

Agenda Item	18
Report No	ECI/20/2022

HIGHLAND COUNCIL

Committee: Economy and Infrastructure

Date: 25 August 2022

Report Title: Community Regeneration Funds

Report By: Executive Chief Officer Infrastructure, Environment & Economy

1 Purpose/Executive Summary

- 1.1 At the current time there are a wide range of funding programmes in place to support community regeneration. This report reviews how previously efforts have been taken to best identify and support those projects of greatest need before setting out a renewed approach which seeks to ensure that plans are in place across Highland which correctly identify priority projects, that appropriate and representative local decision-making structures exist and are operational, and that efforts are made to prepare multi annual, multi fund programmes.
- 1.2 In the interim as there is need to enable the 2022/23 Highland Coastal Communities Fund, the Place Based Investment Programme and the Community Led Local Development programmes to commence, the report sets out for Members consideration and approval the required arrangements.
- 1.3 Committee is also asked to consider and approve Project Change Request Procedures to aid project progression after formal grant award.

2 Recommendations

- 2.1 Members are asked to:
 - a) **Endorse** the aspiration to develop a Highland approach to Community Regeneration including Place Based Plans for all parts of Highland, representative local decision-making structures and multi annual, multi fund grant allocations;

- b) **Agree** to petition the Scottish Government to seek the required flexibility to roll over and combine annual financial allocations as required from the various external grant funds received;
- c) **Agree** arrangements, as detailed in **Appendices 1, 2 and 3**, for the management of the Highland Coastal Communities Fund, the Place Based Investment Programme and the Community Led Local Development Programme;
- d) **Appoint** a Committee Member to represent the Council on the Highland Strategic Local Advisory Group; and
- e) **Agree** the proposed Change Request process as detailed in **Appendix 4**.

3 Implications

- 3.1 **Resource** – Community Regeneration including the engagement of communities in plan making, project development support, project assessment and then associated claim management and reporting to external funders, is a significant task. Whenever possible the Council utilises external funding to support this task and, as part of the recent Service re-structure, has brought the ex-LEADER team into the Economy and Regeneration team, to help drive forward a coordinated approach to community regeneration.
- 3.2 **Legal** – When managing external funding it is imperative that the risks to The Highland Council are assessed/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, Rural and Island)** – Consideration on issues relating to equalities, poverty and rural issues are dealt with on an individual basis for applications and covered in the technical assessments of projects.
- 3.4 **Climate Change / Carbon Clever** – Mitigation of the climate/ecological emergency is a specific aim of national funding streams. All applicants are required to evidence environmental sustainability as referenced in the technical assessments
- 3.5 **Risk** – As per 3.2 above.
- 3.6 **Gaelic** – Consideration given within individual project applications in line with the Council's policy.

4 Background

- 4.1 Over the past number of years, a wider range of funding sources have become available to support locally based community regeneration. Some of these funds have very tight eligibility criteria, others are more flexible and while some are competitive national funds, others are local and are linked to confirmed local fund allocations. Notwithstanding the source or nature of the funding, cumulatively and, if taken over multiple years, significant funding now exists for community regeneration.

4.2 Accompanying this however, is an existing but increasing challenge that is faced by all involved with project selection and disbursement of funds, namely - **how does the Council use these multiple funds to best effect and achieve the community regeneration outcomes desired/needed?**

4.3 Previously, in order to address this challenge a number of accompanying actions were taken:-

- To help identify the projects to be supported, early community engagement and the development of Area Development Plans was undertaken. (A good example of this, was the LEADER Programme and the plans prepared by the Local Area Partnerships).
- To help ensure that local knowledge was incorporated into decisions on grant award, decision-making was brought to the local level. (Again, the LEADER Programme offers a good example of this in operation, but more recently the Council has delegated grant decision-making to Area Committees across a number of funding streams).
- Whenever possible, to help provide funding certainty for project sponsors and decision-makers, area allocations have been provided rather than having pan Highland funds/open competitive rounds. (Most recently this has been done with the Highland Coastal Community Fund and Place Based Investment Programme)

4.4 On the whole this approach, when it has been possible to introduce all three aspects at the one time, has worked well. Unfortunately, it is not widespread as it has often been constrained by external 'silo' funding streams which have different eligibility criteria, decision-making processes and timelines. This then, for example, often can result in projects getting rushed in their development and delivery, and other projects simply not progressing due to the funding complexity.

5. A Highland approach to Community Regeneration

5.1 To address this matter, it is considered that renewed efforts should be made to put in place a co-ordinated Highland approach to community regeneration which includes Local Plans; local decision-making structures and, as best as possible, aligned funding regimes. Accordingly, the aspiration (and associated actions) are:

1. Local Place Based Plans are prepared and cover all parts of Highland – thereby helping identify local priorities/projects and establishing local eligibility criteria.

