

Agenda Item	10
Report No	EDI 26/19

HIGHLAND COUNCIL

Committee: Environment, Development and Infrastructure

Date: 16 May 2019

Report Title: Economy and Regeneration

Report By: Director of Development and Infrastructure

1 Purpose/Executive Summary

1.1 This Report identifies for Members information, key developments during the quarter and emerging activity across the work of the Economy and Regeneration section before seeking Members homologation of a written submission given to a Scottish Parliamentary Inquiry, and approval of indicative area allocations and proposed governance arrangements for the Town Centre Fund.

2. Recommendations

2.1 Members are asked to:

- i. note the key developments highlighted during quarter 4 and emerging activity;
- ii. approve the targets set for activity in 2019/20;
- iii. homologate the written submission to the Finance and Constitution Committee, Scottish Parliament Inquiry into Funding of EU Structural Fund Priorities in Scotland, post Brexit, as set out in **Appendix 1**; and
- iv. note the purpose of the Town Centre Fund and approve the indicative area allocations and proposed governance arrangements as set out in **Appendix 2**.

3. European Policy and Funding

- 3.1 Members will be pleased to note that although there is significant uncertainty linked to Brexit, the current 2014-2020 European Structural Funds programme is expected to continue in the short-term after Brexit either under the Withdrawal Agreement or through guarantees made by the UK Treasury.
- 3.2 European Regional Development Fund (ERDF) / European Social Fund (ESF)
- 3.2.1 To this end, work is either complete or ongoing to secure continued ERDF/ESF funding for:
- Poverty and Social Inclusion, ESF £1.1m, Status: Submitted
 - Highland Employability Pipeline Programme (Council), ESF £2.3m, Status: Submitted
 - Highland Employability Pipeline Programme (for Third Sector), ESF £3.7m, Status: Submitted
 - Local Growth Accelerator Programme, ERDF £1.4m, Status: Draft submitted subject to next claim
 - 8th City, ERDF £1.9m, Status: Approved
 - Inverness Low Carbon and Active Travel Hub, ERDF £1.2m, Status: Approved
- 3.2.2 Once the approved allocation of Phase 2 funding is complete across Scotland/ Highlands and Islands, it will be possible to identify and establish the level of ERDF and ESF which still needs to be allocated. In anticipation of this, work is ongoing with Council Services to have potential eligible project proposals in place.
- 3.3 LEADER
- 3.3.1 The Programme is now at a point where there are 109 live or completed projects across all funds. All community funds are now fully allocated and it is anticipated that the small amount of funding remaining for rural enterprise projects will be fully allocated by the end of May 2019. As the Programme cannot commit any funding beyond December 2019 it will be important to monitor projects closely for slippage so that underspends can be returned to the Programme in a timescale that will allow them to be reallocated.
- 3.3.2 In Highland, as is also the case across Scotland, the number of co-operation projects and emerging applications is low and this is where there is most concern that funds will not be fully committed. While there are currently a number of sizeable projects in the pipeline for co-operation funds, experience to date suggests that not all will proceed. The Scottish Government are in the process of reviewing co-operation allocations nationally and it is expected that this review and the process for dealing with unallocated funds will be discussed at the next Accountable Body meeting on 30 April 2019.
- 3.3.3 A recent event (15 March 2019) organised by Highland LEADER and Highland Third Sector Interface around what the needs of rural communities might be post Brexit, was well attended and well received. The output from the event will be passed to Scottish Government.
- 3.4 European Maritime Fisheries Fund
The joint programme with Highland and Moray has committed £887k of its total £1m allocation, on 27 projects (including £639k on 22 projects in Highland). Work is progressing well with project spend, with £500k already spent. The Programme has

a timeline of full commitment by September 2020 and spend by 2023.

3.5 Scottish Parliamentary Inquiry

3.5.1 After 2020, the UK Government has proposed to fund structural fund priorities through a UK Shared Prosperity Fund aimed at reducing inequalities between communities across the UK. In anticipation of this, the Scottish Parliament, Finance and Constitution Committee has launched an inquiry to explore the experience of lead partners, delivery agents and beneficiaries to inform the design of any future funding of structural priorities in Scotland post-Brexit.

3.5.2 The closing date for written responses was 25 April 2019. Based on Council policy, as approved at Council in September 2018, a submission was prepared and submitted on 15 April 2019 – see **Appendix 1**. Members are asked to consider and homologate this written submission. A further opportunity will be taken to inform the Committee of the Council's policy position when the Committee visit Inverness on 3rd June 2019 to take verbal evidence from Council and other lead partner operational staff and delivery providers, e.g. third sector organisations.

