



Welsh Senedd - Economy, Trade and Rural Affairs Committee Post-EU regional development funding

INTRODUCTION

1. COSLA welcomes the opportunity to provide information to the Economy, Trade and Rural Affairs Committee of the Welsh Senedd on the experience of UK Government regional development funding streams in Scotland. COSLA has been working with both the UK and Scottish Government to ensure that Local Government in Scotland can best utilise the funds available.

LEVELLING UP FUND

2. There have been two rounds so far of the Levelling Up Fund. In the first round, eight Scottish local authorities were successful, securing awards totalling £172m. These awards accounted for about 10% of the UK total. The second round approvals were announced on 18 January 2023 and, here, a further ten Scottish local authorities secured grant of £177m (approximately 8%) of the £2.1 billion UK total. No authority that had been successful in round one was successful in round two. The UK Government has published its own thematic and geographic analysis of the fund which is available online
3. A number of issues have emerged during the operation of the fund, which COSLA and our partners in SLAED (Scottish Local Authority Economic Development professional association) and SOLACE (Society of Local Authority Chief Executives Scotland) have discussed with the UK Government. These have included:
 - That this is a competitive fund which requires councils to produce in depth bids within a very short time frame, without a guarantee that they will receive an award.
 - The time taken by the UK Government between submission of bids and the announcement of the awards.
 - The time pressure to spend allocated funding by the end of March 2025.
 - The pressure that the process puts on staff resource within local authorities.
4. As is mentioned above, we also note that no council awarded funding in round one of LUF was successful in round 2. We are aware that this has caused disappointment for some local authorities as it was not made clear by UK Government that previously successful councils would not be eligible for further funding in round 2, leading to wasted time and resources and supporting the wider point that competitive funds are frequently a significant drain on local resources with no guarantee of success. The delivery of projects within budget due to the difficulty of assessing inflationary pressures is also a concern which we have noted and made clear to UK Government.

UK SHARED PROSPERITY FUND

5. The allocations for UKSPF were made by formula rather than through a UK wide competitive bidding process. Whilst this is an improvement on the LUF bidding

process, the allocation process itself did not resolve the issue satisfactorily for many councils, especially in the Highlands and Islands who faced a substantial reduction in the overall funding available compared to structural funds.

6. In practical terms, the Committee will be aware that the UKSPF prospectus was published on 13th April 2022 with an expectation that Investment Plans would be submitted by 1st August 2022. This was an almost impossible deadline to meet due to local government elections in Scotland that took place in May 2022 and the fact that most councils were in recess in July (sign off by local authority political leaders being an essential aspect of the plan). Some local authorities were given an extension to the end of August in recognition of these factors. In summary, the process of preparing the Investment Plan, including the required stakeholder engagement, was a time of considerable pressure for local authorities, further hampered by some of the UKSPF guidance not being published until 19th July.
7. The UK Government announced the approval of all UKSPF Investment Plans on 5th December 2022 with the transfer of the first tranche of grant taking place at the end of the year. While these were positive developments, it effectively means that there will be a rush now to deliver over a shorter period of time - effectively only 2 years.
8. In terms of the scope of the three investment themes set out in the prospectus, these created few substantial issues regarding fit with councils' priorities. COSLA alongside SLAED had some constructive discussions with the new UK Government Scotland team on the range of UKSPF interventions prior to their publication. One benefit of this engagement was to allow activities under the People and Skills Investment Priority to begin from the start of the delivery period. This discussion also allowed for the Just Transition to a Net Zero Economy to have more prominence in the investment priorities.
9. Of much greater concern to Local Government was the requirement to spend "in year". In contrast EU Structural Fund programmes, which UKSPF is intended to replace, were genuinely multi annual with considerable, but not unlimited, flexibility to carry forward resources from one year to the next – all within the context of a long-term framework. We understand that carry forward of unspent funding will be possible, but this will require the approval of the UK Government. We have also sought clarity from the UK Government on the provision of administrative expenditure within UKSPF investment plans.

MULTIPLY

10. Local authorities welcomes the flexibility given in the UKSPF prospectus to allocate, following stakeholder engagement, its UKSPF budget across the three investment themes as local authorities see fit. In contrast, the allocation for Multiply which accounted for over 17% of total UKSPF resources, was ring fenced. Notwithstanding the importance of improving adult numeracy levels, this limits the local flexibility of local authorities.
11. The issue that impacts particularly on Multiply relates to its financial profile across the three financial years. Unlike the non-multiply UKSPF, allocations under Multiply follow an even pattern. It has been impractical for councils to spend one third of their Multiply allocation by March 2023 from a standing start. This point has been made to UK Government with the hope that practical arrangements can be made to allow funding to be properly invested over the lifetime for the UKSPF. We understand that

some carry forward will be possible but will, like other elements of UKSPF, need the approval of the UK Government.

UK COMMUNITY RENEWAL FUND

12. The outcome of the UK Community Renewal Fund (UKCRF) bidding process in Scotland, announced in November 2021 was:

- 28 of the 32 local authorities submitted at least one application to the fund;
- All 13 local authorities designated as “priority places” submitted at least one application;
- In total 176 eligible bids were submitted by Scottish local authorities (about one sixth of the total number across the UK);
- Of these bids 56 (about one third) were successful – the associated grant award was about £18.4m (9% of the UK total);
- Bids originating from priority places in Scotland had a much higher “success” rate (41%) than those from non-priority places (16%);
- No local authority was successful in all its bids – 6 councils were unsuccessful in all their bids; and
- 22 local authorities received approval for at least one of their bids.

13. The deadline for delivering projects was extended to December 2022 and final claims were to be submitted to the UK Government by 31st January 2023. Monitoring these projects proved to be a resource intensive process both for the applicants and the councils. Some learning was gained by councils from this experience in designing processes to be adopted in administering the Communities and Place Investment Theme within the UKSPF.

UK GOVERNMENT FUNDING AFTER 2025

14. COSLA is aware that the UK Government is committed to simplifying funding streams in this policy area and has started work on this exercise. COSLA has adopted the following key points on how UK regional development funding should change in Scotland:

- We need a long term, multi annual framework with a programme rather than the project-based approach which we see from LUF;
- The levelling up and shared prosperity fund should support the same agreed local or regional programme;
- There should be a simplification of the number of individual UK Government funding streams, with councils having the flexibility to deploy funding to meet strategic programmes;
- Funding should be allocated to local authorities (either individually or collectively) according to need, not requiring a competitive bidding process, and using a mechanism agreed with COSLA;
- A partnership approach is needed between the UK and Scottish Governments, allowing funding from both Governments to be tied together in strategic programmes; and
- There should be a clear position from the UK Government to use its funding to empower local and regional decision-making.

CONCLUSION

15. While practical issues remain, COSLA will continue to work with both UK and Scottish Governments to seek to ensure that funds deliver long term benefit to communities across Scotland.