



UK GOVERNMENT STRUCTURAL FUNDING

Joint Report by Chief Executive and Chief Officer, Economic & Community Regeneration

**PURPOSE**

- 1.1 The purpose of the report is to seek approval of the utilisation of the Comhairle's Shared Prosperity Funding for 2025/26, and to update on the Community Renewal Partnership with UK Government.

**EXECUTIVE SUMMARY**

- 2.1 The UK Government's Shared Prosperity Fund (SPF) is one of the successors to EU Structural Funding post-Brexit. It was allocated directly to local authorities over 3 financial years from 2022 / 23. The total allocation to the Outer Hebrides over that period was £2,245,463, of which £387,771 was ringfenced for adult numeracy. Funding was allocated based on a Local Investment Plan, developed by the Comhairle and agreed with UK Government. The requirement was for activity to be aligned with local priorities across the following themes: communities and place, support for local businesses, and people and skills. An overview of funded activity during Years 1-3 is provided at Section 5 of the report.
- 2.2 The UK Government's Autumn 2024 Budget confirmed that reduced levels of funding would be allocated to a Year 4 of SPF, to support a transitional year of activity while the UK Government considers wider reform of local growth funding. The Chief Executive received notification on 16th December that the Comhairle would receive £527,546 revenue and £208,783 capital funding for 2025 / 26. This represents a total reduction of 37% in comparison to the 2024/25 allocation the Comhairle received. A new or updated Local Investment Plan is not required. Proposals for prioritising Year 4 funding against the existing Investment Plan are detailed at Section 7 of the report.
- 2.3 In March 2024, it was announced that the Comhairle would receive £20m through a Levelling Up Partnership with UK Government. It was agreed by Comhairle Members in April 2024 that priority would be given to investment in Uist and Barra. The UK Government election over Summer 2024 created hiatus and uncertainty over the future of this funding. However, it was confirmed in the UK Government's Autumn 2024 Budget that the Outer Hebrides would continue to receive this funding, which has been re-badged as a Community Renewal Partnership. Section 8 of the report contains an overview of anticipated next steps regarding the Community Renewal Partnership with UK Government, including where some early resourcing may be required.

**RECOMMENDATIONS**

- 3.1 **It is recommended that the Comhairle agrees to:**
  - (a) **the proposals for the 2025 / 26 allocation of UK Shared Prosperity Funding as detailed at 7.2;**
  - (b) **the proposed approach to identifying the Comhairle's investment priorities for the Community Renewal Partnership with UKG; and**
  - (c) **to delegate authority to the Chief Executive to allocate £90k Community Renewal Partnership capacity building funding to costs associated with the development and delivery of the Partnership.**

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Background Papers: Report to Policy and Resources Committee, April 2024

## IMPLICATIONS

4.1 The following implications are applicable in terms of the Report.

<b>Resource Implications</b>	<b>Implications/None</b>
Financial	None
Legal	None
Staffing	There are a number of staff either partially or fully funded through SPF funding. The proposed option seeks to minimise impact on existing staff as a result of the reduced funding in 2025/26.
Assets and Property	None
<b>Strategic Implications</b>	<b>Implications/None</b>
Risk	Recommendations seek to reduce risk to staff and service provision
Equalities	None
Corporate Strategy	Supports the Corporate Strategy 2022-2027 ambition to strengthen the local economy.
Environmental Impact	None
Consultation	Proposals within this report have been reviewed by the Comhairle's SPF Governance Group, which comprises of lead officers in relation to delivery of the projects within the Local Investment Plan, and representatives from the Comhairle finance and legal teams.

## BACKGROUND

- 5.1 The Comhairle received an allocation of £2,245,463 from the UK Government's Shared Prosperity Fund over three financial years from 2022/23. All parts of the UK will now receive a Year 4 of transitional SPF funding for 2025 / 26, while the UK Government considers the future approach to local growth funding. Given the funding has reduced, there is a need to make decisions on which areas in the Local Investment Plan will receive support during Year 4.
- 5.2 In March 2024, it was announced that the Comhairle would receive £20m of UK Government Levelling Up Partnership funding. It was agreed by Members in April 2024 that priority would be given to investment in Uist and Barra. Following an initial meeting with UK Government representatives, the announcement of the UK Government Election placed the process on pause. In the Autumn 2024 Budget it was confirmed that the Outer Hebrides would continue to receive this funding, which has been re-badged as a Community Renewal Partnership. Discussions with UK Government regarding next steps in the process resumed shortly before the end of the year and key milestones for the coming period have emerged.

