

Agenda Item	
Report No	

HIGHLAND COUNCIL

Committee: Highland Council

Date: 13 May 2021

Report Title: Levelling Up Fund and Community Renewal Fund

Report By: Executive Chief Officer Infrastructure and Environment

1. Purpose/Executive Summary

- 1.1 On 3 March the Chancellor set out details of the UK Levelling Up Fund and the UK Community Renewal Fund. This report sets out the context to the funds, details lobbying activity being carried out in preparation for the Shared Prosperity Fund, and outlines the work being undertaken to submit bids to both funds before the first deadline set by UK Government of 18 June 2021. Members are asked to agree the recommendations set out, recognising the very tight timescales in respect of bid preparation and submission.

2. Recommendations

- 2.1 Members are asked to agree:-
- i. that the Council continues to lobby for a different methodology on the metrics to be used for the priority areas for the Shared Prosperity Fund, and that external analysis is carried out to strengthen the case in responding to the UK Government consultation proposed for later this year;
 - ii. that bids are prepared for the Levelling Up Fund and the Community Renewal Fund, and that external support is brought in to support the bid writing process;
 - iii. the proposed content of bids being considered, as set out in Section 12 and 13 of this report, recognising the need for large scale projects that can be delivered within the spend period and that fit with the criteria set by the UK Government;
 - iv. that officers continue with the preparation of the final bid submission, involving discussion with Area Chairs on an ongoing basis over the next month;
 - v. that an all Member workshop is set up prior to the bids being submitted, to report on progress and allow input to the detailed content of the bid submission;

- vi. that, recognising the very challenging timescales to submit bids, the final bids are agreed by the Chair and Vice Chair of the Economy and Infrastructure Committee, in consultation with the Executive Chief Officer Infrastructure and Environment; and
- vii. that a report on the final bid submission is brought back to Council meeting on 24 June 2021 for homologation.

3. Implications

- 3.1 **Resource** – there are resource implications arising directly from the actions being proposed in terms of external analysis of metrics and of preparing bids to both funds set out in this report. It is expected that the Council will receive £125,000 to help build capacity in respect of the Levelling Up Fund and it is anticipated that this can be used retrospectively. However, Council is asked to be aware of other potential costs that are not currently budgeted for.
- 3.2 **Legal** – there are no legal implications at this time.
- 3.3 **Community (Equality, Poverty and Rural)** – One of the key benefits of these funding streams and the future Shared Prosperity Fund is to support the whole of the Highlands, and particularly the most rural and deprived areas. It is critical that efforts are made to lobby strongly on these issues and ensure a fair proportion of future funding to the area.
- 3.4 **Climate Change / Carbon Clever** – There are no direct implications arising as a result from this report, although all bids will maximise opportunities to contribute to the Council's stated targets in respect of the Climate and Ecological Emergency.
- 3.5 **Risk** – There are a number of key risks relating to the bid preparation process, particularly around the timing that has been set by the UK Government. The timescales given are very short and whilst there will be future rounds of bidding, there is still an expectation that the initial funds must be spent by the same deadlines. There is also a clear risk that the bids will not be accepted, given that it is a competitive process that is being followed.
- 3.6 **Gaelic** – There are no Gaelic implications at this time.

4. Introduction

- 4.1 On 3 March the Chancellor set out details of the UK Levelling Up Fund and the UK Community Renewal Fund. This report sets out the context to the funds, details lobbying activity being carried out in preparation for the Shared Prosperity Fund, and outlines the work being undertaken to submit bids to both funds before the first deadline set by UK Government of 18 June 2021.

5. UK Levelling Up Fund

- 5.1 The £4.8 billion Levelling Up Fund will invest in infrastructure including regenerating town centres and high streets, upgrading local transport, and investing in cultural and heritage assets.

The Fund will achieve this by focusing on:-

- Town centre and high street regeneration, including remediation and repurposing of vacant and brownfield sites;
- Improving local transport connectivity and infrastructure, including upgrades to local bus, road and cycle infrastructure; and
- Maintaining and regenerating cultural, heritage and civic assets.

5.2 It is a competitive fund which targets places across the UK with the most significant need, as measured by an index which considers the following place characteristics:-

- need for economic recovery and growth;
- need for improved transport connectivity; and
- need for regeneration.

90% of funding available through the UK Levelling Up Fund is capital funding and 10% revenue.

5.3 Investment will be prioritised for local areas that are most in need of levelling up, with each local authority being given a category of 1, 2 or 3 against this criterion. Highland Council has been assessed as a category 3 area which is the lowest category in terms of need based on the metrics used (see section 6). Capacity Funding will be available to the Council, although no details have yet been provided on exactly when this will be provided (which is important in the context of bid preparation as referenced later in this paper).

6. Metrics for UK Levelling Up Fund

6.1 The following GB-wide data only was used:-

Need for economic recovery and growth

- Productivity, measured using gross value added (GVA) per hour;
- 16+ Unemployment rate; and
- Skills measured using the proportion of the working-age population without a national vocational qualification.

Need for improved transport connectivity

- According to the methodology note there was no publicly available data on journey times for Scotland and Wales, or an equivalent alternative, so transport connectivity was not assessed in the Welsh and Scottish national indices.

Need for regeneration – For Scotland

- According to the methodology note dwelling vacancy rates were used as commercial vacancy rate data for Scotland was not available at time of calculation.

7. UK Community Renewal Fund

- 7.1 The other fund that was announced was the UK Community Renewal Fund which is the interim UK Shared Prosperity Fund (UKSPF) which will cover the period 2021/22. This fund will help inform the design of the UK Shared Prosperity through funding of one-year pilots.
- 7.2 The UK Community Renewal Fund aims to support people and communities most in need across the UK, creating opportunities to trial new approaches and innovative ideas at the local level. The UK government will work directly with local partners, so that the people that know their places best are front and centre of the decisions that impact their areas and lives. This Fund will also provide capacity funding to help places prepare for the introduction of the UK Shared Prosperity Fund (although this will not be available to Highland Council as it does not form one of the top 100 Priority Places).
- 7.3 To provide flexibility, projects may align with one, or deliver across several, of the following investment priorities:-
- Investment in skills;
 - Investment for local business;
 - Investment in communities and place; and
 - Supporting people into employment

90% of funding available through the UK Community Renewal Fund is revenue funding and 10% capital.

- 7.4 To ensure the UK Community Renewal Fund funding reached the most in need, the UK Government identified 100 local authorities as priority places based on an index of economic resilience where projects that target investment at communities in need will be prioritised. Highland has not been included on the priority list.

8. Metrics for Community Renewal Fund

- 8.1 A place's index score is based on the following criteria:-

- Productivity;
- Skills;
- Unemployment Rate;
- Population Density; and
- Household Income

- 8.2 These criteria were selected because they contribute to economic resilience and/or are directly targeted by local growth interventions in scope of the UK Community Renewal Fund:-

- Productivity provides a measure of a place's business base. It is a workplace-based measure, so measures the productivity of businesses based in a place, not of that place's residents. This will be targeted through business support interventions, which intend to strengthen a place's business base.

- Skills provides a measure of the human capital of a place. The funding will target improving local skills through pilot funding that supports access to skills and local labour market opportunities.
- The rate of unemployment measures the efficiency of a place's labour market. The funding will target unemployment through pilot funding that removes labour market barriers.
- Population density contributes to the economic resilience of a place. Denser areas experience agglomeration economies such as deeper labour markets. As a result, places with low population density, e.g. rural areas, are considered less economically resilient, and therefore given a higher index score. This also results in a diverse typology of places by targeting rural areas with low population density (29% of places on the list of priority places are categorised as rural, 22% as urban and 40% as ex-industrial).
- Finally, household income focuses on the income available to spend of residents within an area and provides an alternative measure of a local economy to workplace productivity, for example places where a strong business base might not be benefitting local residents.

9. Timescales for Submitting Bids to both Funds

- 9.1 By 18 June 2021 Lead Authorities in Great Britain submit shortlists of projects to UK government for assessment. From late July 2021 onwards the UK Government will announce successful projects. There will be later bidding rounds, but the spend profiles are incredibly challenging for both funds, with the Levelling Up Funds having to be fully spent by 31 March 2024 (31 March 2021 for Transport Bids), and Community Renewal Funds must be spent by 31 March 2022.

10. Highland Context

- 10.1 Given the importance of these funds, there is significant concern that that the metrics used did not reflect the unique circumstances of the Highlands. Equally, there was no consultation on the methodology and metrics. Particular concerns are:-

Geography

- The Highland Council serves a third of the land area of Scotland, including the most remote and sparsely populated parts of the United Kingdom. The total land area is 33 per cent the land area of Scotland and 11.4 per cent of Great Britain. It is 10 times larger than Luxembourg, 20 per cent larger than Wales, and nearly the size of Belgium.
- There are very real constraints around rurality and peripherality.
- There are very significant sub regional socio-economic differences in Highland particularly between the inner Moray Firth and rural Highland.

Connectivity (Physical and Digital)

- Highland is a region that lacks physical connectivity in terms of transport links both within and outwith the Highlands. The availability of public transport is often limited, and the road infrastructure is steadily deteriorating.
- The Highlands also have many areas without access to broadband and mobile coverage.

Population

- Highland suffers from population drift, ageing demographics, and outmigration of young people in pursuit of Further and Higher Education and more diverse employment opportunities elsewhere.
- Many of the areas in Highland suffer from talent drain to cities, the central belt of Scotland and beyond.

Productivity and Employment

- Narrow economic base and low productivity (75% of Scottish average).
- Highland is low wage economy.
- Economy relies disproportionately on small businesses.
- Number of employees per business and turnover per employee is in the lower half of the Scottish average.
- Higher cost of living (transport, energy etc).

Poverty

- Highland has 33% fuel poverty rate. The National average is 24%.

EU Funding

- EU Structural Funding recognised that particular attention should be paid to rural areas and regions which suffer from severe and permanent natural or demographic handicaps and their Regional Policy sought to improve the economic well-being of regions in the European Union and also to avoid regional disparities and any region being left behind.
- The Highlands and Islands are classed as a Transition Region for purposes of European structural funds for period 2014–2020 and a theoretical projection by the Committee of Peripheral and Maritime Regions indicated that we would still be a Transition Region for the period 2021-2027.

10.2 Specific concerns over the metrics applied to these funds are:-

- GVA per hour – ONS has cautioned against its use as a productivity measure.
- No dependency ratios included - would indicate challenges in supporting recovery and growth and be an indicator of longer-term decline and need for growth and regeneration support.
- Unemployment rates - This was always going to feature, and while Highland does track lower than other areas, the issue in the region is that higher levels of outmigration (for employment), especially of young people, are masking the labour market challenges.
- Transport connectivity - Data not used for Scotland and Wales and would have been critical in the further prioritisation of regional local authorities. Highlands and Islands data zones dominate as having the longest journey times from a range of key services (petrol station, retail centre, primary school, post office, GP) in the SIMD geographic access criteria.
- Need for Regeneration - Dwelling vacancy rates are not a suitable “proxy” for need for regeneration. It does not consider housing supply challenges. There remains a significant gap between housing need, demand and supply in the region with high levels of holiday homes and short-term lettings.

11. External Lobbying Activity

- 11.1 Following the announcement establishing the UK Levelling Up Fund and the Community Renewal Fund, the focus on external lobbying activity has been to make the case that the metrics used in assessing the Highlands for these funds did not consider the unique circumstances of the Highlands and that if these metrics were used for the future UK Prosperity Fund, then the Highlands would stand to lose a significant level of funding on an ongoing basis.
- 11.2 The Council Leader has written and spoken to UK Government ministers on a number of occasions to set out the specific concerns of the Highlands. Clarity has been sought on how the metrics for the Levelling Up Fund (economic recovery, regeneration and improved connectivity) have given Highland a category 3 rating and whether this could be reviewed. In respect of the UK Community Renewal Fund which is the interim UK Shared Prosperity Fund (UKSPF), the Leader has asked how Highland was assessed in terms of productivity, household income, unemployment, skills and population density which resulted in the area not being included in the 100 priority places and whether there was scope for this to be reviewed.
- 11.3 Engagement has also taken place with MPs both in terms of letters and telephone calls seeking their active support.
- 11.4 A communication and lobbying plan is being drawn up and various councillors will be invited to take part in that, and we will be drawing on the support of our MPs and new MSPs. The aim of the plan is to raise the public profile and the implications of these decisions. The Council will invite others in the 3rd sector and UHI who have benefitted substantially from EU funding to join in raising awareness of the current situation and also to encourage them to lobby for change.
- 11.5 Discussions have and will continue to be had with neighbouring authorities and with Highlands and Islands Enterprise at officer and political level to exchange ideas and good practice and to offer the opportunity to jointly lobby. A joint letter was sent to the Secretary of State for Scotland from all Highland and Island leaders in March. A response is awaited and will be sending a reminder.
- 11.6 It has recently been confirmed from UK Government that a consultation will be held on proposals for the UK Shared Prosperity Fund (potentially at the end of June). A brief has been drawn together for a piece of research on the metrics used for the two funds already announced and to highlight Highland specific issues that can be used to inform the Council's consultation response and indeed ongoing lobbying activities. This will be issued as soon as possible. Members should also be aware that there is work taking place at a national level which may also assist in this response.

12. Next Steps – Levelling Up Fund Bids

- 12.1 Further information on the Levelling Up Fund is attached as **Appendix 1** of this report. It sets out the background to the fund, as well as information on the decision-making process. Members will recognise the very tight deadlines imposed on the Council. Bids to the Levelling Up Fund will be part of a competitive process. Local authorities can submit one bid for every Member of Parliament whose constituency lies wholly within their boundary. This means that Highland can submit three bids over the lifetime of the Fund. The maximum bid size is £20m. The Council can also submit one bid of up to £50m for transport schemes.

Bids can be either a single project or a coherent package, and feedback on this is that a relatively small number of projects (2 or 3) will be expected within each bid package, and that these must be inter-related or cohesive. Bids that straddle local authority boundaries are permissible, and funds are to be spent by 2024/25.

12.2 Given these timescales, it is important that bids being considered are at a stage where they are capable of being delivered within the timescale set and that they meet the criteria set out by UK Government. Officers have been discussing potential projects, and developed a long list, with input from partners such as HIE and UHI. Work is underway to procure external support to assist with the preparation of the bids, to ensure that there is close synergy with the criteria set and that the appropriate level of detail can be built up within the time available. An update on progress with this will be provided to the Council meeting.

12.3 The long list of projects is set out at **Appendix 2**.

12.4 Transport Bid

It is clear that a significant bid relating to transport infrastructure will be an essential element for the Council area. Many of the large infrastructure projects in Highland (both those that are already funded and programmed, or those that are being promoted through the consultation on the Strategic Transport Projects Review to Scottish Government) are under the responsibility of Transport Scotland. Focus has therefore been placed on projects that are under the responsibility of the Council.

There are significant challenges throughout Highland in terms of roads infrastructure in particular, and it is suggested that a compelling bid could be submitted for the **North Coast 500 route**, tied in with an expansion of Electric Vehicle Charging Points and improvements to tourism related infrastructure. The benefit of this project is that it will impact on much of the Council area, address key Council owned infrastructure assets, build on design work already undertaken and support the continued recovery and growth of tourism. Members' views are sought on that proposal, as well as feedback on others that might be appropriate.

12.5 Bid for the Caithness, Sutherland and Easter Ross Constituency

As Members will note, there are a number of key regeneration projects that could form a bid for the above constituency. Supporting the economy of the north and addressing some of the issues such as depopulation need a focussed approach. The recommended bid is proposed to focus attention on **Wick** as a centre for regeneration, and encompass various interlinked projects such as infrastructure works on the Wick Harbour outer seawall which will hopefully attract further investment to the port, physical regeneration of the town centre and other active travel and environmental improvement projects. Further discussions will be held locally on which projects offer the greatest chance of success and which are capable of being developed in the timescale available.

12.6 Bid for the Inverness, Nairn, Badenoch and Strathspey Constituency

There a number of projects within this constituency which could lead to significant economic benefits. Focus on the criteria relating to regeneration and on the maintenance and regeneration of cultural, heritage and civic assets has helped identify a potential bid comprising **Inverness Castle, Northern Meeting Park and Bught Park facilities**.

It is also proposed to identify whether smaller environmental regeneration projects relating to **Aviemore and Nairn Links** can be incorporated into the overall bid submission package.

This will be looked at in much further detail, but the development of a compelling case can be made for these three significant venues in the City, which taken together could lead to significant improvements to attract increased visitor numbers, improve facilities that are in great need of investment, and in the case of the Bught Park, promote a community facility that has a close link to Highland shinty heritage and outdoor events such as the Highland games and concerts.

12.7 Bid for the Ross, Skye and Lochaber Constituency

The bid for this area is intended to focus in on a comprehensive regeneration scheme to develop the gateways to the **Outdoor Capital of the UK and Eilean a' Cheo**.

This is intended to comprise investment in physical regeneration of cultural and heritage assets such as the Nevis Centre and the Ben Nevis Visitor Centre as well as the important transport related assets of Portree Harbour (as part of the wider Portree regeneration schemes) and potentially the Corpach Marina.

12.8 Bid Development Process

Whichever projects are put forward in the bids will be dependent on their ability to meet the criteria set by Government and the requirement for the investment to be spent within the short timescale available. It is intended that external advice from consultants will be utilised to bring forward and develop the bids. Members are asked to agree that discussions continue with Area Chairs and partners to ensure that the bid process is truly collaborative and offers the best chance of success. It is also intended to meet with the relevant Members of Parliament as soon as practically possible to seek their support, which is an essential part of the bidding process. Once the project packages have been developed into near final bids, all Members will have a further opportunity to consider and feedback at a Member workshop in June, prior to the final bids being approved for submission by the Chair and Vice Chair of the Environment and Infrastructure Committee.

13. **Next Steps – Community Renewal Funds**

- 13.1 Further information on the Community Renewal Fund is set out at **Appendix 3** of this report. It sets out the background to the fund, as well as information on the decision-making process.
- 13.2 Members should be aware that a call for submissions was published on the Council's website on Friday 30 April. This sets out that in response to the UK Government's recent announcement on the UK Community Renewal Fund, Highland Council are seeking bids from organisations wishing to deliver activity as part of this. Eligible applicants can come from public sector organisations, higher and further education institutions, private sector companies and registered charities. It is predominantly a revenue-based fund and bids will be for 2021/22 only, with activity ending by 31 March 2022. This follows the approach that is being taken by partner local authorities throughout the Highlands and Islands. Council bids are also being prepared. This is an important precursor to the Shared Prosperity Fund and will therefore be important for the Council to submit a bid on behalf of other parties. Recognising the very tight deadlines imposed on the Council, the turnaround time is going to be very challenging and bids are being asked for by 5pm on 14 May 2021.

An update on submissions will be given to the Council meeting. Further information can be found [here](#).

14. **Conclusion**

- 14.1 As Members will appreciate, there is little time available for bids to be made to both Funds and that the delivery of competent bids within the timescale is going to be challenging. Members are asked to support the process set out within this paper, and to note that updates will be provided on an ongoing basis, followed up by a report to the June Council meeting. Members should also note that this is the first round of bidding and if bids are not successful there will be further opportunities in the future.

Designation: Executive Chief Officer Infrastructure and Environment

Date: 12 March 2021

Author: Malcolm Macleod, ECO – Infrastructure and Environment
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Angus Macleod, Brexit & EU Policy Coordinator
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Briefing Note: Levelling Up Fund and Methodology

Purpose of the Fund	UK Government fund targeting places across the UK with the most significant need in terms of: <ul style="list-style-type: none"> • Need for economic recovery and growth • Need for improved transport connectivity • Need for regeneration
Duration of Fund	4 years (up to 2024/25)
Geographical Coverage of the Fund	UK Wide
Budget of Fund	£4.8bn (of which at least 9% to Scotland, 5% to Wales and 3% to Northern Ireland)
Type of Funding	90% Capital
Match Funding	Minimum 10% local contribution towards total costs expected
Scope of Funding	<ul style="list-style-type: none"> • Town centre and high street regeneration, including remediation and repurposing of vacant and brownfield sites; • Improving local transport connectivity and infrastructure, including upgrades to local bus, road and cycle infrastructure; and • Maintaining and regenerating cultural, heritage and civic assets.
Delivery model	Competitive process. Local authorities can submit one bid for every MP whose constituency lies wholly within their boundary. 3 MPs in Highland = 3 bids over lifetime of Fund. Maximum bid size £20m. Plus 1 bid of up to £50m for transport schemes. Bids can be either a single project or a coherent package. Bids straddling LA boundaries permissible. Funds to be spent by 2024/25.
Decision making	Successive challenge fund rounds with decisions by UK Government ministers.
Spatial Prioritisation	Prioritisation according to a threefold classification (see methodology summary and also Annex 1 for Scottish local authorities' categories). Highland has been classified at Priority 3 (lowest priority).
Additional Funding	All LAs in Scotland will receive £125K Capacity Funding to support them in preparing high-quality bids (although this funding is not being made available for first round of project submissions).
Timetable	First round deadline 18 th June 2021

Methodology to prioritise places (summary):

- Methodology was used to develop an index of priority places for the Levelling Up Fund. Local authorities have been placed into categories 1,2 or 3, depending on their identified level of need, with category 1 representing places deemed in most need of investment through this Fund. **Highland has been placed in Category 3 (lowest need).**
- These categories will form one part of the process for assessing bids, as part of the ‘characteristics of place’ criteria, alongside the other 3 criteria – deliverability, value for money and strategic fit.
- Preference will be given to bids from higher priority areas.
- Bids from places in all categories still considered for funding on their merits of deliverability, value for money and strategic fit, and could still be successful if they are of high enough quality.
- Metrics selected to identify priority places:
 - A. Economic recovery and growth (indicator 1) GB-wide data available
 - B. Improved transport connectivity (indicator 2) No GB-wide data available
 - C. Regeneration (indicator 3) No GB-wide data available
- Lack of availability of GB-wide data to measure both transport connectivity and regeneration. So two steps were taken to determine priority places:
 1. **Step 1:** a GB-wide index was developed at eligible LA level, using only data available GB-wide, and used to determine **the number of places** that would be in categories 1, 2 and 3 across England, Scotland, and Wales.
 2. **Step 2:** distinct indices for England, Scotland and Wales were developed at eligible LA level with both GB-wide and nation-specific data and used to determine **the specific list of places** that would be in categories 1, 2 and 3 within each nation.
- The 368 eligible LAs in Great Britain were divided into roughly equal bands, with 123 places in category 1, 123 in category 2 and 122 in category 3 respectively:

Step 1: To determine the number of category 1, 2 and 3 ‘slots’ to assign to each nation, a GB-wide index was created to rank places against criterion A (need for economic recovery and growth) only, which contains only GB-wide data weighted as follows:

Target metric	Indicator	Weight
Productivity	Natural log of GVA per hour worked	(33.3%)
Unemployment	Estimates of unemployment rate in the 16+ population	(33.3%)
Skills	Proportion of the 16-64 population without NVQ qualifications	(33.3%)

Table1: GB-Wide index seeking to capture places’ need for economic recovery and growth at the eligible LA level.

For the metrics outlined in Table 1, this resulted in the following assignment of category 1, 2 and 3 places between England, Scotland and Wales:

Prioritisation Category	Number of LAs in England	Number of LAs in Scotland	Number of LAs in Wales	Total
1	93	13	17	123
2	108	12	3	123
3	113	7	2	122

Table 2: Number of category 1, 2 and 3 slots assigned to England, Scotland and Wales respectively following step 1

Step 2: Having determined the number of category 1, 2 and 3 slots to assign to each nation using only GB-wide data, places were then sorted into these slots within each nation using additional England, Scotland and Wales-only metrics (in addition to the GB-wide metrics used in step 1) to account for the varying availability of data between nations relating to criteria B and C. The following data and weightings for England, Scotland and Wales were used:

Target metric	Indicator	Weighting		
		<u>ENGLAND</u>	<u>SCOTLAND</u>	<u>WALES</u>
		50%	88.90%	66.70%
Indicator 1: Need for economic recovery and growth				
Productivity	Natural log of GVA per hour worked	(33.30%)	(33.30%)	(33.30%)
Unemployment	Estimates of unemployment rate in the 16+ population	(33.30%)	(33.30%)	(33.30%)
Skills	Proportion of the 16-64 population without NVQ qualifications	(33.30%)	(33.30%)	(33.30%)
Indicator 2: Need for improved transport connectivity		25%	0%	0%
Journey time to employment by car	Average journey time to the nearest employment centre of at least 5,000 jobs when traveling by car	(75.2%)		
Journey time to employment by public transport	Average journey time to the nearest employment centre of at least 5,000 jobs when traveling by public transport	(21.2%)		
Journey time to employment by cycle	Average journey time to the nearest employment centre of at least 5,000 jobs when traveling by cycle	(3.5%)		
Indicator 3: Need for regeneration		25%	11.10%	33%
Commercial vacancy rate	Proportion of retail, industrial, office and leisure units that are vacant	(75%)	0%	(75%)
Dwellings vacancy rate	Proportion of dwellings chargeable for council tax that are classed as long-term empty (empty for more than 6 months)	(25%)	100%	(25%)

Highland has the following issues of concern:

Indicator 1: Need for Economic Recovery and Growth

- Real concern that no population metric was included - dependency ratios would indicate challenges in supporting recovery and growth and be an indicator of longer-term decline and need for growth and regeneration support.
- GVA per hour – ONS has cautioned against its use as a productivity measure before (due to that commuting factor e.g. earning high salary in Edinburgh but living and spending it in the Borders)
- Unemployment rates - This was always going to feature, and while Highland does track lower rates than other areas, the issue in the region is that higher levels of outmigration (for employment), especially of young people, are masking the labour market challenges.
- Proportion of working population without an NVQ - Highland does have traditionally higher levels of qualifications especially at the lower levels so this metric would not have prioritised any of our region.

Indicator 2: Transport connectivity

- Data not used for Scotland and Wales and would have been critical in the further prioritisation of regional local authorities. Highlands and Islands data zones dominate as having the longest journey times from a range of key services (petrol station, retail centre, primary school, post office, GP) in the Scottish Index of Multiple Deprivation geographic access criteria.

Indicator 3: Need for Regeneration

- Dwelling vacancy rates is not a suitable “proxy” for need for regeneration. This does not take into account housing supply challenges. There remains a significant gap between housing need, demand and supply in the region with high levels of holiday homes and short-term lettings. Highland (along with Edinburgh) accounted for more than half of all active Airbnb listings in Scotland. Supply shortages due to short-term lettings are providing a key constraint to retaining and attracting population and for business growth in the region.

Annex 1: Results of Metrics used – PRIORITY CLASSIFICATION OF SCOTTISH LOCAL AUTHORITIES

PRIORITY 1 (highest need)	PRIORITY 2	PRIORITY 3 (lowest need)
Dumfries & Galloway	Aberdeen	Aberdeenshire
Dundee	Argyll & Bute	Edinburgh
East Ayrshire	Angus	East Dunbartonshire
Falkirk	Clackmannanshire	Highland
Glasgow	East Lothian	Orkney
Inverclyde	East Renfrewshire	Perth & Kinross
North Ayrshire	Fife	Shetland
North Lanarkshire	Midlothian	
Renfrewshire	Moray	
Scottish Borders	Stirling	
South Ayrshire	West Lothian	
South Lanarkshire	Western Isles	
West Dunbartonshire		

LEVELLING UP FUND

POTENTIAL LARGE TRANSPORT PROJECTS (PAN-HIGHLAND)	comments	category	Lead organisation (Partner)	Budget cost (Total)	Planned completion	Readiness
Stromeferry Bypass		B	THC/ Transport scotland	£110million		low
Achnashellach to Culags stretch of the A890	nc500	B	THC			high
Full Fort William trunk road improvements	transport scotland / deliverability	B	Transport Scotland			low
Naver Bridge replacement	NC500	B	THC	£7million	Mar-24	medium
Hydrogen-fuelled buses.		B	THC	CB/NY		
Inshes Corridor could be part of the sustainable improvements across the network.	part of city region deal / already funded	B	THC	£7.4 million	Mar-24	high
Corran Ferry – replacement ferry vessel. replacement of slipways and estimated cost of ferry vessel is £22m. slipways may be delivered within 4 years.	deliverability /link with SG ferry replacement prog, Replacement of slipways only	B	THC (Tracey Urry)	23 m		
Infirmiry Bridge, Inverness	already funded following E&I	B	THC (Tracey Urry)			
NC500 tracks - improvements	All routes could be linked to car park improvements and tourist facilities. In regard to 2025 spend it can be done but would have to fully commit to schemes.	B	THC/NC500 (CH)	55m	Mar-25	High
Wick Street Design Project – designs have been prepared by Sustrans. Support from Members and community.	consider as part of area bid	B	THC (Neil Young)			
South Loch Ness Routes - B851, B862 and B861 - there are tourist, residential and commercial implications.	not strategic	B	THC (John Taylor)			medium/high
Road to the Isles	active travel routes	B	THC (Neil Young)			low
Inchmore Cycle Path	not strategic	B	THC (Neil Young)			low
North Loch Ness Route	not strategic	B	THC (Neil Young)			low
Station Masterplan - There could be a phase 1 which could be delivered within 4-year period.	deliverability issues	A/B	Network Rail			low

CAITHNESS, SUTHERLAND & EASTER ROSS POTENTIAL PROJECTS						
Transport Investments:						
Wick Airport Hangar (loosely transport)	currenty no project	B	HIAL/ THC			low
Any single-track section of NC500 for improvements	NC500	B	THC/NC500 (Colin Howell)			high
Single track roads in Sutherland which suffers from timber extraction - A897 (Helmsdale-Strath) and the A839 (between Lairg and Rosehall) – local members have asked for this section to be twin tracked.	no wider links	B	THC/NC500 (Robin Pope)			
Caithness roads - B870 (runs parallel with A9 through Halkirk and comes out south of Seater – this is a single-track section). The B874 (runs parallel with A82 – this is a single-track section).	no wider links	B	THC/NC500 (Joanne Sutherland)			
Cape Wrath Road	could be linked to NC500	B	THC/NC500			
Footbridges – Wick and Thurso.	could be linked to wider regeneration bid	B	THC/NC500			
Struie Road that runs from Edderton to Alness	not strategic	B	THC/NC500 (Ian Moncreiff)	Ian Moncreiff		
B9166, B9165 and the B9175	not strategic	B	THC/NC500			
Cromarty Firth – Glenglass Road which serves an estate and wind farms.	not stratagic	B	THC/NC500			
Joint bid with Orkney Islands Council for ferry infrastructure	timescales	B	THC/NC500			
Electric Powered vehicles in remote and rural areas. This could create job opportunities.	NC500	B	THC/NC500			high
Sustainability Transport Interventions – Map has been created for Spaces for People.	link to wider regeneration	B	THC/NC500			
Loch Clash improvements	not strategic	B	THC/NC500			
Rail Freight Hub / Hydrogen hub	Develop facilities at Georgemas Junction	B	CNSRP			very low

Regeneration/Town Centre:						
Wick Harbour High Water Protection Gate	Installation of a highwater protection gate to expand harbour capacity.	A	Wick Harbour Authority (HIE)	£7.5million	Summer 2024	High
Redevelopment of North Highland College Engineering Centre	deliverability very low	A				
Brownfield sites in Invergordon – tank farms	Removal of tanks. Ownership issues.	A	CFPA/THC		2024	Medium
Opportunity Cromarty Firth - People and place benefits	consortium of partners working on series of projects	A	THC (Scott Dalgarno)			
Cultural Investment:						
Wick/John O'Groats Mill	Refurbish and bring back into use 250year old water mill	C	JoG Mill trust (HIE)	£2.15 million	2024	High
Strath Naver Museum	heritage hub -museum for NW Sutherland A/C	C	Strath Naver Museum	£2.3 million	2024	high
Scourie Visitor Centre Plan	Shelley Rock Collection; café,community multi-use space	A/C	Scourie Community Development Company (HIE)	£3.38m		High

Misc:						
Space Hub	Development of vertical launch facility at Mhoine peninsula		HIE	£18 million	Awaiting outcome of judicial review	Medium

INVERNESS, NAIRN AND BADENOCH & STRATHSPEY POTENTIAL PROJECTS						
Transport Investments:						
Active Travel	already funded through ICATN	B	THC (Craig Baxter)			high
Inverness Railway Station	deliverability	B	Same as large transport			low
Hydrogen Refuelling Station at Longman	deliverability	B	?			low
active Travel Aviemore project – Allan Maguire will liaise with CNPA separately	deliverability	B	CNPA/THC			low
Lochloy – we have Development Contributions for new pedestrian railway crossing	not strategic	B	THC/Network Rail			medium
South Loch Ness Roads - B851, B862 and B861 – Daviot-Inverarnie-Farr is key area	not strategic (inverarnie/littlemill section priority)	B	THC (John Taylor)	£6million+		medium/high
Inshes Junction – this links into wider trunk road network/active travel	part of city region deal / already funded	B	THC	£7.4 million	Mar-24	high
Community Transport Initiative to be set up for Demand Responsive Transport (DRT) using EV minibus – this is for Nairn area.	not strategic	B				medium
Ardersier to Inverness coastal route	deliverability	B	THC (Nicole Wallace)			low/medium

Regeneration/Town Centre:						
Public Realm improvements around Castle – could tie in with Infirmary Bridge	castle project	A	THC (Craig Baxter)		Mar-24	high
Farraline Park – city centre regeneration city park	deliverability	A	THC (Craig Baxter) / Stagecoach			low
Sports facilities on east side of city	deliverability - no defined project	A	UHI / HLH			low
College site – regeneration project	deliverability - no defined project	A	UHI			low
UHI – modern construction innovation hub – this could be tied in with 0% carbon project	requires site identification	A	UHI			medium
Carbon Depot at Longman – could lead into energy from waste plant	deliverability - no defined project	A	THC			low
Carse – Scottish Canals project	not strategic	A	Scottish Canals			low
Links Development, Nairn	deliverability	A	THC			medium
Aviemore Town Centre regeneration	deliverability	A	THC/Community			medium

Cultural Investment:						
Phase 2 Castle Project: new museum, tourist attraction	combine with Phase 1 investment	C	HLH / THC		Mar-24	High
Sports Hub / Shinty Heritage Centre	deliverability	C	THC / HLH			Medium
Eden Court expansion	deliverability	C	Eden Court / THC			low
Northern Meeting Park cultural centre	deliverability	C	THC / HLH			medium
Infirmary Bridge, Inverness	already funded	C	THC (Tracey Urry)			high

ROSS, SKYE AND LOCHABER POTENTIAL PROJECTS						
Transport Investments:						
Achiltibuie to Glenelg tourism		B				
NC500		B				
Coul Link Road – this is part of the NTS process for Fort William. Involvement would be required from Transport Scotland. If prioritised as Active Travel, it could link communities.		B				
Kinnardie Link Road, Dingwall – costings to be revisited. There may be another way of supporting development in Dingwall.		B				
Skye Airfield – project that could trial air services. HIAL would manage the scheme		B				
Corran Narrows Fixed Link – estimate is £50m						

Regeneration/Town Centre:						
West Highland and Skye Gateway:						
Glen Nevis Centre		A	HLH/ THC			high
Nevis Centre		A	HLH/THC			high
Corpach Marina		A	Community			high
Portree Harbour		A	THC			high
Portree town centre regeneration	fully funded by Transport Scotland.	A	THC/HIE			high
Uig Ferry Terminal – local development brief has been prepared		A	THC (Colin Howell)	£62 million		
West End Pier, Fort William – tourism related project in relation to cruise ships	Kishorn Development Company	A	THC (Dot Ferguson)			
Kishorn		A	THC			
UHI campuses - Mallaig Learning Centre, STEM Centre, Small Scale Renewable Centre		A	UHI (Jackie Wright)	£18.5 million		high

Cultural Investment:		
notes		
supports		category
<ul style="list-style-type: none"> Town centre and high street regeneration, including remediation and repurposing of vacant and brownfield sites; 		A
<ul style="list-style-type: none"> Improving local transport connectivity and infrastructure, including upgrades to local bus, road and cycle infrastructure; and 		B
<ul style="list-style-type: none"> Maintaining and regenerating cultural, heritage and civic assets 		C

Briefing Note: Community Renewal Fund and Methodology

Purpose of the Fund	UK Government Fund to pilot programmes and new approaches ahead of the UK Shared Prosperity Fund.
Duration of Fund	1 year (2021/22)
Geographical Coverage of the Fund	UK wide
Budget of Fund	£220m of which: £2m of capacity funding to 100 designated priority lead authorities £14m of UK Shared Prosperity Fund capacity funding £11m for Northern Ireland, £0.5m for Gibraltar GB MAINSTEAM FUND BALANCE - £192.5m
Type of Funding	90% Revenue
Match Funding	Not required but leverage impacts will be taken into account as part of the value for money assessment.
Scope of Funding	<ul style="list-style-type: none"> • Investment in skills • Investment for local business • Investment in communities and place • Supporting people into employment
Delivery model	Lead authorities responsible for collating a local shortlist of projects to a maximum of £3m. Applicants are encouraged to maximise impact and deliverability through larger projects (£500,000+) where possible. Bids encouraged from a range of applicants, including but not limited to local authorities, universities, voluntary and community sector organisations and umbrella business groups.
Decision making	Competitive process with decisions being taken by UK Government ministers.
Spatial Prioritisation	100 priority places identified by UK Government but bidding open to all parts of GB. 13 Scottish LAs identified as priority places (see annex). Highland is not one of them.
Additional Funding	Each priority area will receive £20k capacity funding towards the coordination/local assessment of bids. A flat rate of 2% of the value of each project may be used by Lead Authorities for administration costs.
Timetable	18 th June 2021– Deadline for submissions to UK Government Late July onwards – Successful bidders announced – first tranche of funding released. November/December – Mid point review 31 st March 2022 – end of fund: second tranche of funding released. Late summer / autumn 2021 – Framework for UK Shared Prosperity Fund expected to be published.

Methodology to prioritise places (summary):

- Index of economic resilience was used to determine top 100 places for the Community Renewal Fund.
- Applications will be prioritised/preferred from these 100 priority places.
- LAs in top 100 priority places will each receive £20K capacity funding to help with required bid co-ordination and appraisal for that place.
- A further £14m has been reserved for capacity funding to prepare for the UK Shared Prosperity Fund (this might also be only for the top 100 places).
- **Highland has not been categorised as a priority place.**

Index of economic resilience was developed in accordance with the following core principles:

1. That the criteria selected should prioritise places that suffer from weak economic performance and are less equipped to resist and recover from shocks.
2. That the criteria used should measure factors that contribute to economic resilience and/or are directly targeted by the local growth interventions in scope of the UK Community Renewal Fund.
3. That any data used should be publicly available, so that the calculations behind our rankings are fully transparent.
4. That any comparison of need between places across Great Britain should be made using a consistent set of GB-wide metrics only.

Metrics selected to identify priority places:

- a) Productivity: provides a measure of a place's business base. It is a workplace-based measure, so measures the productivity of businesses based in a place, not of that place's residents. This will be targeted through business support interventions, which intend to strengthen a place's business base.
- b) Skills: provides a measure of the human capital of a place. The funding will target improving local skills through pilot funding that supports access to skills and local labour market opportunities.
- c) Unemployment Rate: measures the efficiency of a place's labour market. The funding will target unemployment through pilot funding that removes labour market barriers.
- d) Population Density: contributes to the economic resilience of a place. Denser areas experience agglomeration economies such as deeper labour markets. As a result, places with low population density, e.g. rural areas, are considered less economically resilient, and therefore given a higher index score. This also results in a diverse typology of places by targeting rural areas with low population density (29% of places on the list of priority places are categorised as rural, 22% as urban and 40% as ex-industrial).
- e) Household Income: focuses on the income available to spend of residents within an area and provides an alternative measure of a local economy to workplace productivity, for example places where a strong business base might not be benefitting local residents.

Characteristic	Indicator	Weight
Productivity	Natural log of Nominal (smoothed) GVA per hour worked	30%
Household Income	Natural log of GDHI per head of population at 2017 prices	10%
Skills	Proportion of the 16-64 population with no qualifications (NVQ)	20%
Unemployment Rate	Model-based estimates of unemployment rate for local authorities	20%
Population Density	Natural log of those aged 16-64 per squared km of land area (high water excluding area of inland water)	20%

Highland has the following issues of concern:

- GVA per hour – ONS has cautioned against its use as a productivity measure before (due to that commuting factor e.g. earning high salary in Edinburgh but living and spending it in the Borders)
- Unemployment rates - This was always going to feature, and while Highland does track lower than other areas, the issue in the region is that higher levels of outmigration (for employment), especially of young people, are masking the labour market challenges.
- Proportion of working population without an NVQ - Highland does have traditionally higher levels of qualifications especially at the lower levels so this metric would not have prioritised any of our region.
- Population density – good that this was included but we would reject the exclusion of inland water areas. This does not make sense given they act as further geographic constraints to population and so removing them from the calculation is not appropriate.
- Dependency Ratios - should have been included as a further population measure as an indicator of need for economic recovery and growth.
- Household income – this does not pick up average wages and fuel poverty issues. The top 6 local authorities with “extreme fuel poverty” are all in the Highlands and Islands and this should be factored in given it is a key expense for all households. Minimum Income Standard for Scotland (MIS) also highlighting the additional costs of living in the region and particularly in remote island areas.

ANNEX – LIST OF “PRIORITY PLACES” IN SCOTLAND

Argyll and Bute

Dumfries and Galloway

East Ayrshire

Falkirk

Glasgow

Inverclyde

North Ayrshire

North Lanarkshire

Scottish Borders

South Ayrshire

South Lanarkshire

West Dunbartonshire

Western Isles