4. **Economy and Regeneration Team**

4.1 The Economy and Regeneration team undertakes a wide range of local economic development activity. This activity is linked to the delivery of the following priorities:

1. Supporting start-up and growing businesses
2. Supporting young people and adults to progress towards and into work
3. Creating the conditions for sustainable economic growth
4. Promoting inward investment

The core outcomes ultimately sought with this work are:

- an increase in business turnover; and
- an increase in the number of jobs in Highland.

5. **Business Development**

5.1 Activity under this priority relates to advisory services, access to finance, international trade, procurement advice and supporting business collaboration. Key developments during the quarter and emerging activity are detailed below.

5.2 Business Gateway

5.2.1 During the quarter:

- 148 attendees attended start-up workshops (438 ytd);
- 67 new businesses were assisted to commence trading (280 ytd);
- 346 businesses accessed local advisory services (1802 ytd), and
- 12 growth business secured specialist support from the Council's ERDF funded Local Growth Accelerator Programme (58 ytd), including 2 business who have progressed on to become an HIE Account Managed businesses (7 ytd).

5.2.2 Business Gateway Highland has exceeded its start-up target for 2018/19 with a total of 280 businesses supported. The number of growth businesses seeking specialist support continues to be strong, with 58 supported to date against a target for 2018/19 of 50. The Digital Boost programme has again been successful with all targets having been met and this additional funding has assisted the team to exceed the target (1400) of total number of businesses accessing local advisory services. Funding from the Scottish Government has been approved for Digital

Boost Phase 4. Planning is now underway for the development of the workshop programme for 2019/20.

- 5.2.3 It is proposed, given the resources available, to retain targets at the 2018/19 levels.
- 252 start-up businesses supported
 - 1400 businesses assisted
 - 50 growth businesses securing assistance

5.2.4 The service continues to explore innovative ways of supporting Highland businesses. As part of its specialist growth programme, Business Gateway Highland, will be supporting 3 growing businesses to participate in UHI's newly developed Post Graduate certificate in Business.

5.2.5 The service engages closely with the Highland business community, for example it sponsored the recent Highland Business Women's Awards (with Business Gateway clients winning in 3 of the 7 award categories), and worked closely with the Federation of Small Businesses to deliver a seminar on 'Making Tax Digital', aimed at helping businesses utilise HMRC's new tax digitalisation services.

5.4 Access to Finance

5.4.1 During the quarter, 28 businesses have been supported with direct guidance and help (115 ytd), along with a number of others receiving general advice on issues relating to finance, for example, payment systems, credit control, online options etc. This has enabled 87 (ytd) of these organisations to successfully access project funding of a total value of £9.4m. This has resulted in a forecast of 427 jobs being created or safeguarded in the operations to date.

5.4.2 Through its own fund, Highland Opportunity (Investment) Limited (HOIL) and through local government's Business Loans Scotland (BLS) fund, the Council has continued to support businesses and organisations in the Highlands. A total of 5 businesses have been directly supported in the quarter with funding approved of £215k (£936k ytd to 19 businesses and 3 community organisations). This level of approved loan finance has exceeded the annual target, but given loan fund availability, a more sustainable target of £600k per annum to 15-20 businesses supported has been set by the HOIL Directors.

6. Employment

6.1 Inclusive growth is seen as the means by which economic growth benefits everyone. If such inclusive growth is to be achieved, it requires efforts to be in place that better enable people to compete for and secure the employment opportunities being created, as well as efforts to influence and shape the nature of these employment opportunities.

6.2 Activity under this priority therefore relates to support to individuals (who otherwise are unemployed, experiencing poverty but are able to work) to help them prepare for and secure employment and to work with businesses and internally with Council Services to create jobs. The Council, as an anchor organisation and large employer locally across Highland, has a key role to play in this work.

6.3 During quarter 4, through Council, third sector partner, Scottish Government and ESF resources the Council has:

- supported private businesses to employ 3 young people (18ytd).

- provided 5 new Youth Trainee posts across the Council as well as mentor 22 Youth Trainees in post (34 ytd).
- supported 27 new young people with Activity Agreements (112 ytd).
- through its management of ESF, contracted third sector providers to provide all stage employability pipeline support for 39 clients (142 ytd).
- contracted third sector providers to provide 101 new participants with short-term employability support (276 ytd).

6.4 During 2019/20 it is anticipated that client targets will be as follows:

- 20 businesses securing grant to create new posts for young people
- 30 Youth Trainees
- 110 Activity Agreements
- 300 short-term employability support

The target number of third sector provider clients assisted will be established once Phase 2 ESF has been secured and the associated procurement exercise complete (estimated summer 2019).