In some areas, for example, such Plans exist, but are efforts needed to provide across all areas. The recent submission for UK Government Shared Prosperity Funds seeks to secure the funds to enable this work to be prioritised and completed. The recently launched "Have your say Highland" community engagement exercise will usefully feed into such Plans.

2. New local decision-making structures are introduced that combine Council, community and community planning partnership interests – to ensure local decisions are well informed and representative. As these structures will be reflective of local circumstances, no set format is necessarily expected.

This new approach will be led by the Communities and Place Service and already exists in Skye and Raasay for example, where a new model has been developed and is operational.

3. The introduction of multi annual/multi fund area allocations including grants for both early stage project development design works, followed by grants for project build/delivery.

In many respects this is the most challenging aspect as control and the ability to do so is heavily influenced by external funders and the typical one year funding condition applied (i.e., funds must be spent by year end), but certain opportunities do exist within the Council's control to align, for example, Place Based Investment Programme funding and Highland Coastal Communities Funding could be combined at the local level. Discussions to this effect will commence with the respective Area Committees.

- 5.2 In order to address and resolve the annual financial year end constraint, it is proposed that the Council petitions the Scottish Government to seek the required flexibility to roll over and combine annual financial allocations as required. The argument presented will be that such flexibility is integral to good project planning, design and delivery and will, together with the accompanying Place Plans and local decision-making deliver the best projects that our communities need, and which will make the most difference and positive impact.

6 2022/23 Funding Programmes

- 6.1 Inevitably it may take some time to put in place this Highland approach to community regeneration across all parts of Highland. However, in the interim, there is a need to make arrangements for the 2022/23 Highland Coastal Communities Fund and the Place Based Investment Programme. In addition, new funding from the Scottish Government, as successor funding to LEADER, has become available and arrangements need to be put in place for their use. Finally, in order to aid project delivery a Project Change Request process needs to be considered and approved by Committee.

6.1.1 Highland Coastal Communities Fund

The Council receives on an annual basis, funding from the Scottish Government to support projects that deliver economic regeneration and sustainable development in coastal areas. The coastal focus is driven by the fact that the funds are sourced from the net revenues of the Crown Estate marine assets in Scotland. Members will recently have received a brochure on the projects supported by the Fund in 2021/22.

- 6.1.2 An award of £3,201,134 has been received for 2022/23. It is therefore proposed – as set out in **Appendix 1**, that similar arrangements to 2021/22 be put in place to manage this Fund, including the use of area allocations and delegation of decision-making to Area Committees. In order that the Fund meets a key grant condition (i.e. must support net-zero projects), it is proposed that the strategic allocation is used as a Challenge Fund to support net-zero related projects. **Appendix 1** sets out the proposed fund allocations and decision-making structures proposed.
- 6.2.1 Place Based Investment Programme
The Council receives on an annual basis, funding from the Scottish Government to support projects that are shaped by the needs and aspirations of local communities and accelerate ambitions for place, 20-minute neighbourhoods, town centre action, community led regeneration and community wealth building. There is alignment with the legal requirements of community planning, specifically the need to produce 'locality plans' for areas experiencing disadvantage and supporting any community asset transfers this funding source and its predecessor, the Town Centre Fund, has supported a wide range of projects across Highland's towns delivered by community organisations and the Council.
- 6.2.2 An award of £1,704, has been received for 2022/23. It is therefore proposed – as set out in **Appendix 2**, that similar arrangements to 2021/22 be put in place to manage this Fund, including the use of area allocations and delegation of decision-making to Area Committees. **Appendix 2** sets out the proposed fund allocations.
- 6.3.1 Community Led Local Development (CLLD)
Members will be well aware of the LEADER Programme and how, over successive EU funding periods, it has significantly helped drive forward community development and regeneration in Highland. With the UK leaving the EU, this funding source no longer exists, and no direct successor fund has been established by the UK Government, albeit the emerging Shared Prosperity Fund will, once approved, provide some funds for similar project activity. In the interim the Scottish Government has identified some funding to help sustain community development across Scotland's rural areas.
- 6.3.2 Highland has secured an indicative allocation of £1,069,878 for 2022/23. Similar arrangements for these funds exist, in that the Council remains the lead accountable body but decision-making rests with the Local Advisory Group (LAG) – comprising representatives from The Highland Council, NatureScot, HIE, HTSI and other third sector partners. While these funds are welcome, clearly, they are not of the scale of the previous LEADER Programmes and therefore cannot sustain the sub-Highland local area devolved structure which was a key and successful feature of the previous Highland LEADER programmes. Following preliminary discussions with the LAG, it is proposed that a strategic Highland LAG will remain in place (a key grant award condition) but rather than having this strategic group making decisions on local projects, that local decision-making aligns itself with the delivery of local place plans – as detailed in 5.1 above (see **Appendix 3**).

6.3.3 Previously the Council appointed a Councillor to be its representative on the Highland Strategic LAG. While it is unclear of the timelines associated with this funding stream and longer term need for a LAG, it is considered that there remains merit in the Council being formally represented rather than an officer appointment. A key objective in doing so would be to champion the Highland community regeneration approach and drive forward alignment of funding, area plans and local decision-making. It is therefore proposed that Committee appoint a representative to sit on the Highland Strategic LAG.

