assistance powers in the UK Internal Market Act 2020.

37. In the first round of funds awarded under the LUF, eight projects led by Scottish local authorities received funding, worth just under £172 million (around 10% of the total value of all awards). In this first round, five of the eight projects were in Priority 1 areas (accounting for around two-thirds of the value of the awards). The UK Government expects funding provided to be spent by 31 March 2024, although larger schemes may take until 2024-25. The March 2021 LUF Prospectus explained that “once funding awards are decided, relevant local institutions are responsible for their delivery [and] further contributions from the Fund will not be provided to meet cost overruns after funding has been agreed”.

Round 2

38. The Prospectus for Round 2 of the LUF published in 2022 focussed on the same three investment themes as the first round. The UK Government explained that it was in addition prepared to fund up to two large bids for up to £50 million under the Fund’s culture and heritage investment theme.

39. Any local authorities that moved up to category 1 as a result of the Index update, received £125,000 of capacity funding to support the preparation and submission of high-quality bids for round two. As with round 1, joint bids could be submitted, with similar expectations regarding the role of MPs.

40. As in the first round, funding was “targeted towards places in England, Scotland, and Wales that are most in need of the type of investment the Fund provides”. The second round of the Fund also continued “to use the Index of Priority Places for places in England, Scotland, and Wales, with the Index itself updated to use the latest available datasets”. There was some movement of places to the higher category of need as a result, but no places were moved to a lower area of need.

41. In November 2022, the Secretary of State responded to the Committee on how the National Outcomes (in Scotland’s National Performance Framework) influence the LUF in Scotland. He explained that the UK Government “instructed applicants to the Levelling Up Fund in Scotland to demonstrate how their bids aligned with, or complemented, wider public service investments made available by the Scottish Government”.

42. The NAO explains in its November 2023 report that—

“Ministers decided not to award funding from LUF round 2 bids to any local authority in England, Scotland and Wales that had already received money in round 1. This decision was made during the assessment process. As such it was not communicated in advance and 55 local authorities who had received funding in Round 1 had invested resources in submitting bids for Round 2.”

43. In Scotland, £177 million was awarded at round 2 across 10 projects. The value of those individual projects ranged from £9 million to £39 million, with an average project value of £19 million.

44. In relation to rounds 1 and 2, the NAO reported that as of 31 March 2023, of the £4.8 billion made available to March 2025, £3.78 billion has been allocated with £267 million spent by local places. The successful bidders for round 1 funding (£1.4 billion announced in October 2021) are required to spend that funding by March 2024. Round 2 funding of £2.1 billion, announced in January 2023, should be spent by 31 March 2025 but, as the NAO observed, "it took longer than planned to confirm funding agreements and transfer funding to local authorities". Across rounds 1 and 2 of the LUF, 834 bids were submitted across the UK, of which 216 were successful and 618 (valued at £9.74 billion) were rejected.

45. As with the UKSPF, there have been delays in projects beginning, some of which were due to DLUHC processes. The NAO reports that as of March 2023, 50% of main construction contracts for round 1 LUF projects (due by March 2024) and 85% of LUF for round 2 projects remained unsigned. DLUHC has said that it will allow spending to extend beyond the original deadlines for the LUF and has rolled out a revised project adjustment process to allow local authorities to make changes to the scope and scale of their projects albeit this may impact on the intended outcomes. Alongside this, an additional £65 million has been provided to support projects, as well as training and expert support. DLUHC has also said it will keep the deadlines for funds under review.

46. As of 31 March 2023, 404 projects have been funded under round 1 and 2 of the LUF across the UK. Of them, 10 projects have not started, 3 are paused, 335 are underway, 5 have been completed and 51 are expected to be completed by 31 March 2024.[14]

Round 3

47. On 20 November 2023, the UK Government announced the Round 3 explanatory and methodology note on the decision-making process for selecting successful bids. It explained that it has taken on board feedback from local authorities and that, in line with the principles set out in the Funding Simplification Plan, this third round moves away from the competitive approach of rounds 1 and 2, and sees funding awarded to high-quality bids that were submitted in round 2.

48. The UK Government confirmed that 55 unsuccessful projects at round 2 had been provisionally successful for funding at round 3 based on their round 2 bids. This included £122 million for 6 projects[15] within Scotland. The UK

[14] See Figure 6 - National Audit Office Report: Levelling up funding for local government, 17 November 2023

[15] It is understood that those bids awarded at Round 3 but applied for in Round 2 are from: North and South Ayrshire Councils in a joint bid; Dumfries and Galloway, South Lanarkshire and Scottish Borders Councils in a joint bid; Glasgow City Council, South Lanarkshire Council, Moray Council

Government confirmed that this brings the total funding of successful bids in Scotland to £465 million. For each project, the UK Government explains that it will support local authorities to complete the validation and onboarding process. Until this process is completed, all funding announced is provisional.

49. For round 3, funding was targeted at places based on Levelling Up Need, the metrics of which "draw on the extensive evidence base as set out in the Levelling Up White Paper".

50. In relation to projects within Scotland, the UK Government explains that Scotland Regional Economic Partnerships were used to ensure geographic spread across Scotland (which then gives a list of 8 geographically distributed local authorities). The local authority with the highest overall score for Levelling Up Need in each of these more geographical areas is selected as a Priority Place. The 4 most in need based on Levelling Up Need were selected and this represents the list of Scottish LUF round 3 Priority Places.

Levelling Up and Regeneration Act

51. More recently, the Levelling-up and Regeneration Act 2023 was passed by the UK Parliament. Part 1 (clauses 1 to 6) of the Bill—

    "… establishes a new statutory requirement for ministers to set levelling up missions and report on progress against these. It would also allow progress methodology, metrics and/or target dates to be amended and the missions themselves to be reviewed."

52. Part 1 of the Act also provides UK Ministers to "have regard to" any role of the devolved legislatures and devolved authorities (and carry out consultation, as the Minister considers appropriate, with the devolved authorities) in relation to:
    - preparation of the levelling-up missions in the statement, and any reviews of those statements, and
    - changes to mission progress methodology and metrics or target dates.