6.5 As reported to Members in January 2019, there has been a significant policy development from the Scottish Government with the introduction of a new Local Employability Model, commencing April 2019. In practice this has resulted in a revised award of ring-fenced funding for 2019/20 (to replace Activity Agreement and Scottish Employment Recruitment Incentive) but limited changes to activity are envisaged during year 1.

6.6 As 2019/20 proceeds however, it is envisaged that further changes and other funding streams will be incorporated into the new Local Employability Model. In anticipation of this and following the January 2019 EDI Committee decision to agree to work with the Scottish Government and partners to design, resource and deliver a new Highland Employability Service, the Council is represented on the national Scottish and Local Government Alignment Group and is working locally with Skills Development Scotland and JobCentrePlus staff.

7. Conditions for Economic Growth

7.1 Activity under this priority relates to infrastructure investment, land and buildings regeneration, the informing and influencing of economic related policy, skills, and industrial development. Key developments during quarter 2 and emerging activity are detailed below.

7.2 Regeneration Capital Grant Fund (RCGF)

7.2.1 The RCGF is a Scottish Government challenge fund which supports locally developed regeneration projects that involve local communities, helping to support and create jobs and build sustainable communities. The Scottish Government requires that the Economy and Regeneration Team, on behalf of the Council, co-ordinates and prioritises applications submitted and, once approval is given, it is the Team who manage the funding, ensuring ongoing project compliance and monitoring.

7.2.2 The Team is currently managing RCGF grant to five projects:

1. Redevelopment of the Gairloch Anti Aircraft Operations Room site. Project on site and outstanding grant to be pulled down - approx. £275k
2. Strathdearn Community Developments New Hub, a space including a shop,

café and changing facilities for the sports facility and events run by the community. Prestart conditions to be met before contract commences and grant pulled down - £500k.

3. Carse Outdoor Hub, which will develop a long-term vacant and derelict site to provide a social, training and outdoor centre. Project funding incomplete, further work required before project commences and pull down of grant - £850k.
4. Morvern Community Business Hub which will re-establish a site in the heart of the Lochaline village for the local community, visitors and for enterprise activity. Grant to be pulled down once contract commences - £788k
5. Thomas Telford Corpach Marina, delivering a high quality and sustainable all-year round marina facility at the western gateway to the Caledonian Canal. Grant reprofile agreed with Scot. Govt. and following contract award, grant will be pulled down - £1.465m

7.2.3 Following the invitation to submit Stage 2 applications for RCGF Round 6, only 1 of the 6 project application submitted secured funding, with the Armadale Redevelopment project securing grant of £311,652. Although not recommended for grant at this time, the Inverasdale Community Centre application for £262,061 was put on the Reserve list.

7.3 Academy Street, Inverness Townscape Heritage Project

7.3.1 The Townscape Heritage (TH) project involves funding from the Heritage Lottery Fund (HLF), Inverness City Heritage Trust (ICHT) and the Highland Council, contributing to a project fund, from which grants are given to local property owners, businesses and organisations to allow them to carry out high-quality repairs and historic reinstatement to properties and spaces on Academy Street, Inverness.

7.3.2 To date, ten grants totalling £1.5m have been awarded to eligible properties. This in turn will lever in circa £2m of private sector investment when complete. Four projects are complete, three are due to commence imminently. AI Welders and the accompanying restoration of the mosaics project continues to make good progress. It is anticipated that this £2.3m project will be complete by September 2019. Blackfriars commenced work on 29 April and it too is scheduled for completion in September.

7.3.3 The TH project also delivers a suite of complementary heritage engagement activity during the lifetime of the project. The 'Activity Plan' is being successfully delivered as per the agreed programme with funders. The most recent heritage talk (ninth) took place on 12 February with the focus on Myths and Legends, delivered by Gary Campbell (Keeper of the Registrar of Sightings). 53 people attended the event, held in the Town House. To date, over 500 people in total have attended the talks. A programme of further engagement talks are scheduled to take place during 2019 alongside the ongoing practical heritage skills training. A traditional building maintenance day was held on 14 March in the Old High Church Hall, with four specialist contractors on hand to answer queries and provide practical demonstrations.

7.4 Town Centre Fund

7.4.1 The Town Centre Fund seeks to encourage town and city centres to diversify and flourish, giving new purpose and creating footfall. The Council has been given a £2,965,000 capital grant to spend in the 2019-2020 financial year.