## SHARED PROSPERITY FUND – IMPACT TO 24/25

- 6.1 UKSPF has supported a range of valuable activity in the islands since 2022/23, although the amount available to the Outer Hebrides has not been comparable to what was previously available through EU funding programmes. Headline activities funded by SPF include:
- Funding of the Comhairle's Financial Inclusion Service, which has secured an estimated £790k of additional income for island families.
  - 386 people have participated on Multiply courses, providing a range of one to one and group sessions to improve numeracy skills for personal financial management, upskilling and career progression purposes.
  - Over 400 participants have received employability support through the Comhairle's Skills and Training team, such as access to a key worker, additional childcare provision, work placements, job matching, sector specific training, digital skills and financial support and guidance.

- SPF has funded pier and harbours infrastructure for the food and drink sector, digital investment for local businesses, Youth Entrepreneurs Business Support and, in partnership with Community Landowners, the creation of serviced plots providing house-building opportunities in remote communities where access to land and services can be a significant barrier.
- Community Projects receiving feasibility and project development support have included: Comunn Eachdraidh Uibhist a Tuath, the Iolaire Centre, Urras an Taigh Mhor and Hebrides People.

6.2 Indications are that no carry forward of underspend into 2025/26 will be possible. While all the SPF revenue projects are forecasting full spend, there is underspend currently forecast against the capital workstream, which is funding for Food & Drink Sector Capital Projects. A range of options are being pursued to reduce this risk, including reallocation to support additional serviced housing sites, and a range of small scale but realisable investment opportunities to improve provision at piers and harbours in line with the Food & Drink focus.

### SHARED PROSPERITY FUND – PROPOSALS FOR 2025 / 26

7.1 The Comhairle has been allocated SPF of £527,546 revenue and £208,783 capital for 2025 / 26. This represents a total reduction of 37% in comparison to the funding the Comhairle received in 2024/25. For 2025/26 a new or updated Local Investment Plan is not required. The two options regarding the utilisation of the funding are to reduce the contribution to each project within the Investment Plan by 37%, or to seek to prioritise specific areas within the Investment Plan. Both scenarios are detailed in the table below.

7.2 It is recommended to Members that there be a level of prioritisation rather than a straight reduction. This will minimise the impact on staff funded through SPF and enable the continuation of services around financial inclusion and employability. The proposal based on a level of prioritisation is to move the creation of serviced plots into capital, reduce the potential capital allocation for food and drink projects given there is potential Islands Growth Deal funding for this, and reduce funding in relation to community led projects and support for local food initiatives. This frees up £130,503 to reallocate to the financial inclusion service, employability programme, and adult literacy and numeracy. It has been confirmed that this will allow these services to maintain current levels of provision into 2025 / 26.

Project	2025/26 Allocation Based on % to date	2025/26 Allocation based on Prioritisation
Young People into Housing Programme - serviced plots with Community Landowners	80,786	-
Financial Inclusion Service	78,040	105,000
Feasibility studies for community led projects, 0.6 FTE community support officer	85,633	65,000
Support to local food initiatives	29,083	-
Support for young enterprise (due to low uptake levels this was replaced with a broader OH Digital Scheme during 24/25, it is proposed just to continue the Digital Scheme for 25/26)	40,802	40,802
Employability Programme	87,895	177,895
Multiply Programme (adult literacy and numeracy)	125,306	138,849
<b>Revenue Total</b>	<b>527,546</b>	<b>527,546</b>

Project	25/26 Allocation Based on % to date	25/26 Allocation based on Prioritisation
Funding for Food & Drink sector capital projects	208,783	108,783
Young People into Housing Programme - serviced plots with Community Landowners	0	100,000
<b>Capital Total</b>	<b>208,783</b>	<b>208,783</b>