53. The Act also provides for Scottish Ministers to be consulted by UK Ministers in preparing annual reports on the delivery of the levelling-up missions.

54. Earl Howe, Deputy Leader of the House of Lords, explained that these provisions reflect "the importance of ensuring that Governments in all parts of the UK are properly engaged as we take forward the levelling-up agenda, and that the devolution settlements are not undermined". He added that there is work underway between officials in the UK Government and in the devolved administrations to explore collaborative work on various missions—for example, on research and development and well-being.

55. On 13 October 2023, the Committee wrote to the Secretary of State for Levelling Up, Housing and Communities asking how he proposes to fulfil the requirement under the Act that UK Ministers prepare a document setting out how they have complied with the duty to have regard to any role of the Scottish

Parliament and the Scottish Government. That document is then also laid before the UK Parliament.

56. In his response on 6 December 2023, the Secretary of State set out the procedure for laying this document, confirming that the Levelling Up Minister, Jacob Young MP, had written to the Deputy First Minister to consult the Scottish Government on the first Statement of Missions, with a request for a response by 15 December.

57. The Committee also wrote to the Scottish Government on 13 October 2023 seeking a commitment to work with the Scottish Parliament to agree a formal and meaningful role by which the Parliament and relevant committees can be consulted by the Scottish Government in relation to the relevant roles in the Act. Responding, the Scottish Government explained that “we have, as yet, no details of how UK Ministers will judge what consultation is “appropriate”; the provisions imply that they are free to conclude that no consultation is actually required”.

58. On 15 December 2023, the Deputy First Minister wrote to the Committee enclosing her response to the Levelling Up Minister on the first draft Statement of Levelling Up Missions, which are not published, but are “closely based on the missions published by the UK Government in February 2022, accompanied by metrics to measure progress”. The Deputy First Minister states five of the missions relate to England only and that, for the UK Government to fulfil its statutory duty to have “regard for any role” of the Scottish Parliament and Government in connection with the devolved subject matter of a levelling-up mission, “it should acknowledge that devolved institutions are completely responsible for them in Scotland”. She adds that the Governments “ought to work together towards shared outcomes, but in a manner that respects the appropriate division of duties”.

59. The Deputy First Minister also enclosed the Scottish Government’s consultation response of 15 December 2023 to the Levelling Up Minister, which concludes that—

> “The UK Government has no role in setting levelling up missions in devolved areas, and there are existing policies and programmes in place in these areas that are properly the responsibility of the Scottish Parliament and Scottish Government. So having proper regard to our role would be to remove Scotland from the scope of these missions. I would therefore be grateful if you could amend the Statement to make clear that Missions 3, 5, 6, 7, 8, 9, 10 and 11 do not apply in Scotland.”

UKSPF and LUF evaluation

60. As referred to earlier in the paper, on 17 November 2023, the NAO published its report on Levelling up funding to local government, which examines whether the

three significant levelling-up funds – the LUF, UKSPF and Town Fund[16] - are likely to deliver value for money. The NAO's report bases its report on funding expenditure and project progress across the UK as of 31 March 2023[17]. Key findings relevant to the LUF and UKSPF (both of which operate in Scotland) are included below.

61. The NAO found that the three funds (UKSPF, LUF and the Towns Fund) have overlapping objectives but were designed and announced at different times, such that local authorities could not align their plans to secure most value. For example: local authorities had to submit UKSPF investment plans before finding out if they were successful in the LUF round 2. This meant local authorities did not know what funding they may receive from each fund, preventing effective planning (see Annexe C for a timeline of key announcements for the UKPSF and LUF).

62. The NAO also reported that delivery of projects across the three funds was behind schedule. Projects are taking place at a time when there is pressure on public finances because of the impact of the COVID-19 pandemic, the energy and cost of living crisis and sudden interest rate rises. In addition, the NAO reports that local authorities' projects were held up due to delayed funding announcements.

63. DLUHC made several funding announcements across the funds later than planned and many local authorities delayed starting work as a result. In February 2022, the Secretary of State was asked how inflation could impact on the deliverability of projects should it increase after the funding is awarded. In response, the Secretary of State explained that, while there is a degree of budget discipline when budgets are put forward, if it is a good bid that makes good progress but "right at the end there is a need for additional finance to make sure things are delivered, we would always look sympathetically at that."

64. The NAO reports that there has been significant improvements by DLUHC in grant management processes and it has developed its plans to improve its fund evaluation. An overarching evaluation strategy[18] has been published which highlights some of the challenges in evaluating the UKPSF and LUF in attributing impacts to specific interventions where places may receive multiple or overlapping funding streams and in identifying meaningful comparator places. Specific evaluation strategies for the UKSPF (in March 2023)[19] and for the LUF (in March 2022)[20] have also been developed.

65. It was originally envisioned by DLUHC that evaluation would be undertaken at local level. However, in its simplification plan published in July 2023, DLUHC recognised the burden this placed on local authorities, and so moved towards undertaking central evaluations with better data access and capabilities. This

[16] An England only Fund consisting of the Town Deals and Future High Streets Fund programmes, which aims to "unleash the economic potential of towns and high streets in England."
[17] It does not therefore comment on the awards made under Round 3 of the Levelling Up Fund.
[18] DLUHC evaluation strategy - GOV.UK (www.gov.uk)
[19] UKSPF: evaluation strategy - GOV.UK (www.gov.uk)
[20] Levelling Up Fund: monitoring and evaluation strategy - GOV.UK (www.gov.uk)

changed approach relates to the UKSPF and rounds 2 and 3 of the LUF (as round 1 LUF evaluations are already in progress).

66. The NAO reports that the “impacts from the funds DLUHC plan to evaluate will take time to appear, which means that there are limitations to what impact evaluation evidence will be available in the short term.” Instead, interim evaluations will be used.

