

Agenda Item	19
Report No	HC/9/20

HIGHLAND COUNCIL

Committee: Highland Council

Date: 12 March 2020

Report Title: Scottish Crown Estate Net Revenues Allocation

Report By: Executive Chief Officer Infrastructure and Environment

1. Purpose/Executive Summary

- 1.1 The paper summarises the current position in respect of the Scottish Crown Estate Net Revenue Allocations, the purpose to which the funds are to be used and outlines a set of options which could be used to manage the funds.

2. Recommendations

2.1 Members are asked to:

- i. Continue to work with COSLA and the Scottish Government regarding future allocations;
- ii. Roll forward the 19/20 Crown Estate Net Revenues Allocation to 20/21 using the current Scottish Government allocation formula to distribute to Council areas;
- iii. Agree to a Members' workshop to determine the preferred funding management options; and
- iv. Agree that a finalised funding distribution model, details of the scheme eligibility, support services required for the administration of the fund and Governance arrangements will be reported to May 2020 Council for approval and immediate implementation.

3. Implications

- 3.1 Resource: It is recognised that if an open challenge fund is agreed then a dedicated resource will need to be allocated to the scheme to engage with communities / partners / Members to determine local priorities, work with and support applicants and take papers and report to the relevant decision-making body.

- 3.2 Legal: no legal implications at this stage however once a scheme is agreed legal contracts (offer letters) will need to be issued to recipients of grant aid.
- 3.3 Community (Equality, Poverty and Rural): Communities will be positively impacted by the available resource and will be engaged with regarding priority setting.
- 3.4 Climate Change / Carbon Clever: A key component of the scheme will be the need to consider climate change, particularly in terms of the impact of sea level rise and coastal erosion.
- 3.5 Risk: The Council needs to ensure the scheme meets the aspirations of the Scottish Government in respect of expenditure.
- 3.6 Gaelic: Gaelic will be incorporated into any new scheme

4. Background

- 4.1 Members will be aware that £1,292,404.46 of the net revenues generated from the Crown Estate marine assets out to 12 nautical miles has been allocated to The Highland Council. The allocation for 2019-2020 relates to the net revenue generated in 2017-2018 but does not necessarily correlate to net revenues generated within each Local Authority (LA).

5. Current and Future Allocations

- 5.1 The current allocation is based on an interim **formula** (share of the total sea area in the 0-12 nautical mile zone adjacent to each local authority) with each local authority receiving a de minimis allocation of £1,000. Scottish Ministers have agreed that annual allocations should be distributed to local areas in arrears following the finalisation of the annual accounts for the Scottish Crown Estate. It is recommended that this method is used to determine the allocation of funding to the relevant Council areas.
- 5.2 It is not clear if the current formula for allocation will continue to operate and the Scottish Government (SG) has advised that this could be reviewed in future years. It is possible that funding could be distributed based on the net revenue raised in each Local Authority area in 21/22.
- 5.3 It is difficult to estimate exact annual figures but an annual allocation of £1m can be assumed.
- 5.4 The Council needs to continue to input into this process to ensure The Highland Council area continues to secure its fair share of funding.

6. Purpose of the Fund

- 6.1 The purpose of the fund is to support additional expenditure that specifically benefits **coastal communities**. The scope and range of projects that can be funded is not defined and no guidance on how the funds can be spent has been issued. The fund can therefore be used to support a wide range of coastal investments.
- 6.2 The Scottish Government has confirmed that there will be no further rounds of Coastal Community Fund (CCF), a previous grant fund supported by Crown Estate. The

Highland Council now has control over how Crown Estate net revenues can be allocated. In the letter of allocation attached at **appendix 1** the Scottish Government stated that CCF should be replaced by Crown Estate net revenues. The previously funded CCF projects give a useful indication as to what the external expectation is for project purpose: coastal footpaths; marine heritage and marine visitor centres; harbour works/pontoons & leisure infrastructure; boat building/coastal rowing; business units linked to coastal community regeneration; habitat restoration and management. Recipient organisations, are public bodies, including local authorities and community-based groups.

6.3 The Council's current understanding is that the funding is not ring-fenced and can in theory be carried forward therefore any underspend from the 19/20 allocation can be carried forward to 20/21 and form part of the new Fund.

6.4 Given the timeframe an open challenge fund is not practical to instigate before the end of this financial year but it should be noted that the Scottish Government will instigate monitoring arrangements in respect of the fund.