6.4 Change Request Procedures

Members will be well aware that despite the best investigative work and cost estimates that go into individual project design and funding packages, that once a project commences, be that at tender return stage, or when works commence, unforeseen works or cost increases happen. From a fund management perspective, this then after formal grant award decision-making takes place, results in project sponsors requesting changes to the approved project. Timelines but also the fact that changes can be relatively minor, means that it is not always possible or feasible to bring revised proposals back to the respective Area Committee. A need therefore exists, for a clearly defined Change Request process to be established including boundaries around delegated decision making. **Appendix 4** sets out the proposed Change Request process.

Designation: Executive Chief Officer Infrastructure, Environment & Economy

Date: 5 August 2022

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Highland Coastal Communities Fund 2022/23

Governance

Decisions on local area project approvals sit with each Area Committee.

Decisions on strategic applications sit with a subgroup of the Economy and Infrastructure Committee, comprising the Chair and Vice Chair of Economy and Infrastructure Committee and the Chair of each of the Area Committees. This approach will ensure that local and informed knowledge will be incorporated into decision-making.

Allocations

TOTAL AVAILABLE		£3,201,134.02
Area Committee	% share	Area Allocation
Inverness	0.47	£11,861.67
Dingwall & Seaforth	0.08	£2,045.17
Black Isle	0.77	£19,436.31
Nairn	0.47	£11,796.57
Wester Ross, Strathpeffer & Lochalsh	13.47	£339,108.57
Lochaber	17.91	£450,818.12
Skye & Raasay	19.60	£493,223.34
Sutherland	27.15	£683,408.23
Easter Ross	4.19	£105,483.98
Caithness	15.88	£399,709.66
Total Area Allocations		£2,516,891.60
Admin at 7.5%		£240,085.05
Strategic at 15%		£444,157.35

Appendix 2

Place Based Investment Programme 2022/23

Governance

Decisions on local area project approvals sit with Area Committees

Area Allocations

TOTAL AVAILABLE		£1,704,710
Area Committee	% share	Final Allocation
Badenoch & Strathspey	7	£119,280
Inverness	33	£562,320
Dingwall & Seaforth	7	£119,280
Black Isle	5	£85,200
Nairn	4	£68,160
Wester Ross, Strathpeffer & Lochalsh	4	£68,160
Lochaber	8	£136,320
Skye & Raasay	4	£68,160
Sutherland	5	£85,200
Easter Ross	14	£238,560
Caithness	9	£153,360
TOTAL	100.00	£1,704,000

CLLD Programme 2022/23

Governance

Decisions rest with the Highland Strategic Local Action Group (LAG) but the intention, to be confirmed, is to devolve decision making authority to appropriate local structures in line with work being progressed by the Council to develop a place-based plan in each area.

Allocations

Decision on fund allocation rests with the Highland Strategic Local Action Group (LAG) but the aspiration, to be confirmed, is to prepare area allocations and devolve to the appropriate local decision-making structures – as above.

Given the need for CLLD funding to be allocated and spent within this financial year, the LAG will note the aspiration to align with this structure and work towards having implemented it in areas as appropriate over the course of this current year. This work is intended to provide a streamlined and cohesive structure for future area-based community led local development in future years.

Change Request Process

Good project management requires the ability to respond to changing circumstances in a timely manner. The below framework for delegated decision-making authority is intended to facilitate this yet ensure that any changes approved are in accordance with the approved purpose of the project and are affordable.

Decision making on project change requests shall be as follows:-

- When a change to an overall grant amount is required, provided it is within 10% of project costs, is affordable from project/fund underspend and does not affect the approved outcomes of the project, decision making will be delegated to the Executive Chief Officer Infrastructure, Environment & Economy, in consultation with the Chair of the E&I Committee.
- When a change to a specific project budget heading is requested that is within 10% of the total project costs and does not amend the approved outcomes of the project, decision making will be delegated to the Executive Chief Officer Infrastructure, Environment & Economy, in consultation with the Chair of the E&I Committee.
- When a change is requested to revisions to project timescales, project underspends and all changes to match funding packages, decision-making delegated to the Executive Chief Officer Infrastructure, Environment & Economy, in consultation with the Chair of the E&I Committee.
- Where a change to a project is proposed that exceeds 10% of the project costs and/or amends the approved outcomes of the project, the change shall be referred to the appropriate Committee Chair (or in their absence Vice Chair). The decision on whether to refer the matter to other local Area Committee members (either electronically out with the Committee cycle or by addition to the next Area Committee agenda) shall rest with the Chair/Vice Chair of the Committee.
- The Chair/Vice Chair of the appropriate Committee shall have the authority to decide what level of decision making needs to be applied for any changes that arise out with the circumstances described above.