67. The NAO concludes that, at the time of reporting in March 2023, it appears unlikely that local authorities will be able to complete projects by the original deadlines. As such, it notes that local authorities and DLUHC will have to work together to deliver the intended outcomes from these funds alongside realistic expectations about what can be delivered by when. Currently there no plans to distribute funding beyond March 2025 for the LUF (except on an exceptional basis) or for the UKSPF.

68. Speaking to the Committee in February 2022, the Secretary of State explained that the measures of success for the LUF are in the 12 missions, stating “we want the productivity gaps and wage differentials between different parts of the UK to narrow” albeit no metric for narrowing inequality or improving productivity in Scotland has been set.

Other Funds

69. As noted above, the UK Government identifies a range of approaches it considers contribute towards its approach to Levelling Up. It has provided more information on those funds on its website Building for Scotland. Key details of some of those Funds are below.

Community Ownership Fund

70. The Community Ownership Fund also comes under the umbrella of Levelling Up. It is valued at £150 million and is focused on “local facilities, community assets and amenities”. The Fund will run until 2024-25 and there will be at least 8 bidding rounds. Bids are assessed against a framework, with the final decision taken by the Department for Levelling Up, Housing and Communities (DLUHC)[21] Across three rounds of bidding, the UK Government confirms that it has provided £6.2 million, allocated to 28 projects in Scotland.[22]

Long-Term Plan for Towns

71. On 2 October 2023, the UK Government announced that 7 Scottish towns[23] are part of £1.1 billion levelling up investment being provided to 55 towns across the UK. It explained that each will receive £20 million directly from the UK Government as part of a long-term investment plan for towns that have been

[21] UK Government, Community Ownership Fund Prospectus, 15 July 2021.
[22] Community Ownership Fund: successful bidders - GOV.UK (www.gov.uk)
[23] Clydebank, Coatbridge, Dumfries, Elgin, Irvine, Greenock and Kilmarnock

"overlooked and taken for granted". Under this Plan, the UK Government will work with each town and the Scottish Government to take a place-centred approach in order to maximise investment and opportunity.

72. A new Towns Taskforce will be established in the DLUHC, reporting directly to the Prime Minister and Secretary of State. The Taskforce aims to ensure that the issues and opportunities of these towns are heard and acted on within the UK Government.

73. Expected timelines set out by the UK Government in its Guidance on Our Long-Term Plans for Towns are as follows:

- "by April 2024 – local authorities to bring local partners together to form Town Boards, or expand existing Town Deal Boards where these exist, and start the process of setting out a long-term vision based on local priorities
- spring 2024 – once a Town Board has been set up, capacity funding will be released to support the development of investment plans, including additional community engagement activities. Ongoing engagement will be available from the Towns Taskforce.
- from summer 2024 – submission of Long-Term Plans and release of year 1 funding."

Community Renewal Fund

74. On 31 March 2021, the UK Government announced a UK Community Renewal Fund (UKCRF) which "will provide £220 million additional funding to help places across the UK prepare for the introduction of the UK Shared Prosperity Fund".

75. The UKCRF was a single-year fund disbursed in 2021-22 by the UK Government as "a competitive process that all places in Great Britain are eligible to apply for". It explains that "bids for the UK Community Renewal Fund will be managed by 'lead authorities' [and] in Scotland, lead authorities are local authorities."[24]

76. To ensure funding reaches those areas most in need, the UK Government identified 100 priority places for investment based on an index of economic resilience across Great Britain, which measured productivity, household income, unemployment, skills and population density. Lead authorities had until 18 June 2021 to submit their bids, with the successful bids announced on 3 November that year. They then had to be delivered by June 2022. Table 1 in Annexe A sets out the successful bidders for Community Renewal Funding.

77. 9% of the funding was awarded to Scottish bids (this equates to £18,428,681). In order to evaluate the effectiveness of the UKCRF, all bidders were required to set out the intended impact of the bid using the indicators in the May 2021 technical note. In Scotland, all projects are required to submit evidence to the relevant Scottish local authority demonstrating progress towards achievement of project targets and investment profiles at regular intervals.

[24] UK Government, Community Renewal Fund prospectus, 11 May 2021

78. Applicants, if successful, were expected to also develop an evaluation plan with between 1-2% of their award to be dedicated to that evaluation (with a minimum threshold of £10,000). In November 2021, further monitoring and evaluation guidance was provided which included details of the evaluation to be undertaken by applicants (to be completed by June 2022) as well as by the UK Government. It explains that the UK Government would:

- undertake a comprehensive process evaluation to understand how efficient the delivery structures and business processes are including the impact of capacity funding, and
- undertake evaluations which consider both the impact of funding on place and investment themes.

Committee Clerking Team
January 2024

SPICe The Information Centre
An t-Ionad Fiosrachaidh

Finance and Public Administration Committee

Replacing EU Structural Funds in Scotland

Summary of written submissions 2023

Background

Following the evidence session on 24 February 2022 with the Secretary of State for Levelling Up, Housing and Communities, the Committee issued a call for views to local authorities to seek views on progress. In early 2023 the Committee received written submissions from 8 local authorities and from four other organisations (the Glasgow City Region, the Scottish Local Authorities Economic Development Group (SLAED), the Scottish Council for Voluntary Organisations, and What Works Centre for Local Economic Growth).

On 9 November, the Committee wrote back to local authorities to seek updated views on the Levelling Up Fund, the Shared Prosperity Fund and other related UK Government investments. The Committee received a further 7 responses from 6 local authorities and SLAED. This paper will summarise the key themes emerging from these submissions.

January 2023 Call for Views

The approach taken in relation to identifying areas of greater need or priority in round two

Clackmannanshire council suggest that the prioritisation used for both the Levelling Up and Community Renewal funds seemed to “reward large urban and very rural Local Authorities and disadvantaged small Local Authorities like Clackmannanshire”. In their submission, Clackmannanshire Council compare their area with other local authorities who were prioritised more highly, and noted that in terms of Scottish Index of Multiple Deprivation profile these areas were comparable despite the different priority attributed.

East Lothian Council note that using a local authority wide categorisation risked missing some areas with high levels of deprivation within local authorities.