- 7.4.2 While the fund can be used for a wide range of investments, in practice this is more limited due to:
- the capital nature of the fund (it must be used on physical assets),
 - the Fund must be spent or committed by March 2020 (or else returned to Scottish Government) and,
 - the guidance received from the Scottish Government states that the projects must be 'transformational' and making a change from what has happened in the past.
- 7.4.3 The top priority for any project is to give people a reason to be in the town/city centre by re-purposing buildings for housing, retail, business, social and community enterprises, services, leisure and culture, tourism and heritage. The secondary priority, and ideally one that is undertaken in support of the re-purposing of buildings, is to improve town centre access and infrastructure.
- 7.4.4 Given that the grant is for one year only, the key challenge faced is to identify eligible projects that can be complete or committed to by end March 2020. In practice therefore, projects will need all permissions and funding in place and tenders issued early November 2019.
- 7.4.5 Decisions on which town centre projects secure Town Centre Fund rest with the Council. To this end, and in liaison with the Council Administration leaders, proposals have been prepared – as detailed in **Appendix 2**, setting out:
1. indicative allocations to Area Committees
 2. a decision-making process that requires Area Committee to rank eligible projects (using Town Centre Strategies or Plans where they exist) and a cross-party sub-group, chaired by the Chair of Environment, Development and Infrastructure Committee, to consider the ranked eligible projects and approve funding, utilising as appropriate the Reserve Fund.

Committee is asked note the purpose of the Town Centre Fund and approve the indicative area allocations and proposed governance arrangements as set out in **Appendix 2**.

8. Inward Investment

- 8.1 Activity relates to the raising of Highland's profile as an investment location, film location, major events, tourism, twinning and site investment opportunities. Key developments during quarter 3 and emerging activity are detailed below.
- 8.2 **Inward Investment Activities**
The Service continues to pursue economic opportunities with Inverness' twin city of Augsburg in Bavaria. A representative from the Augsburg city owned energy company, Stadtwerke Augsburg (SWA) attended the annual Scottish Highland Renewable Energy Conference 25 April 2019, and discussed how the company is delivering energy services within the city. SWA is the third largest utility in Bavaria and supplies energy, water and transportation services to the city of Augsburg. This was an ideal opportunity to share knowledge and expertise between the two cities and across the Highlands more generally.
- 8.3 **Film**

- 8.3.1 Highland continues to be a popular area for the film and television industry to use for productions. However, enquiries have dipped from those received during the record breaking 2017/18 financial year when 240 enquiries were handled. During the fourth quarter 56 enquiries were handled by the Council's Film Unit compared with 66 in 2017/18. This gives a total of 190 for the year – a drop of 21% on the previous year. In part this decline reflects the lack of a dedicated film officer for much of the year.
- 8.3.2 A recent exercise undertaken by Creative Scotland on behalf of the Council, conservatively estimated that a direct spend of £1.2m was secured from productions filmed in Highland in 2018/19. It is anticipated that the value of film to the Scottish economy is set to increase given Scotland's new film production facilities in Edinburgh and the associated interest being shown. Whilst competition for film locations across Scotland will be strong, Highland should be well placed to compete and benefit from such an increase in film production.
- 8.4 Tourism
- 8.4.1 As Members will be aware the increased visitor numbers in recent years has led to capacity issues at some sites and, in response to this, much of the team's activity has been focussed on preparing applications to the Scottish Government's Rural Tourism Infrastructure Fund (RTIF) to support improvements. The RTIF requires the Council to apply for funding (even if the project is a community one) and thereafter deliver/manage the project funding.
- 8.4.2 Following RTIF 1st Round, the team have been working with six of the seven project leads (Cairngorms National Park Authority leading on one project) to progress the following projects:
1. Bealach Na Ba, Applecross: enhanced laybys to provide parking, scenic viewpoints and improved passing opportunities. Status: At tender stage.
 2. Composting Toilets and additional car parking at Blabheinn, Skye. Status: At tender stage
 3. Visitor Facilities including toilets, and motorhome facilities at The Storr car park Skye. Status: At tender stage
 4. Glenfinnan, 100 space car park with 10 motorhome spaces. Status: Final pre-start grant conditions/tender stage
 5. Lochinver car park redesign and motorhome waste facilities. Status: Final pre-start grant conditions/tender stage
 6. Mallaig / Traigh Beach - New toilets and motorhome facilities at Mallaig and two composting toilets at Traigh Beach. Status: Final pre-start grant conditions/tender stage
 7. Glenmore, paths linking car parks, visitor attractions and accommodation. Status: Commencing tender stage.
- 8.4.3 The RTIF 2nd Round is underway, with the Council submitting 16 of the original 20 Expressions of Interest. A decision on funding is expected shortly.
- 8.4.4 As agreed at Council on 13 December 2018, the Council will undertake a public consultation on the subject of a Transient Visitor Levy. Since this time and as part of the Scottish Government Budget 2019/20, the Scottish Government has agreed to pass legislation to allow local authorities, if they so wish, to introduce a local Transient Visitor Levy (earliest 2021). Accordingly, the Council is prior to the summer seeking round table conversations with tourism industry groups on aspects of the proposed levy before undertaking visitor survey during the summer and a

wider public consultation in autumn, before reporting to full Council in December 2019.