## COMMUNITY RENEWAL PARTNERSHIP PROCESS

- 8.1 Discussions with UK Government regarding the Community Renewal Partnership (CRP) have now resumed. It does not appear that the process has changed significantly from the previous Levelling Up Partnership approach. An initial visit to Uist and Barra that took place in May 2024 will be followed by a longer visit, probably in March or April 2025, where representatives from UK Government will carry out partner interviews and community engagement as part of the development of an Investment Plan.
- 8.2 The Investment Plan will need to be approved during 2025 /26 for investments that can commence during 2026 / 27. A broad timetable is therefore as follows:
- Scoping / Desktop Research – Beginning April 2025
  - Fieldwork visit – w/c12th May 2025
  - Presentation to Members – w/c 2<sup>nd</sup> June 2025
  - Development and Agreement of Proposals – July 2025
  - Announcement of Funded Projects (subject to Business Case) – July 2025
  - Business Case Work Commences – July 2025
  - Approval of Investment Plan by Comhairle and UK Government – September 2025
- 8.3 Community Renewal Partnership projects will need to meet the following Value for Money tests and will be reviewed by UK Government Treasury on this basis:
- Strategic Fit
  - Deliverability
  - Benefit Cost Ratio (must be above 1)
- 8.4 Projects will need to align with one or more of the UK Government's five national missions for national renewal, these are:
1. Kickstart economic growth.
  2. Build an NHS fit for the future.
  3. Safer streets.
  4. Break down the barriers to opportunity.
  5. Make Britain a clean energy superpower.
- 8.5 In discussions with UK Government to date, Comhairle officers have sought to stress that there are a range of investible propositions to hand which reflect the economic and infrastructure needs of the islands, including those put forward in previous Levelling Up applications. In terms of the types of projects that may come forward, the following themes have been discussed to date for further exploration:
1. Core infrastructure & community resilience – roads and causeways, transport, digital, piers & harbours.
  2. Housing – innovative models to address challenges in tenure types and housing delivery.
  3. Culture & Heritage – investment in community-led facilities focussed on Gaelic language, culture and heritage.
  4. Energy innovation – tackling fuel poverty and achieving net zero islands
  5. Economic development – business infrastructure linked to R&D and innovation opportunities.
- 8.6 Initial discussions have also focused on the Investment Plan being based around a small number of investments of scale.

- 8.7 UKG officials have indicated that they are willing to consider potential projects that the Comhairle may wish to put forward for consideration in parallel with the fieldwork exercise. With this in mind it is proposed to develop a list of potential capital investments and seek Member input into a prioritisation exercise based on the criteria at 8.3 and 8.4. This will also reflect the previous Comhairle decision that priority be given to projects in Uist and Barra, of which UK Government is supportive.
- 8.8 Experience from current challenges in Islands Growth Deal delivery would suggest that there would be benefits to embedding the following considerations into any investments the Comhairle would wish to highlight:
- That to support deliverability in required timescales, projects only be put forward where CRP represents 100% funding or completes a match funding package already in place.
  - That to ensure projects are of sufficient impact, there be a minimum contribution of c£3m CRP funding to any proposed investment.
- 8.9 The proposal that the Comhairle seek to identify and put forward investment priorities will not preclude other investment from being considered by UKG as part of the fieldwork exercise. Officers will be working closely with UKG to inform the scope of the exercise and ensure that balanced community and partner input is secured.
- 8.10 The Comhairle are the Accountable Body for the funding, which will be transferred upfront on agreement of the Investment Plan by both parties. In addition to the £20m capital funding, there is also £250k revenue funding available to fund projects through the Community Renewal Partnership. The allocation and clearing of this spend will be agreed through the same process as that for the main capital investment. The Comhairle will also receive £90k capacity funding to support costs in the development and delivery of the partnership, such as management and staffing costs. Delegation to the Chief Executive to determine the optimum use of the capacity funding over the coming period is requested, in order to respond swiftly to the emerging requirements for developing and managing the Community Renewal Partnership.

## **CONCLUSION**

- 9.1 The proposals for SPF utilisation in 2025 / 26 seeks to ensure maintenance of existing services to the community which provide valuable support around employability, adult learning and financial inclusion. In parallel with this, Comhairle officers will continue to engage with UK Government regarding the need for early clarity on the future of local growth funding and, the importance that future approaches provide long-term, strategic and localised delivery methods, with resource allocation reflective of a range of metrics.
- 9.2 In respect of the Community Renewal Partnership, the resumption of discussions with UK Government have been encouraging. The timescales for agreeing the Investment Plan are challenging but achievable, should there be a focus in the next period on identifying a discrete number of projects of scale that can proceed within the required timescale and have the level of economic impact required.