Glasgow City Council, in their submission, note a concern that no local authorities who were successful in round one were then successful in round two. This could mean that the projects selected are not necessarily the best in terms of quality, and resulted in wasted resource for those local authorities unsuccessful. Glasgow also note that this could discriminate against larger local authorities. SLAED note that this affected 8 local authorities in Scotland, potentially wasting considerable resource.

North Lanarkshire welcome the prioritisation methodology, which they feel has correctly identified their area as a top priority area in the first two rounds. However, the council note (along with other submissions) that the late change in decision making to ensure a geographic spread of awards resulted in substantial wasted time and resource. South Lanarkshire similarly feel that the prioritisation methodology is robust, but voice a concern that the prioritisation of local authority areas appears to have had little bearing on funding allocations.

How successful you have been in securing round two Levelling Up Funding and how the process for bidding for Levelling Up Funding in round two compares with round one (where relevant)

East Ayrshire Council did not submit an application for round one, citing a number of barriers including the requirement for projects to be shovel ready in 2021/22, and the relatively short period of time to submit applications. The Council submitted two bids for round two, and were successful with one of the bids. Glasgow submitted seven bids in round two, but were unsuccessful as they had already had a project supported in round one. Renfrewshire Council secured funding during round one, and spent considerable time preparing an application for the second round which was unsuccessful. Had it been clear earlier in the process that awards would not be made to local authorities who already secured funding in round one, then the council could have focused on preparing for the third round.

North Lanarkshire secured funding for one project in the second round. There was not sufficient time to properly prepare a bid for the first round. South Ayrshire similarly were not able to submit in time to meet the deadline for round one, and were unsuccessful in all three of their round two bids. As noted above, South Lanarkshire were unsuccessful in all three of their round two bids, having not made any round one bids.

Stirling Council secured funding for one project in round two, having not submitted a project bid in round one.

The extent to which any funding for successful bids in round one has been released, to what timescales (compared with any in your project bid) and how confident you remain that the project will be achieved within the agreed timescales

While Clackmannanshire Council had not yet submitted a bid, it suggested that the timescales for successful projects appear “prohibitively challenging”. East Lothian Council did not submit a bid for round one as it did not have an ‘off the shelf project’ available.

Renfrewshire Council and others within the Glasgow region note that development funding has now been released.

The process for project evaluation, monitoring and subsequent reporting to the UK Government

While Clackmannanshire Council have not submitted a bid, they did note it would be positive if the processes for evaluation, reporting and monitoring were aligned with other similar processes, such as the existing Growth Deals. Renfrewshire Council note that the reporting process has evolved to be more streamlined and consistent.

What you consider should happen after the 2024-25 deadline for the current Levelling Up Fund

Clackmannanshire Council suggest that there should be a future round of funding, which makes adjustments to:

- Recognise the council’s unique characteristics in terms of the prioritisation
- Where awarded projects have a more ‘realistic’ timescale, including between applications opening and the deadline
- More flexibility around the requirement for business cases to be green book compliant
- Further support for smaller local authorities to build capacity to be better prepared for bidding rounds.

East Ayrshire Council note that the aims and objectives of the Levelling Up Fund will not be met comprehensively by 2024/25, and that there is a need for sustainable, long term investment to deliver results. There has also been a proliferation of funds across the UK and Scottish Governments – work to better streamline these in future funding rounds would be welcome.

East Lothian Council would welcome an extension to the levelling up funding, but that this should be significantly reformed. The competitive tendering process results in considerable wasted resource by local authorities whose bids are unsuccessful, and the strict requirements (such as being green book compliant) coupled with the challenging timescales mean that local authorities have to bring in outside consultants to prepare compliant bids in time. The Council suggest that a better model would be the one used in City Deals, where complete business cases are not required, but can seek approval including provisional funding on the basis of a strategic case and outline policy. East Lothian also note that only 20% of round two applications were successful and suggest that the funding requires a significant increase in future years.

Glasgow City Council echo concerns about the timeframe and note that the third round could be particularly challenging unless the March 2025 deadline is extended. South Ayrshire would also welcome any flexibility to extend beyond March 2025, noting that otherwise this is quite a restrictive deadline for major capital projects.

North Lanarkshire, as with other submissions, highlight that the competitive process will inevitably lead to wasted resources for unsuccessful bids, and suggest that the UK Government should be looking for a longer-term process more closely based on the City/Growth Deal model. This would include being programme based rather than project based, with a reduced number of funding streams, and greater collaboration between the UK and Scottish Governments.

Renfrewshire Council note that the capital funding available in Scotland is limited, and particularly that available for discretionary regeneration projects.

South Lanarkshire Council welcome a degree of competition to drive innovation and ensure cost effectiveness, but note that the current system allows some authorities to make numerous bids, which has generated considerable consultancy work with minimal delivery.

The approach of using lead local authorities to secure funding, the appropriateness of the three key investment priorities the UKSPF will support, and the timescale over which it currently operates (2022-2025)

Clackmannanshire Council state they are broadly content with the process of using lead local authorities, and that EU funding has largely been replaced, with the exception of LEADER. However, at the time of making this submission (30 January 2023), and despite the council’s UKSPF investment plan being approved, no funding had been delivered which means there is a risk of underspends. There are also challenges posed by the funding profile, with limited funding in year 2 but a significant uplift in year 3.

East Ayrshire Council echo these concerns about the timeline for releasing funding – in their case while funding had been received in January 2023 this only left three months to utilise it. The Council also highlighted challenges related to the transitional arrangements for employability projects. East Lothian Council echoed these concerns about the challenging timeline and noted that this effectively precluded any meaningful collaboration among local authorities.

East Lothian Council welcome the approach, noting that local authorities are best placed to target areas of greatest local need. The three-year funding model was welcome, but the Council noted that in future rounds a five-year commitment would be more appropriate.