9. Implications

- 9.1 Resource – The Economy and Regeneration team seek to identify and secure external funding to support its work.
- 9.2 Legal/Risk – When accessing external funding on behalf of others, the associated grant terms and associated legal and financial obligations ultimately rest with the Council. It is therefore imperative that the risks to the Council are assessed and any back to back grant award letters with third parties protect Council financial and reputational interests.
- 9.3 Community (Equality, Poverty and Rural) – The work of the Employment team in particular to secure inclusive growth seeks to achieve positive outcomes for individuals across all parts of Highland but with a focus on areas of high and persistent unemployment, and with the transfer of the Family Firm function, a greater focus on Looked After Children.
- 9.4 Climate Change/Carbon Clever – No implications
- 9.5 Gaelic – No implications

Designation: Director of Development and Infrastructure

Date: 29 April 2019

Author: Andy McCann, Economy and Regeneration Manager

Appendix 1
Funding of EU Structural Fund Priorities in Scotland, post-Brexit – Call for Views
Written Submission from The Highland Council

General Comment

From a Highland perspective the key priority is to ensure that both the UK and Scottish Governments agree that there is a need for a regionally [1] based Shared Prosperity Fund.

[1] Regional in this context means the Highlands and Islands Region. This is the area covered by the Highland Council, Argyll and Bute Council, Comhairle nan Eilean Siar Orkney Islands Council, Moray Council, Shetland Islands Council, and part of North Ayrshire Council (Arran and the Cumbraes).

The Highland Council believe that any Regional Plans prepared are to be done so jointly with stakeholders from each identified region, evidencing the regional needs and opportunities experienced, and setting out how the Fund will be additional and add value to existing activity and investment.

The Highland Council believe that the Regional Plan needs to be long-term (7+ years) and thus be strategic in nature and purpose. The City-region deal for Inverness and the Highlands is a 10 year programme for example. This needs to be balanced with a need to be flexible and responsive to changing economic circumstances.

There is a need to ensure that the other rural development programmes, for example, agriculture, crofting and land management, fisheries, community investment (LEADER), are aligned with the Regional Plan and its delivery agents/mechanisms.

There remains regional disparity across the UK, and indeed over recent years this has increased. This alone argues the case for increased rather than diminished efforts and resources to ensure inclusive growth.

There is also a need to recognise the evidenced benefits that can derive from aspects of current community investment programmes such as LEADER where the promotion of networking and specific allocations for co-operative working allow for regional cross over and shared best practice learning around common priorities.

Core approach

- 1. How should Scotland's share of post-Brexit structural funding be determined? (for example, should it be on measures such as GDP, needs-based, via the Barnett formula; match funding or based on competition?)**

Post BREXIT structural funding needs to recognise and respond to regional disparity and focus on improving regional competitiveness and inclusion (people and place).

The areas to benefit should be identified by clear and objective criteria, including multiple factors such as low and sparse population, peripherality, insularity and challenging geography.

Measures such as GDP or GVA have difficulty in capturing the nature and extent of the challenges facing the Highlands and Islands economy and are flawed when comparing it to others. Existing studies and classifications, for example, the Scottish Government's February 2018 'Understanding the Scottish Rural Economy', has based its rural classification on available data (data that was not available below local authority level). The City of Inverness has skewed the measurement of rurality facing large areas of Highland. The resulting 'Mainly Rural area' classification is therefore incorrect and it is critical that this is recognised before such flawed classification may be used to influence public policy and funding.

Any allocations based on the availability of match fund rather than need fundamentally undermines the regional disparity rationale for such funds in the first place, and is clearly not acceptable.

2. Should the existing structural funding *priorities* be retained for any new funding approach post-Brexit or are there other national or regional outcomes, strategies or plans to which future funding should align instead?

The Highlands and Islands Regional Plan should be nationally aligned but regionally responsive, focusing on regional competitiveness and socio economic inclusion. This is reflected in many of the existing ERDF/ESF priorities, for example: support for business start-up and growth; business productivity; innovation; research and development; employability support etc. and so these should remain investment priorities.

Work under the auspices of the Convention of the Highlands and Islands, is ongoing on identifying the priorities for the Highlands and Islands region post 2020. The 7 key themes identified are: Digital; Skills; Marine; Housing; Transport; Talent Attraction; and Energy. This work usefully sets out the challenges faced and the opportunities available for the region and offers a positive and early contribution to the work of the proposed Joint Regional Body and Regional Plan (see below).

In recognition of the challenges many town centres face, a case exists for co-ordinated and long-term investment in town centre regeneration projects. Such challenges arise at the sub-regional level and hence work that is underway by the Regional Economic Partnerships and/or City Region Deals also need to be factored in.