7. New Scheme for Highland Council Crown Estate Net Revenues 20/21

7.1 General Principles

7.1.1 Any new scheme should be seen within the context of Council / Community Priorities for Coastal Communities, other funds currently available / or likely to be available across the region (e.g. Rural Tourism Infrastructure Fund, Tourism Levy, Regeneration Capital Grant Fund or successor EU Community Economic Development funds (LEADER and EMFF)) to ensure best use / synergies are made and resources are shared. Where practical the fund should have consistency of decision-making structures and it should be clear how communities can influence the management (priority setting) of such funds.

7.1.2 Member views on the types of projects that should be eligible will be sought at a workshop.

7.2 Decision-making

7.2.1 It is for the Council to make decisions on how the funding is to be spent but there is an expectation from the Scottish Government that decisions will be transparent and accountable to communities and stakeholders. Funds can only be allocated to projects/initiatives which can demonstrate that they are additional and benefit coastal communities.

7.2.2 Options for decision making are:

- a) Council – Strategic Group or Area Committees, or a combination of both
- b) Broader stakeholder group, for example, a Fisheries Local Action group (FLAG) or Local Action Group (LAG) equivalent made up of external, private, community and Council representatives, chaired by the Local Authority.

8. Fund Management / Allocation

8.1 When considering fund management/allocation a number of options are available - these include:

- 8.1.1 **Single strategic fund managed and delivered by the Council for HC projects / initiatives** that benefit coastal communities and/or infrastructure. Papers would be brought to the relevant strategic committee to seek approval for allocation of the Crown Estate funding on Highland Council Projects. Consultations would be undertaken to identify eligible priorities that would then be considered at the strategic Committee along the lines of the current capital reporting. Such projects would be additional to the commitments and duties of the Council, to the benefit of coastal communities. Project examples might include, coastal/flood protection, coastal roads, footpaths bridges, harbour works etc. Eligibility and allocation criteria would be developed to aid in the assessment and allocation of any funds.
- 8.1.2 **Challenge Fund open to the Council and Highland communities** for projects that benefit Coastal Communities/ infrastructure (decision making could either follow a LAG/Flag type structure or could use area committees). Area committees/**Partnerships** would then consider applications from communities and from other sources – including The Highland Council, for the delivery of benefits to coastal communities. Eligibility and allocation criteria would be developed to aid in the assessment and allocation of any funds.
- 8.1.3 **Split Approach** – A proportion of the funds would be targeted at the Council’s own marine/coastal infrastructure resource that is needing investment, additional to current capital programme allocation and capable of demonstrating coastal community benefit, managed strategically as in section 8.1.1. of this report.. The balance would be directed to coastal communities through an open challenge fund and managed at Local Area Committee level. Eligibility and allocation criteria would be developed to aid in the assessment and allocation of any funds
- 8.2 The options and concluding preferred method will be discussed within the Members’ workshop and reported to the May 2020 Council for agreement.

9. **What the Fund could support**

- 9.1 The fund could support a wide variety of projects which will deliver stronger and more resilient coastal communities. Priorities for any new scheme would be driven by local consultation, existing datasets, known priorities and plans. Considering the Council’s Climate and Ecological emergency it is recommended that this is a coherent strand to any new scheme developed. As set out above, examples might include - coastal infrastructure, tourism, climate change initiatives, marine management, coastal and flood defences, harbours, jetties, pontoons, marine resource management, coastal planning, tourism initiatives, access and coastal roads.

10 **Scheme details**

Once a decision regarding the options above are agreed criteria for local allocation, eligibility, scale of grants etc can be agreed.

11 **Administration**

- 11.1 It is recognised that if an open challenge fund is agreed then a dedicated resource(s) will need to be allocated to the scheme to engage with communities / partners / Members and to determine local priorities, work with and support applicants and take papers and reports to the relevant decision-making body. There are existing competent officers with relevant skills managing coastal and rural development funds within the Council. As such, an opportunity exists to secure this resource and integrate with other

initiatives to provide the full range of administrative support whilst making best use of the funds available.

12 **Conclusions**

- 12.1 There are still a number of issues requiring Member discussion , consideration and decision .It is recommended that a Members' workshop is held as soon as possible so that the final arrangements can be brought to the May Council and the spend of the revenues commenced thereafter.

Designation: Executive Chief Officer – Infrastructure and Environment

Date: 3 March 2020

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Background Papers: