

Agenda Item	12
Report No	HC/18/22

HIGHLAND COUNCIL

Committee: Highland Council

Date: 30 June 2022

Report Title: Levelling Up Fund Update

Report By: Executive Chief Officer Infrastructure, Environment and Economy

1 Purpose/Executive Summary

1.1 On 3 March 2021, the Chancellor set out details of the UK Levelling Up Fund. The Council was successful in Round 1 (of 4) for the Inverness, Nairn, Badenoch and Strathspey constituency bid, and this has been reported previously to Council. This report sets out the context to the proposed approach to Round 2 of the Levelling Up fund and seeks Member agreement to progress two separate bids as detailed in this report.

2 Recommendations

2.1 Members are asked to **Agree:-**

- i. that bids are submitted in Round 2 of the Levelling Up fund for the North Coast 500 (Transport Bid) and Portree Harbour (standalone Heritage bid);
- ii. that the submission of the finalised bids is delegated to the Executive Chief Officer Infrastructure, Environment & Economy, in consultation with the Council Convener, the Council Leader and the Chair and Vice Chair of Economy and Infrastructure Committee as outlined in paragraph 6.1; and
- iii. that work continues on the preparation of bids for the Caithness and Sutherland and Ross, Skye and Lochaber Constituency bids over the coming year to ensure readiness for Round 3 of the Levelling Up Fund process.

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. The Council has received £125,000 to help build capacity in respect of the Levelling Up Fund and this is being used to support external consultancy to support the bidding process.

However, Council is asked to be aware of other potential costs that are not currently budgeted for, which will have to be accommodated within existing budgets.

- 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 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 is also a clear risk that the bids will not be accepted, given that it is a competitive process that is being followed. However, where bids are successful a full Governance procedure will be put in place to ensure all risks associated with delivery are minimised.
- 3.6 **Gaelic** – wherever possible, the bids being developed will support and enhance the promotion of the culture and history of the Highland area and ensure that the Gaelic language plays a strong part in this.

4 UK Levelling Up Fund

- 4.1 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 UK Government set out their ambition that 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.

- 4.2 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.

- 4.3 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.

- 4.4 As Members are aware bids to the first round had to be submitted by 18 June 2021. Three bids were submitted, as detailed in **Appendix 1** to this report. The Council was informed in October 2021 that the Inverness Zero Carbon Cultural Regeneration bid (LUF0313) will be awarded £19,856,253. A number of meetings have been held with UK Government since that time relating to the successful bid and Governance arrangements have now been put in place through the establishment of an overall Programme Board, and various project boards and project teams are taking forward the individual elements. A Memorandum of Understanding has been signed with the UK Government, and funding draw down has commenced, with a target delivery date of end March 2025 for all three projects.
- 4.5 The UK Government published their prospectus for round 2 of the Levelling Up Fund on 23 March 2022. This indicated that eligible applications must submit their full bids, with all supporting documentation via the online application portal, by 12:00 noon Wednesday 6 July. The same three investment themes apply namely (Transport, Regeneration and town centre investment and Cultural investments).
- 4.6 Applicants (Local Authorities) are free to submit any combination of projects across the three investment themes (including single projects across multiple investment themes) where a split of funding across different pillars genuinely reflects local priorities and will make the highest local impact. However, large transport bids (up to £50 million) must be for at least 90% transport. UK Government are prepared to fund up to two large bids for up to £50 million under the Fund's culture and heritage investment theme.
- 4.7 In terms of any transport bids there is an expectation that any local road projects will also deliver or improve cycling and walking infrastructure and include bus priority measures, unless it can be shown that there is little or no need to do so. It remains a competitive fund and at least 9% of total UK allocations will be set aside for Scotland.

5 Next Steps – Levelling Up Fund Round 2 Bids

- 5.1 As set out in the Members seminar held on 31 May 2022. It is proposed to resubmit a transport bid based on the NC500. As set out above, positive feedback was received from the UK Government on the first bid and a number of changes have been made to reflect this. The bid has been revised to concentrate the funding into three elements which are costed at £44m:-
- Achnasheen to Kishorn: NC500 tourist route and Kishorn Port Access;
 - Ullapool to Bettyhill: NC500 tourist route & key North Sutherland vehicle access; and
 - NC500 Green Tourism Project
- 5.2 Further detail on the individual elements is set out in **Appendix 2** of this report. Once submitted the formal bid documents will be shared with Members.
- 5.3 It is also intended to make a stand-alone bid under the heritage and culture strand for Portree Harbour and Village regeneration. This is an ambitious project that the Council has worked with the community representatives on over the last year and will fundamentally transform the Portree harbour and waterfront area, supporting the local economy and delivering high quality infrastructure and environment which will deliver benefits. The harbour area in Portree is an important cultural and heritage asset in the Isle of Skye and it acts as an important gateway to the island.

An image of the proposal is attached within **Appendix 3** and shows the level of ambition being shown to deliver a truly transformational project.

The key elements are as follows:-

- harbour upgrade;
- new access arrangements;
- new berthing and mooring options;
- new quayside facilities; and
- relocation of fuel tanks

Again, once the bid documents are submitted, this will be fully shared with members.

- 5.4 As set out at the seminar, there will be two further rounds of the Levelling Up Funds. Although it had been hoped to resubmit the Caithness, Sutherland and Easter Ross constituency bid, the priorities for the Wick Harbour project have changed and there was not sufficient time available to develop alternatives. It is therefore intended to spend the rest of this year developing a new bid, and local members will be fully involved in that process.
- 5.5 Similarly, it had been intended to submit a bid for the Ross, Skye and Lochaber Constituency. Alongside the fact that the Portree will be a standalone bid and that further work is required on developing a project of scale in Fort William, further work will be undertaken to identify projects for the constituency bid in the Levelling Up Fund round 3 for submission this time next year. It will also allow the Council to reflect on alternatives should the Portree bid be successful this time round. Local members will be involved in the process and resources will be brought in to support the work required to prepare the bids.

6 Conclusion

- 6.1 As the fund is competitive, there is a need to ensure that the best opportunities are put forward. The two being put forward as part of Round 2 are significant interventions that will meet the terms of the overall aims of the fund, as discussed at the Members' Seminar earlier in the month. As part of the process set out by UK Government, the individual Members of Parliament for the region are being advised and will be asked for their support prior to the bids being submitted - this process is ongoing. Timelines and the summer recess, therefore, requires an approval process outwith the Council/Committee timetable to be established. It is therefore proposed that it is delegated to the Executive Chief Officer Infrastructure, Environment & Economy, in consultation with the Council Convener, the Council Leader and the Chair and Vice Chair of Economy and Infrastructure Committee to approve the final bids. Members are asked to support the recommendations set out in this paper and contribute to future bids over the course of the year.

Designation: Executive Chief Officer Infrastructure, Environment and Economy

Date: 15 June 2022

Author: Malcolm Macleod, ECO

Appendix 1 Round 1 Levelling Up Fund Bids

Transport Bid

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 was agreed 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 Project that has been submitted is to develop the infrastructure needed to support the continued growth of the North Coast 500 (NC500) tourism route, and to ensure that the increase in tourist usage does not impact on access to the key employment sites that lie on the route.

It includes investments in:-

- **Road and bridge improvements:** Design improvements and essential repairs at 10 key sites along the 500-mile route, where challenges around congestion and safety have been identified. (£39.3 million, or 71% of the total project budget will be invested in these repairs and improvements).
- **Low carbon interventions:** projects to support a modal shift towards low carbon forms of transport on the NC500 route, including investments in electric vehicle (EV) charging stations, public transport interventions and active travel interventions. (£7.5 million, or 14% of the total project budget will be invested in this).
- **Tourism site accessibility improvements:** project to improve access to key tourism sites along the course of the route, designed to spread the economic benefits of the route more evenly across the North Highlands and to minimise the impacts of inappropriate visitor parking on the efficient flow of vehicles. This will include improved roadside parking, improvements to access routes to tourist attractions, and traffic flow monitoring equipment. (£8.2 million, or 15% of the total project budget will be invested in this).

The benefit of this project is that it will impact on much of the Council area, address key Council owned infrastructure assets and support the continued recovery and growth of tourism. All of the local Members of Parliament have been consulted on this bid and are happy to support.

Bid for the Caithness, Sutherland and Easter Ross Constituency

Following discussions with the Caithness Area chair, business leaders and consultants a bid has been prepared focused on the economic benefits of improvements to Wick Harbour including infrastructure works on the Wick Harbour outer seawall which will attract further investment to the port, whilst also progressing a number of regeneration projects linking the harbour to the town centre .

The aim of this proposal is to create investment, employment opportunities and population growth in the town of Wick and in the wider Caithness area by:-

- **Increasing the capacity of Wick Harbour:** Installation of a High-Water Protection Gate (HWPG) at the entrance to the town's Outer Harbour. This gate, which could be lowered in the event that the RNLI lifeboat had to put to sea, would provide a means of sealing off the Outer and Inner Harbours and the town's Marina during periods where wave motion would disrupt operations. This will address the challenges caused by the harbours' exposure to swells when there is any wind with an easterly component, which can render them unusable during winter months. In doing so, it will create additional capacity at the harbour to provide operation & maintenance (O&M) support to vessels engaged in the installation of new offshore wind platforms in the Moray Firth and North Sea.
- **Developing new enabling infrastructure to stimulate town centre investment in Wick:** A package of interventions to develop the infrastructure needed to attract offshore wind O&M businesses to the town and encourage high skilled workers with O&M specialisms to move to the town. These will include:-
 - **Development of new industrial/commercial units:** acquiring two vacant buildings on The Shore, and converting these into industrial/commercial units suitable for use by offshore wind operation & maintenance businesses; and
 - **Wick Street Design Project:** a community led project to identify opportunities to make Wick High Street more vibrant, more accessible and more welcoming. It includes the installation of Gateways to limit vehicular movement through the High Street and promote active travel; the redesign of the High Street/Bridge Street junction to ensure priority for pedestrians and cyclists; and public realm improvements on Market Square, the High Street, and the lanes leading to the High Street; including heritage features, street furniture and materials palettes.

Bid for the Inverness, Nairn, Badenoch and Strathspey Constituency

The Inverness zero carbon cultural regeneration project is the delivery of three independent but complementary projects that combined, will drive the environmental, cultural and economic regeneration of Inverness. The projects, located along the river in the heart of the city, will provide transformational opportunities for both residents and visitors at a local, regional and national level.

The proposal is a response to a number of key challenges in the city including:-

- Ability to provide sustainable energy for city centre sites, in line with The Highland Council's commitment to delivering net zero city centres, ahead of UK and Scottish Government target schedules. Currently all sites utilise fossil fuel as energy source.
- Declining city centre - reduced footfall, activity and vibrancy within the town centre and the impact this has had on the local economy
- Key existing cultural and heritage sites of significance, either vacant or in extreme need of repair, at risk of becoming unused and dilapidated
- Need to provide cultural and heritage attractions that will maximise Inverness' location and position as the gateway to the Highlands, and the tourism driven economic benefits this will bring
- Lack of cultural event delivery infrastructure to support an active and vibrant cultural offer in the city for both residents and tourists
- Need to create more accessible spaces to support physical health and wellbeing.

Three related culture-led initiatives will deliver increased activity and vibrancy, increased opportunities for locals and visitors, increased footfall and spend. The integrated renewable energy sources will deliver economic benefits to local businesses and help meet the UK and Scottish Governments' zero-carbon targets. Collectively the projects will enhance Inverness as the destination of choice.

The proposal includes the following projects:-

Inverness Castlehill – located in the city centre, at the end of the main High Street, the redevelopment of Inverness Castle as a major visitor attraction, an outdoor events space and the delivery of an innovative waste-water energy centre, creating a must-visit area for both residents and visitors. Key interventions:-

- **Culture:** Redevelopment of Inverness Castle as a major visitor attraction providing a heritage experience, exhibition, small scale event and retail spaces. The innovative wastewater energy centre will also act as a complementary visitor facility in its own right;
- **Economy:** Bringing overnight and day visitors into the heart of the city, over 500,000 visitors annually, which is expected to double once future phases are in place; and
- **Net Zero:** Creation of the Castlehill Waste-Water Heat Recovery which will provide heat energy for commercial and residential areas in the city centre reducing reliance on fossil fuels.

Northern Meeting Park – a historic location and the largest green space in the heart of Inverness, West of the river and home to the city's Highland Games since 1864. The facilities are currently in a poor state and require significant intervention to ensure continuity of provision to local communities. Key interventions:-

- **Culture:** Redevelopment of historic home of the Highland Games to allow a celebration of the Highland Games regionally and nationally, but principally to greatly increase the use of the venue as a multi-purpose community leisure and event space. Development of new pavilion and supporting event infrastructure to provide for indoor and outdoor areas for exhibition, events, education and performance and become the premium space for outdoor community events in the city complementing Eden Court;
- **Economy:** Maximising resident/community footfall to new cultural opportunities in the city centre; and
- **Net Zero:** Creation of an Energy Centre utilising a Ground Source Heat Ambient Loop which will potentially provide heat energy for adjacent properties of Eden Court, Inverness Cathedral and The Highland Council Headquarters.

Bught Park – is the epicentre of a suite of sports and leisure facilities in the city and the city's home to Highland's indigenous sport – Shinty. It is also the principal venue for commercially driven outdoor concerts and major events in the city. The facilities do not currently celebrate the historic and heritage importance of the site, are in a poor state of repair and lack the infrastructure required to drive footfall and revenue. Key interventions:-

- **Culture:** Redevelopment of the city's historic home of shinty through a refurbished grandstand (including improved changing and spectator facilities for a range of local sports clubs and teams), a new interactive museum of shinty and additional event infrastructure to facilitate more large-scale outdoor events;
- **Economy:** Increasing range and number of annual major events in the city; and
- **Net Zero:** Creation of a Ground Source Ambient Loop which will provide heat energy to a range of adjacent properties.

At a wider level, these proposals encapsulate the Spirit of the Highlands and will put Inverness on the map from a tourist perspective; the projects, filled with unique heritage and culture, will position Inverness as the gateway for Highland tourism, supporting economic growth throughout the Highland area- raising awareness of the Highlands internationally, extend visitor stay and increase visitor spend in the area, whilst also providing opportunity to link historic, cultural and natural attractions across the Highlands to everyone's benefit.

The Inverness zero carbon cultural regeneration project is a major cultural and environmental regeneration project in the heart of Inverness. Three related culture-led initiatives will generate increased footfall and spend, while their integrated renewable energy sources will deliver economic benefits to local businesses and help meet the UK and Scottish Governments' zero-carbon targets well ahead of schedule. Green River integrates Culture, the Economy; and Net Zero.

Appendix 2 – NC500 Proposed Transport Interventions

	Achnasheen to Kishorn: NC500 tourist route and Kishorn Port Access	Category	Cost
1	A890 Balnacra – Lair Rail Bridge	Road Design	£12,600,000
2	A890 Culag Bridge – Balnacra	Road Design	£5,500,000
3	A896 Kishorn – Lochcarron	Road Design	£4,400,000
4	Passing Place Strategy on Single Track Roads including Cycle infrastructure and Safe Passage Refuges Strategy on Single Track Roads	Road Safety	£1,157,500
5	Permanent intelligent traffic monitoring sensors (Achnasheen Junction and Strathcarron Junction	Monitoring equipment	£80,000
6	Gateway Settlement Signage (SPECIFIC NAMED SETTLEMENTS)	Placemaking	£50,000
	Ullapool to Bettyhill: NC500 tourist route & key North Sutherland vehicle access		
7	A836 Naver Bridge to B871 Junction	Road Design	£4,100,000
8	Cape Wrath road recycle/reconstruction	Cape Wrath Road Improvement	£2,295,000
9	Kylesku: New waterproofing	Bridges	£1,600,000
10	A836 Braetongue to Rhitongue	Road Design	£1,200,000
11	Borgie: Concrete repairs	Bridges	£500,000
	Passing Place Strategy on Single Track Roads including Cycle infrastructure and Safe Passage Refuges Strategy on Single Track Roads	Road Safety	£3,075,000
	Permanent intelligent traffic monitoring sensors Ledmore Junction, Inchnadamph Junction, Laxford Bridge Junction, Tongue Junction	Monitoring equipment	£160,000
	Gateway Settlement Signage (SPECIFIC NAMED SETTLEMENTS)	Placemaking	£140,000
	NC500 Green Tourism Project		
12	Project 1: expanding existing	EV Charging	£1,000,000
13	Project 2: Scrabster	EV Charging	£1,000,000
14	Caithness	Active Travel	£1,000,000
15	Easter Ross	Active Travel	£900,000
16	Bus shelters	Public Transport	£625,000
17	Project 3: Dunbeath	EV Charging	£500,000
18	Project 4: community car club	EV Charging	£500,000
19	Inverness-shire: gateway	Active Travel	£500,000
20	Inverness-shire: Dunballoch junction	Active Travel	£400,000

21	Transport and tourism information	Public Transport	£307,000
22	Sutherland	Active Travel	£300,000
23	App-based booking and payments	Public Transport	£200,000
24	Durness Bus Ltd.	Public Transport	£90,000
25	Westerbus	Public Transport	£90,000
26	Transport for Tongue	Public Transport	£45,000
27	North West Community Bus Assoc.	Public Transport	£40,000
28	Ullapool Community Trust	Public Transport	£35,000
			£44,389,500

Appendix 3 – Portree Bid Proposal