Any future Regional Plan also needs to recognise and provide for the value and contribution community investment and development brings to the region. Already within the Highlands and Islands such community investment is central to the economic and social health of the region. Sustained support is required to realise its full potential and contribution. Allied to this, the key role of agriculture, crofting and land management and fisheries needs to be integrated into regional support.

3. In terms of the proposal for a UK Shared Prosperity Fund - where should the responsibility for any decisions about funding levels and allocation be taken (for example UK Government, Scottish Government, Local Government or local stakeholders) and what level of autonomy should they have in deciding how funding is allocated?

The Highland Council considers that a Joint Regional Body (JRB) needs to be established to:

- prepare the Highlands and Islands Regional Plan
- prepare and establish its delivery methodology, including funding allocations to lead partners
- give oversight to its delivery and
- monitor and evaluate its impact.

The JRB should include central and local government political representation and to be supported in its work by regional dedicated secretariat and external advisers. It is recognised however, that development priorities (i.e. local development plans) and funding decisions relating to community investment and development, are best taken at the local level. A sub-Highlands and Islands/sub-Highland decision-making approach will be required and best practice, as per existing Highland Strategic Local Action Group and Local Area Partnerships structures and community dominated decision-making, usefully offers an approach going forward. This mirrors what has happened under the current Leader programme, for example.

Any funding decisions at the UK level should respect the devolution settlement in the UK.

4. To what extent should the current system of allocating funding to strategic interventions across Scotland through lead partners etc be retained or changed by any post-Brexit funding approach and why?

It is considered that a designated Delivery Bodies approach to Regional Plan delivery is required, with Fund distribution being a blend of allocation to lead partners and competition (if/as required when lead partners are identifying individual projects).

This higher level allocation approach to lead delivery bodies will help enable strategic planning to take place and support wider integration with other existing/new funding. Programmes which require a series of projects to be completed, could ensure via competitive means that the best projects are funded.

While in theory the current Strategic Intervention and Operation approach seek to do this, in practice the paperwork involved, and the timeline separation between SI's and Operations etc. means the current approach is not fit for purpose.

Barriers to funding projects

5. What barriers limit strategic intervention funds being committed to individual projects under the current programmes and to what extent should any new structural funding approach address these barriers?

If a Regional Plan approach is adopted with input from regional stakeholders the potential for barriers to arise in the first place is greatly diminished. This fits the argument presented for activity to be nationally aligned but regionally responsive, thereby ensuring, for example, that scale or thresholds required before investment can be made are identified and designed out at the outset.

Also the greater the alignment and integration of funds (be that across equivalent ESF, ERDF, agriculture, crofting etc), offers improved opportunities for barriers to be identified and addressed at the outset.

The need for match funding, be that by the lead partners or others, for example, third sector providers, at a time when such funding is reducing simply undermines Programme delivery. This barrier will remain a high risk factor until the need for significant match funding is removed.

6. To what extent should any rules relating to post-Brexit structural funding enable a flexible approach to the range of local projects that can be supported or should the rules focus on funding specific outcomes or purposes (such as through ring fencing)?

Delivery Bodies/lead partners need ring-fenced funding, with clear purpose/outcomes defined and guidance (not prescription) on project type. This, allied to the strategic planning required, will ensure that the successor structural funds will bring added value to existing activity and resources.

Parallels can be made with other ring-fenced funding disbursed from Scottish Government to local government, for example, the recently allocated Town Centre Fund, where project guidance accompanied the formal offer of grant. Match funding, while desirable to maximise the leverage and impact achieved is not a prerequisite, but clearly will drive project selection and added value impact.

7. Are there examples of current structural fund priorities being more effectively supported by other funds (or core funding) such that they should not form part of any post-Brexit structural funding approach?

The core issue or test here relates to whether the structural funds have brought added value to the activity or project progressed. It is hard to identify these priorities until formal evaluation has been undertaken.

Administration

8. What changes to the current monitoring, evaluation and compliance activities would reduce administrative complexity for any future structural funds approach while maintaining sufficient transparency?

Working on the assumption that a strategic Regional Plan is to be prepared, a delivery body/lead partner approach is to be adopted, and that the activity to be funded brings added value, the main change in thinking going forward is to ensure that any monitoring, administration etc. is embedded within existing structures etc. rather than being separate and duplicate.

Therefore the use of the existing internal and external (Audit Scotland) audit systems is recommended to ensure the Fund is spent properly, efficiently and effectively.

When monitoring and evaluating, it is preferred to do so for the whole rather than the separate individual successor structural funds activity. For example, there is now a new approach being progressed by Scottish Government to employability services (Local Employability Model). This will touch on local ESF funded activity, but as such activity is only part of the wider service mix, the benefit it brings needs to be reported, monitored and evaluated as a whole.

9. Should the system for making claims change for any future funding approach?

There is an assumption here that a claims process is required, rather than looking to other Scottish Government approaches, whereby ring-fenced funding is released on a quarterly basis and the local authority needs to report on activity and verify that the funding received was spent on activity as approved. Such declaration of funding and activity is then open to standard external and internal audit with the onus sitting on the local authority to have information systems in place to evidence as required.

If it is determined however, that a claims process is required there is a clear and urgent need to reduce the bureaucracy and complexity of the paperwork associated with current EU funding streams.

Local authorities are well experienced in working with and managing funds to community based groups. Whilst challenges will always exist and there will be pro's and con's when making payments 'upfront' or 'retrospective', in practice, often it is a local knowledge based assessment and decision that is needed. It is recognised that with such discretion comes associated risk.

Appendix 2 Town Centre Fund 2019-2020

Purpose

The Town Centre Fund seeks to encourage town and city centres to diversify and flourish, giving new purpose and creating footfall. The Highland Council has been given a £2,965,000 capital grant to spend in the 2019-2020 financial year. This grant can be spent on Council, public or private sector projects.

While the fund can be used for a wide range of investments, in practice this is more limited due to:

- the capital nature of the fund (it must be used on physical assets),
- the Fund must be spent or committed by March 2020 (or else returned to Scottish Government) and,
- the guidance received from the Scottish Government states that the projects must be 'transformational' and making a change from what has happened in the past.

The top priority for any project is to give people a reason to be in the town/city centre by re-purposing buildings for housing, retail, business, social and community enterprises, services, leisure and culture, tourism and heritage.

The secondary priority, and ideally one that is undertaken in support of the re-purposing of buildings, is to improve town centre access and infrastructure.

It is anticipated that a smaller number of transformational projects will be identified and progressed during 2019/20. At the current time there is no indication as to whether the Fund will be available in subsequent years.

Grant Offer

The Scottish Government has offered the Council £2,965,000 ring-fenced capital grant for 2019-20. This is part of a national £50m Town Centre Fund, with each local authority in Scotland securing an allocation. Highland has secured the 5th highest allocation, just behind the Glasgow City allocation (£3,010,000) but ahead of City of Edinburgh (£2,613,000).

The Town Centre Fund grant is to be used in the financial year 2019-20. It is expected that the works funded will be completed; or, at least work or contracts signed or commenced within 2019-20. Unused grant will require to be repaid to the Scottish Government.

In practice therefore, projects will effectively need all permissions in place and tenders issued early November 2019.

The Council is required to prepare and submit a third quarter return in November 2019 and year end return/report. It can be anticipated that progress with spend and

appropriateness of spend will in part inform whether there is a case for future Town Centre Fund in 2020-21 and beyond.

Decision-making

Decisions on the use of the fund rest with the Council and can be used on Council or third party (public sector bodies, private sector bodies or individuals) capital expenditure. It can be anticipated that social enterprises or community organisations will be eligible if they are companies limited by guarantee/shares.

The Council is expected when making investment decisions, to do so:

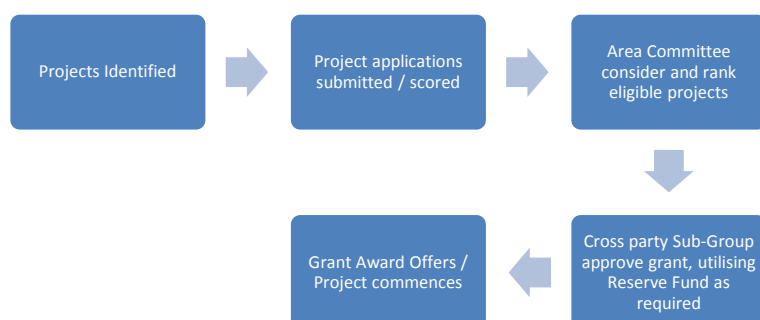
- in the context of the Scottish Government's policy steer for town centres, e.g. Town Centre First Principle
- based on approaches that are collaborative and place based with a shared purpose, e.g. town centre strategies
- after being informed by tools and support available, e.g. Town Centre Toolkit

It is proposed that the decision-making process is as follows:

- To deliver on the Council's localism commitment and to bring decision-making closer to communities, it is proposed that Area Committees become involved in identifying and recommending which projects are awarded Town Centre Funding. To aid this work, indicative area allocations have been identified – see below. Officers will assist members to identify, assess/score and rank eligible projects.
- Allied to this and to provide contingency funding in case indicative area allocations are insufficient to enable a priority project to proceed, it is proposed to retain a strategic reserve fund which will 'top-up' grant awards. If an area is unable to utilise its allocation, the residual funds are returned to the strategic reserve fund.
- A cross-party sub-group, Chaired by the Chair of Environment, Development and Infrastructure Committee, will then consider the ranked eligible projects and approve funding, utilising as appropriate the strategic reserve fund.

