

Agenda Item	12
Report No	CIA/33/20

HIGHLAND COUNCIL

Committee: City of Inverness Area Committee

Date: 19 November 2020

Report Title: Town Centre Fund

Report By: Executive Chief Officer for Infrastructure and Environment

1. PURPOSE/EXECUTIVE SUMMARY

- 1.1 The Scottish Government has allocated the Council an additional £1,066,000 ring-fenced Town Centre Fund. On 5 November 2020, Members of the Economy and Infrastructure Committee Members agreed an area distribution of the grant. The City of Inverness Area has been allocated £252,468 to be invested in any of the eligible localities detailed in Appendix 1.
- 1.2 While a Town Centre focus remains with the fund, the key driver behind the extra funding is to stimulate local construction activity and support employment across Highland at this time of economic crisis. Accordingly, the Scottish Government has conditioned the grant offer that grant expenditure must be complete by March 2021 (i.e. works completed or contracts signed/commenced within 2020/21).
- 1.3 This report considers the governance arrangements for identifying projects and approving associated grant amounts.

2. RECOMMENDATIONS

- 2.1 Members are asked to:
 - i. Agree that a call for projects is issued and consideration given to arranging a Special Committee Meeting to consider submissions and agree which projects are to benefit from TCF investment.

3. IMPLICATIONS

- 3.1 **Resource**

The additional funds are capital (for investment in fixed physical assets) and ring-fenced with specific conditions attached. The grant can be spent by The Highland Council or third parties.

3.2 **Legal**

When managing external funding it is imperative that the risks to The Highland Council are accessed/mitigated and any back to back grant award letters with third parties, and financial claims management protect The Highland Council financial and reputational interests.

3.3 **Community (Equality, Poverty and Rural)**

The purpose of the additional grant is to support the construction sector with contracts in town centres across Highland.

3.4 **Climate Change/Carbon Clever**

No direct implications arising albeit specific projects may bring positive implications.

3.5 **Risk**

Discussed in Legal (3.2 above).

3.6 **Gaelic**

No known Gaelic implications.

4. **TOWN CENTRE FUND GRANT AWARD: 2020/21**

4.1 On 10th September 2020 the Scottish Government announced an additional £18m through the Town Centre Fund as part of its national economic recovery stimulus package, particularly aimed at supporting construction activity across Scotland. On 18th September the Scottish Government issued its formal grant offer to The Highland Council. The value of the grant offered is £1,066,000.

4.2 The grant offer and accompanying guidance includes the following key conditions of grant:

1. *All grant expenditure must be complete by 31 March 2021 (whether the project is led by The Highland Council or third party)*
2. *The grant is for capital expenditure which is additional to that which is already or would otherwise be allocated to the 2020-21 budget and should not substitute for existing spend.*
3. *The Grant may also be used to fund third party capital expenditure in the current year.*
4. *No part of the grant may be transferred to the Capital Fund, nor may any part of the grant be used to meet the costs of debt redemption.*

5. **TOWN CENTRE FUND GRANT AWARD: 2019/20**

5.1 When disbursing the original Town Centre Fund award of £2.96m in 2019, The Highland Council:

1. provided indicative allocations to each of the relevant Area Committees (CIA Committee - £596,901)
2. established a decision-making process that required 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.

- 5.2 On this basis, 34 projects (5 in CIA) across Highland received grant awards. As per the original timetable all projects should have been already completed or have utilised their TCF allocation by end September 2020. In recognition that across Scotland projects were struggling to meet the 31 March 2020 contract commitment and October 2020 spend deadline, the Scottish Government (20 February 2020) relaxed the timelines for spend completion by September 2021.
- 5.3 At the time of writing all CIA TCF Grantees except the Fisherman's Hut project are on track to deliver as per the revised timetable. However, in June, the Inverness Angling Club wrote to The Highland Council to advise that the project was not proceeding and that the offer of grant was no longer required. At the meeting of the Town Centre Funding Working Group on 30 October 2019, it was agreed that any substantive underspends on TCF projects be used for approved reserve projects in the same area, to demonstrate the geographical spread of funding throughout Highland. As no reserve projects were identified for CIA, the £20k underspend is now available for reallocation and brings the total available grant to £272,468.

6. DELIVERY CONSIDERATIONS

6.1 Decision-making

E&I Committee Members have agreed that decision making be delegated to the Area Committees. If a grant eligibility issue does arise and the Area Committee goes against report recommendation in this respect, then the matter is referred to a special meeting of that Area Committee. A similar decision-making process will be adopted if for whatever reason an area allocation will not be fully utilised (and as per terms of grant returned to Scottish Government and therefore otherwise lost to Highland), and there is a need to redistribute the residual funds quickly to other projects.

6.2 Potential Projects

The Scottish Government in their grant award guidance explicitly states that: *it is expected that local authorities will prioritise projects which are established and can progress in time to meet this deadline (31 March 2021). Expenditure is defined as "It is expected that work will be completed; or, at least work or contracts signed or commenced within 2020/21"*.

In other words, this together with the town centre purpose of the fund can be read as, the Scottish Government is expecting The Highland Council to support existing Town Centre located projects that could benefit from some additional spend, or new Town Centre projects that are 'shovel ready' to be progressed.

6.3 There are three possible options available to CIA for identifying and investing TCF grant in projects:

1. "Top-up" existing TCF projects where there is an identifiable need i.e. overspend projected or additional phase of work can be readily bolted onto existing contracts. This could be undertaken quickly and existing grant contracts modified accordingly.
2. Support other projects that are "shovel ready" and can be delivered within the allotted timescales.
3. An open call for project proposals to be submitted to The Highland Council i.e. the approach adopted for the first tranche of TCF grant.

- 6.4 In respect of option 1. All existing projects benefiting from TCF grant are being delivered as detailed in the original project proposal proforma. At the time of writing The Highland Council has not been approached from a Grantee requesting additional funds.
- 6.5 Option 2 will allow specific projects that have already been identified to be moved forward, including potentially some Council led projects that have been discussed in the context of economic recovery. However, it could potentially result in projects being excluded from consideration by virtue of the fact that The Highland Council may not have an awareness of what is being developed in each of the localities.
- 6.6 Option 3 is more all-encompassing and allows for options 1 and 2 to be considered alongside an opportunity for new projects to be identified. On balance therefore it is recommended that the Council issues a call for project proposals and these are assessed and considered at a meeting of the CIA Committee.
- 6.7 Option 3 does pose a challenge with the next timetabled committee meeting being 18 February 2020. That only allows a very short window for grant offers to be issued and Grantees to award contract before 31 March 2021. In order that an early decision can be taken it is proposed that a short timeline is afforded in the open call for completed applications to be submitted and for consideration to be given to a special meeting being scheduled of the area committee to agree the projects to benefit from TCF investment.

Designation: Executive Chief Officer Infrastructure and Environment

Date: 10 November 2020

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Appendices: Appendix 1 - Proposed Area Allocations (2020-21)

**APPENDIX 1:
Proposed Area Allocations (2020-21)**

Town Centre Fund Grant received		£1,066,000
Name of Committee	Settlements	Area allocation
City of Inverness Area Committee	Beauly, Drumnadrochit, Inverness (Balloch, Culloden, Smithton, Milton of Leys, Westhill, Inverness), Ardersier	£252,468

*A town is defined by the Scottish Government as a locality with a population equal to or greater than 1,000 people. The Scottish Government identified 38 such localities in Highland and therefore £1,066,000 divided by 38 = £28,052 per locality.