Glasgow City Council contrast the formula-based approach to UKSPF allocations with the competitive bidding process for LUF, stating that the UKSPF process gave a greater degree of certainty to Councils, which allowed for the better development of projects aligned to the Glasgow Economic Strategy. South Ayrshire Council agree that the formula approach provided a great degree of certainty. However, the August 2022 deadline was almost impossible to meet in light of the local authority elections which took place earlier in the year, and with the council being in recess in July. North Lanarkshire echo these concerns. In addition, some guidance material from the UK Government was published as late as July, and other aspects of guidance remain outstanding.

Glasgow City Region note that there is agreement with the principles of the levelling up white paper, but that the number of funding streams, the competitive bidding process and the ability of local government to maximise outcomes is challenging. The region also note that EU Structural Funds were over a 7-year period, so the 3-year time horizon for UKSPF is more limited in terms of long-term planning. North Lanarkshire echo the comments about the 3-year timeframe compared to the 7-year approach taken with EU Structural Funds.

In contrast to other submissions, Renfrewshire Council welcomed the 3-year funding cycle and noted that despite delays which shortened the effective period, any multiannual funding approval was welcome.

The Scottish Council for Voluntary Organisations note that the 3-year timescale and link to the next spending review introduces a great deal of uncertainty, and as the LUF White Paper set a timescale to 2030 this would have been the appropriate period for funding commitments. Stirling Council note that if local authorities are to be expected to act as links to the third sector, this will have resource implications.

The process of agreeing and submitting your investment plan and the extent to which any funding has been released

As noted above, Clackmannanshire Council had their UKSPF investment plan approved, although this was delayed from October 2022 to December 2022, and no funding had yet been received.

East Ayrshire Council detail the internal and external engagement they carried out to prepare their application ahead of the August 31 deadline. The council also welcomed the flexibility to carry over underspends from year 1 into years 2 and 3 in light of the delays in receiving awards. East Lothian Council also welcomed this flexibility.

Glasgow City Council also highlight the delay to making awards, suggesting this will result in a ‘dash to deliver’ over two years. The Council also noted that compared to EU Structural Funds there was far less flexibility to manage funding year to year. North Lanarkshire echo this lack of flexibility compared to the previous EU arrangements.

Glasgow City Region highlight that the short timeframes were particularly challenging when coordinating across 8 individual members. Funding was released by the end of December 2022.

SCVO note that, while the UKSPF made specific reference to the role of Third Sector Interfaces (TSIs), a survey shows that over half of TSI’s in Scotland have either no involvement in developing their local plan, or only had sight of it once the lead authority had completed its work. SCVO acknowledge that constrained timeframes contributed to this.

Stirling Council note that there have been delays of between 4 and 6 months when preparing the investment plan, impacting both delivery in 2022-23 and creating pressure for future years.

The appropriateness of and flexibility provided by the UKSPF Interventions, Objectives, Outcomes and Outputs relevant for Scotland

Clackmannanshire Council were reasonably content and have received assurances from the UK Government that there is sufficient flexibility in the plan to allow for changes to outcomes, outputs and funding to reflect local priorities and needs. East Ayrshire Council agree that this flexibility is useful and will likely be required by the Council. Glasgow City Region and North Lanarkshire also agree that these provide sufficient flexibility. Renfrewshire Council note that the expected outputs were quite light touch, which should allow greater flexibility in areas with a greater focus on broader outcomes.

The adequacy of the administrative expenditure provisions

East Ayrshire Council note that guidance allows for up to 4% of awards to be used for administrative expenses (more for lead authorities), and that while they establish the necessary processes it is too early to say whether this limit is appropriate. The Council also suggest that further guidance from the UK Government on how the administrative allocation should be managed would be welcome. Glasgow City Council noted that the lack of guidance as to how to present the administrative expenses in bids resulted in last minute changes being required. Renfrewshire

Council and South Lanarkshire Council state that the 4% is insufficient, however, and will require support from existing staff and systems.

East Lothian Council feels this appears adequate, as do Glasgow City Region and North Lanarkshire Council although they add that they are awaiting clarification on the parameters for programme evaluation.

The approach to measuring progress through the Multiply success measures

East Lothian Council suggest that it is unrealistic to expect meaningful progress over a 2 year period, and that a 5 year period for evaluation would be more appropriate.

East Ayrshire Council state that their two Multiply projects have been aligned to the UK Government's Investment Plan guidelines.

Glasgow City Region note that the outputs and outcomes to be reported to the UK Government as part of Multiply are relevant, however the region notes that there will be a challenge in measuring the overall success of the programme beyond an increase in individuals with a qualification.

North Lanarkshire agree that the outputs and outcomes are relevant, however they note that the approach in Scotland of delivering through a lead authority means there is a need for greater clarity around reporting and evaluation requirements. Renfrewshire Council state that the guidance on measuring progress is very light, and that as a result the council has had to use the existing English guidance.

South Lanarkshire agree that the success measures are appropriate, but note that adult numeracy skills are rarely an isolated issue and that great flexibility to offer complementary support to address linked challenges like low self confidence and literacy would be welcome.

Clackmannanshire Council are outsourcing Multiply provision and so are unable to comment on specifics yet.

The flexibility of the funding given it is to supplement existing adult numeracy provision

Clackmannanshire Council note that existing adult numeracy provision is limited so this is welcome. East Ayrshire Council suggest that a more flexible funding profile would be beneficial, as they have a relatively even profile over the three years while it might be more 'realistic' if the funding profile allowed for greater spend in years 2 and 3, especially in light of the delay in finalising awards. North Lanarkshire agree and suggest it is inevitable that activity would step up over the three years of delivery, so greater flexibility around the funding profile would be welcome.

The requirement to demonstrate how any Multiply funding is complementary, coupled with the challenging timescales, means that this aspect of the UKSPF is the least developed in East Lothian. The requirement to only fund new activity, rather than expand existing activity, is unnecessarily restrictive.

Glasgow City Council, while acknowledging the importance of adult numeracy, suggest that ring fencing 17% of UKSPF resources for Multiply was unduly restrictive, and there was no local flexibility to reflect differing circumstances across Scotland. Glasgow City Region echo this concern about the proportion of UKSPF funding directed to Multiply, as do South Ayrshire Council.

Renfrewshire Council suggest that as numeracy was not an area of need locally, it will take some years to generate sufficient demand.

The outcomes from any pilots or programmes supported by Community Renewal Funding

Clackmannanshire Council had one successful project from four applications which concluded in December 2022, and at the time of submitting this response were in the process of completing their evaluation.

East Ayrshire Council had four projects which received Community Renewal Funding and provided a summary of 23 outcomes achieved against the plans.

East Lothian Council note that the Covid-19 pandemic contributed to a significant delay in progressing the one project supported in East Lothian, meaning that the project could not effectively be run as a pilot for the SPF as was originally envisaged.

North Lanarkshire Council note that the delay to approvals and the limited timeframe to develop proposals has contributed to lower outcomes than expected, despite the extensions to June and then December 2022 to allow projects to complete.

SCVO members note that having to go through local authorities creates an additional barrier for the third sector and that in some cases local authorities have their own in house services bidding for this work so there may be a conflict of interest.

The evaluation of any projects or programmes including any work with the What Works Centre for local economic growth

Clackmannanshire Council note than an external evaluation of their pre-employability project is currently underway, and the findings from this will be used to inform future employability programmes.

East Ayrshire Council provided a summary from the independent evaluations of all four projects which received Community Renewal Funding.

Glasgow City Council had no contact with the What Works Centre on the two projects successfully funded and had received no feedback on the four projects that were not.

North Lanarkshire Council note that evaluations were due to be submitted between January and June 2023, so at the time of their submission there had not been time to take on board any lessons learned.

Views on the extent to which the UK Government's policy approach provided through the Levelling Up Fund, UKSPF and Multiply complements the Scottish Government's priorities and policy approach including the national outcomes in the National Performance Framework

Glasgow City Region suggest that the approach taken to levelling up will not maximise its potential impact, as the mixture of different funding streams with some delivered through a competitive process and other not can limit the ability of partners to be strategic in their approach to investment. The region echo comments made in other submissions about the resource intensive nature of these applications. On the compatibility with Scottish Government policy, the region note that both the Scottish Government's National Strategy of Economic Transformation and the UK Government Levelling Up White Paper aspire to devolved budget and decision making to regions.

North Lanarkshire Council welcome the UK Government investment but notes that these new funding streams have contributed to a more complex landscape for funding economic development. While in general the aims of the various funds are aligned, allocations and timeframes for delivery are not. SCVO note that the UK Government pledged to set up a new body to ensure that policies align with the Scottish Government's National Performance Framework and Outcomes, and that it would be helpful if the Committee can ask for an update on this work.

SCVO note that they are unaware of any lead official in the Scottish Government covering Multiply, so question how well aligned this can be in practice.

South Lanarkshire Council note that there is in general broad alignment between the UK LUF and SPF objectives and those of the Scottish Government, but highlight the loss of EU LEADER funding or any successor funding with a rural focus.

November 2023 Call for Views

The approach to identifying areas of priority places in round two (including the effectiveness of the updates and changes to priority places from Round one) and the investment themes

Aberdeenshire noted that despite remaining priority 3 (the lowest priority), their bid in round 2 was successful, and welcomed the consistent investment themes across rounds which provided stability.

SLAED suggest that the allocation of funding should be based on need, rather than through a competitive bidding process. South Lanarkshire agree that this would be a more efficient means of determining awards.

Perth and Kinross Council highlight that the approach of categorising area at a local authority level could overlook pockets of deep deprivation within wealthier areas. Angus agree with this assessment and suggest that future rounds should judge each bid on its merits rather than using a weighted local authority ranking.

Argyll and Bute Council note that the short timescale for preparing bids can be contrasted with the lengthy time allowed for consideration, which reduced the time available to deliver successful projects, which would lead to better alignment with the strategic goals of levelling up.

The process for bidding for round two funding and awarding successful bids

Aberdeenshire Council note that the process was resource intensive, but given the grant was worth £20 million this was not disproportionate. Capacity funding of £125,000 was helpful to allow local authorities to prepare bids. South Lanarkshire note however that only a fraction of submitted bids were successful, so the considerable expenses in preparing the bids was a significant inefficiency of the competitive process across local authorities.

SLAED suggest that timescales for preparing bids were too short, and that the process was resource intensive especially given only 20% of bids in Scotland were successful.

Perth and Kinross Council suggest that the resource costs of preparing bids meant that it was not an efficient use of council time. The Council noted that:

> “Overall, based on the Council’s experience of the Levelling Up Fund process, it is debatable whether the Council would consider investing its staff and budget resource to bid for any future competitive funding streams.”

East Ayrshire Council note that the UK Government moved away from the competitive process for the third round of funding, and that there was no re-scoring of the unsuccessful round two bids. Angus Council note that this meant local authorities who undertook preparatory work in anticipation of round three had no opportunities to have this considered.

The extent to which any funding for successful bids in rounds one and two have been released, to what timescales and how confident you remain that the outcomes/projects will be delivered within the agreed funding and timescales

Aberdeenshire Council note that funding has been released in line with projected spend, although the delay to making awards delayed the start of projects.

SLAED suggest that consideration should be given to multi-year funding and timescales that better allow for the development of proposals. They suggest that all UK Government funding should be consolidated into a single, longer-term fund which would increase the impact of any investment.

East Ayrshire note their concern that construction costs could continue to increase. Their successful ‘Cultural Kilmarnock’ bid is expected to commence work on site in Spring 2025, with completion in late 2026.

Monitoring arrangements in place for Levelling Up funds

Aberdeenshire Council note that monitoring has been routine and that there have been no significant issues.

The process for agreeing and submitting your investment plan

Aberdeenshire Council suggest that the timescales for drafting, consulting on and receiving corporate approval for investment plans were challenging, particularly in light of the local authority elections and the recess period.

Angus Council note that the investment plans were fairly high level, which allows a reasonable degree of flexibility across priority areas, but agree with Aberdeenshire that the timescales to develop the plans were challenging.

SLAED suggest that taking a regional approach to submissions has enhanced strategic coordination.

The extent to which the funding you were allocated will deliver the outcomes identified in your investment plan within the agreed timeframe

Aberdeenshire Council expect to deliver or exceed the majority of outcomes identified, and welcome the flexibility to carry funds across financial years. Argyll and Bute are similarly confident that the agreed outcomes will be delivered.

East Ayrshire note that several projects are behind scheduled positions, partly due to delays in mobilising projects and partly due to difficulties linked to the transition from previous ERDF funding for employability programmes. Angus also mentioned the impact of the delay on projects starting.

The appropriateness of and flexibility provided by the UKSPF Interventions, Objectives, Outcomes and Outputs relevant for Scotland

Aberdeenshire Council suggest that there is scope to simplify and rationalise the interventions and the number of outcomes and output indicators.

East Ayrshire highlight the considerable work which has been required to comply with reporting requirements, and suggest that it would be much simpler to record performance against individual projects rather than against UKG interventions.

The adequacy of the administrative expenditure provisions

Aberdeenshire Council suggest that the 4% allowance has been sufficient, but that they may have to reassess this as the number of live projects increases. SLAED and South Lanarkshire agree that this is currently sufficient, but that if there is an increase to reporting or compliance requirements it may need to be reconsidered. Argyll and Bute suggest that the 4% measure will be appropriate if it is a simple percentage of costs, however if it is based on officer time then it may not be as other costs such as legal and finance might not be accounted for. East Ayrshire have no concerns about these provisions.

Other funds which the UK Government identifies as contributing towards its ambitions for Levelling Up such as Multiply, the Community Ownership Fund, and the multi-sport grassroots facilities programme

Aberdeenshire Council note that there has been limited demand for their Multiply funding to date, and that demand would likely increase if there were greater flexibility around deploying these funds; for example to support literacy. SLAED agree that the focus on adult numeracy is too narrow, and add that in Scotland the funding should be focused on all those in Scotland who have left school, not just those aged 19 and over, highlighting that in Scotland people can leave school earlier than elsewhere in the UK. Angus also highlight that school leavers in Scotland can be younger, and Argyll and Bute also agree that the focus on numeracy is too narrow.

SLAED suggest that the ‘Long Term Plan for Towns’ was announced suddenly, and suggest that clearer multi year processes would allow authorities to develop projects at the appropriate scale to meet known funding targets. South Lanarkshire agree with this assessment.

East Ayrshire note that Kilmarnock was one of the seven Scottish towns to receive funding via the Long Term Plan for Towns initiative. While Scottish guidance has not yet been published to inform detailed delivery plans and governance structures, the council intend that the funding will be aligned to the Kilmarnock Strategic Vision for 2022-27.

Policy coherence between the UK Government’s approach to levelling up and Scottish Government’s policies and priorities

Aberdeenshire Council suggest that there is broad agreement in terms of the policy objectives of UK and Scottish Government interventions, although the number of different organisations involved has added complexity to the funding landscape.

East Ayrshire Council are likewise satisfied that there is broad alignment between the UK and Scottish Government policy objectives, but note a concern about the fragmented nature of funding opportunities. A more coordinated approach would reduce officer time spent coordinating and submitting applications.

SLAED note that there are some differences around the conditions attached to funding awards, ie the Scottish Government use of Fair Work First conditionality. SLAED and Argyll and Bute call for continuing engagement with COSLA and SLAED to ensure that alignment is maintained.

Andrew Feeney-Seale, Senior Researcher, Financial Scrutiny Unit,
SPICe Research
5 January 2024

Figure 1: Status of funding to local authorities across the Levelling Up Fund, Towns Fund and UK Shared Prosperity Fund

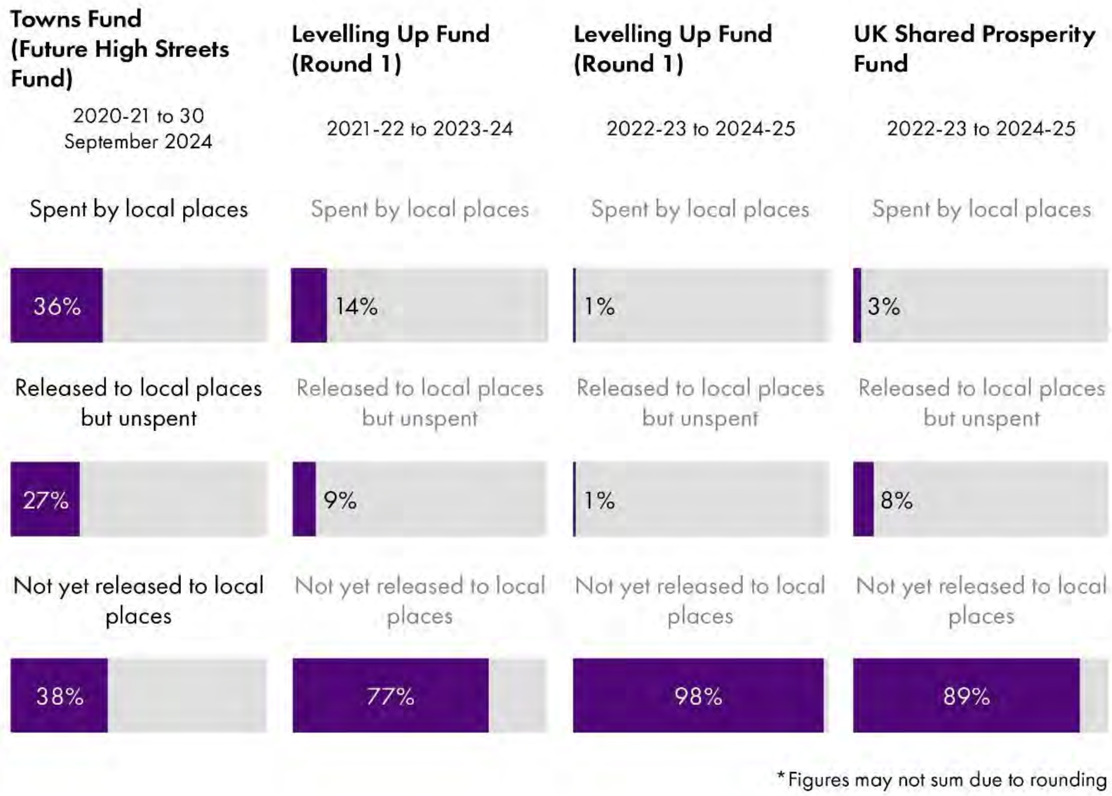
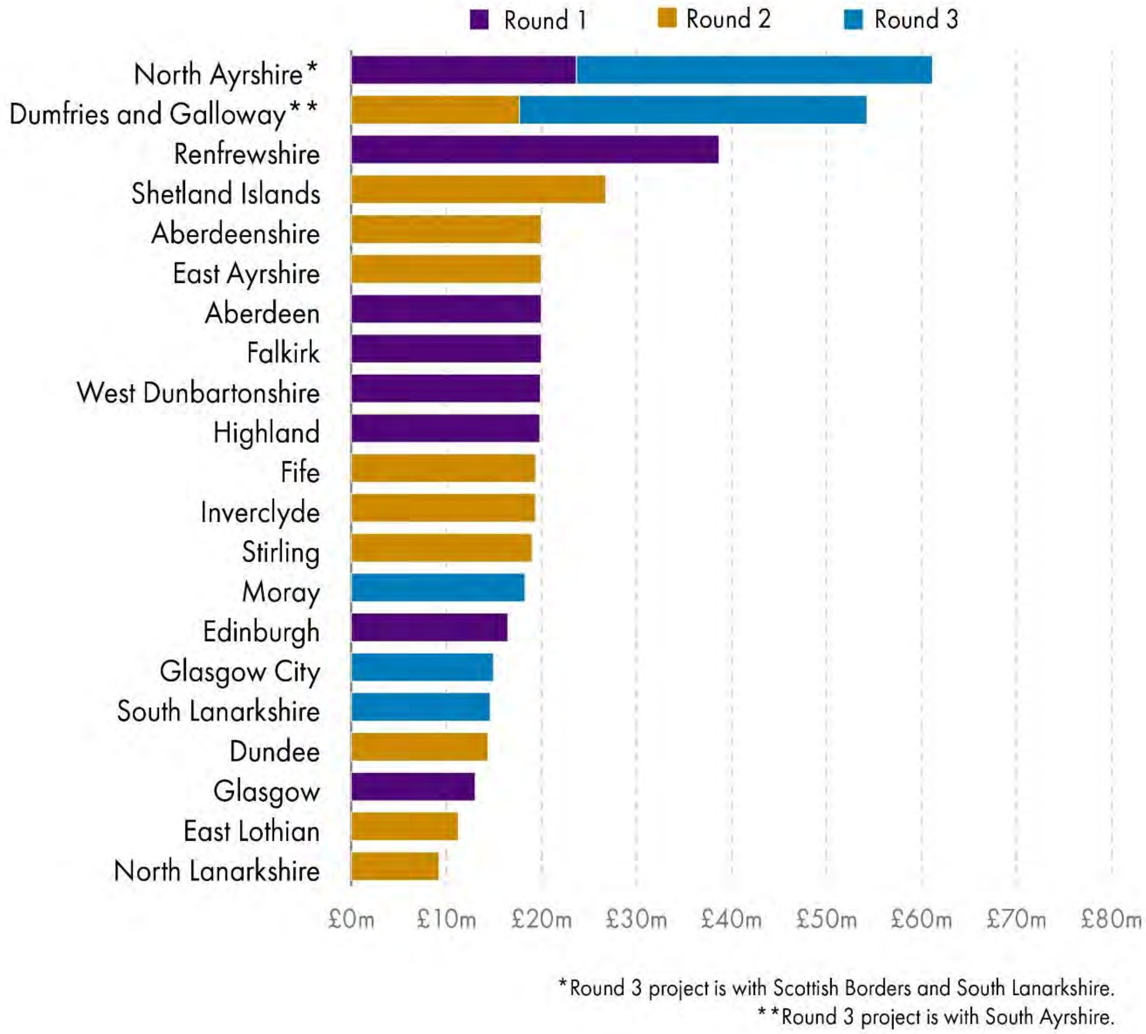


Figure 2: Funding awarded through Levelling Up Funding by local authority area (rounds 1-3)



ANNEXE C

Timeline of Levelling Up Funding (Rounds 1-3) and UK Shared Prosperity Funding

Year	LUF Round 1	LUF Round 2	LUF Round 3	UKSPF
2020	**25 Nov 2020** LUF worth £4.8bn across the UK announced in the 2020 Spending Review			
2021	**18 Jun 2021** LUF Round 1 applications close **27 Oct 2021** LUF Round 1 successful bidders announced with £1.7bn allocated to 105 bids			
2022		**23 Mar 2022** LUF Round 2 announced in the 2022 Spring Statement **15 Jul to 2 Aug 2022** LUF Round 2 applications open		**13 Apr 2022** UKSPF is launched, worth £2.6bn across the UK **30 Jun to 1 Aug 2022** Investment plan submissions window open **Apr 2022 to Mar 2025** UKSPF funding confirmed for 22-23, 23-24 and 24-25 financial years. £1.5bn of funding is for 24-25
2023		**18 Jan 2023** LUF Round 2 successful bidders announced with £2.1bn allocated to 111 bids	**15 Mar 2023** LUF Round 3 worth £1.0bn confirmed in the Spring Budget although timetable for distribution not set out **16 Oct 2023** LUF Round 3 of the funding brought forward ahead of the Autumn Statement **20 Nov 2023** LUF Round 3 selected projects announced	
2024	**31 Mar 2024** Funding for LUF Round 1 must be spent (exceptionally into 24-25)			
2025		**31 Mar 2025** Funding for LUF Round 2 must be spent (exceptionally into 25-26)		