Meetings outwith the Area Committee and EDI Committee timetable will be required and delegated authority given to the cross-party sub-Group.

Decision-making flowchart



Indicative Area Allocations

Town Centre Fund Grant received		£2,965,000		
Strategic Fund @ 15%		£444,750		
Name of Committee	Settlements	Area allocation*	Strategic top-up	Total
Badenoch and Strathspey Area Committee	Aviemore, Grantown-on-Spey, Kingussie, Newtonmore,	265,289		265,289
Caithness Committee	Thurso, Wick	132,645	132,645	265,290
City of Inverness Area Committee	Beauly, Drumnadrochit, Inverness (Balloch, Culloden, Smithton, Milton of Leys, Westhill, Inverness), Ardersier	596,901		596,901
Isle of Skye and Rasaay Committee	Broadford, Portree	132,645	66,322	198,967
Lochaber Committee	Fort William (Banavie and Corpach, Caol, Fort William)	198,967		198,967
Nairnshire Committee	Nairn	66,322	132,645	198,967
Ross and Cromarty Committee	Strathpeffer, Ullapool, Alness, Evanton, Invergordon, Balintore, Tain, Conon Bridge, Maryburgh, Dingwall, Muir of Ord, Avoch, Fortrose, North Kessock	928,513		928,513
Sutherland County Committee	Brora, Dornoch, Golspie	198,967		198,967
	TOTAL	2,520,250	331,612	2,851,862
Residual Strategic Fund available			113,612	

*Allocation calculated on the same distribution methodology utilised by the Scottish Government when allocating the Town Centre Fund across Scotland. A town is defined as a locality with a population equal to or greater than 1000 people.

Project Eligibility

The Scottish Government has decided that the Town Centre Fund must be for physical transformational projects and therefore to ensure that this takes place, has given it to the Council in the form of capital grant. This means that only certain types of projects can be funded, for example, the spending must be of a "one-off" nature and result in the construction or improvement of an asset such as a building or an area of land. Given the steer that projects are to be transformative it can be anticipated that a smaller number of larger projects rather than a series of small projects is envisaged by Scottish Government.

Spending that is of a revenue nature, for example, staff salaries, maintenance or for the costs of running events or services, is not eligible.

Three examples are given below of the type of transformational project envisaged with the re-purposing of buildings:

Example 1

The project involves the redevelopment of three listed buildings to enable public access and to create an attractive environment for business and public engagement. It will be a part of a wider town centre regeneration initiative, with aims to create a centre for improved learning, leisure and cultural engagement. It is also a direct outcome from public consultations about the social and economic situation of the town and has been developed with local businesses, arts community and Historic Environment Scotland.

Additional funding:

- Historic Environment Scotland

Project objectives:

- to increase local business development and start-up rates by creating a flexible business facilities that will provide space for local entrepreneurs, exhibitions and hospitality industry;
- to revitalise the town centre and make it more attractive private investors;
- to attract more tourists into the area.

Project outcomes/ outputs:

- x jobs created
- 3 buildings refurbished and brought back into use
- x sq m of business space created or modified

Example 2

The project will develop a high profile long term vacant and derelict town centre site to provide efficient and affordable business space. Local consultation highlighted that 94% of the local residents and businesses involved supported the initiative. The site is well located and this ease of access will be one of the key points to attract businesses and further enhance local regeneration.

Additional funding:

- Private Leverage

Project objectives:

- unlocking a regionally and strategically important site and its economic potential;
- creating office space for SME's and Key Sector industries;
- providing town centre job opportunities.

Project outcomes/ outputs:

- x jobs created
- x sq m of business space created
- x ha of vacant and derelict land brought back into use

Example 3

The aim of the project is to redevelop a vacant town centre property into ground floor retail/business unit and upper floors into residential property. The need for more housing in the town centre and creation of retail/business units for affordable rent was identified in the Town Centre Action Plan as a number one priority to achieve social and economic regeneration. The project will be delivered by the local Community Development Company in a partnership with the Local Authority and a private developer.

Additional funding:

- Scottish Government Housing Investment
- Private leverage

Project outcomes:

- increasing the number of local people taking part in community-led and self-development programmes;
- bringing back business/retail use to town centre
- repopulating the town centre

Project outcomes/ outputs:

- x jobs created
- x residential flats for affordable rent
- x flats available for low cost purchase
- x retail/business unit available
- x ha of vacant or derelict Land remediated