

Agenda Item	16
Report No	ECI/22/2024

The Highland Council

Committee: Economy and Infrastructure

Date: 2 May 2024

Report Title: Community Regeneration Fund

Report By: Executive Chief Officer Infrastructure, Environment & Economy

1 Purpose/Executive Summary

1.1 This report reviews activity with the Community Regeneration Funding Programme in 2023/24 before setting out proposals for the delivery of the Programme in 2024/25, including governance arrangements across a range of funding streams.

2 Recommendations

2.1 Members are asked to:-

- i. **Note** that the current priority in the CRF programme is to address the outstanding unclaimed balance of funding sitting with approved projects; and to take steps when setting criteria, at assessment stage and when making grant award decisions to ensure that going forward this issue is not repeated; and
- ii. **Agree** to widen the remit of the CRF Strategic sub group as proposed in section 5.7.

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 resource this work.
- 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** - A balanced approach to risk is adopted when disbursing grant funds as sometimes it is necessary if a community-based project is to proceed, to forward grant payment. Factors such as past knowledge of and project experience of the grant recipient; release of funds linked to invoices/works completion certificates etc. are considered in such assessments.
- 3.6 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** – Risks within individual projects are managed on a case-by-case basis by project applicants. No direct health and safety considerations in respect of the delivery of the CRF Programme.
- 3.7 **Gaelic** - Consideration given within individual project applications in line with the Council's policy.

4 2023/24 Programme

4.1 Community Regeneration Funding (CRF) is an umbrella term for a number of funds that are available for communities/organisations to access in Highland. During 2023/24 the CRF Team were responsible for the direct administration of the following:-

- Highland Coastal Communities Fund (HCCF);
- Place Based Investment Programme (PBIP);
- Community Led Local Development Funding (CLLD); and
- UK Shared Prosperity Fund (UKSPF) – Communities and Place Priority funding

The team also has responsibility for the administration of funds when The Highland Council acts as the applicant on behalf of third parties (or other parts of the Council) to national funding streams such as the:-

- Regeneration Capital Grant Fund; and
- Islands Infrastructure Fund

4.2 In effect, applicants apply for a Community Regeneration Fund grant, with the Council managing behind the scenes which appropriate fund(s) to utilise. From an applicant's perspective this has been warmly welcomed as it has significantly reduced the application paperwork required and has secured timely decision-making. From a fund management perspective, this process has enabled the team to mitigate against the risk of individual external funds not been utilised and potentially being returned to central government.

4.3 In summary over the last two years of operation the CRF team have been responsible for:-

- 798 Expressions of interest;
- 378 full applications (22/23: 136 and 23/24: 242);
- 324 approved projects;
- £10,431,746 funds allocated;
- £7m national funds drawn down (RCGF/IIF); and
- 200 groups supported

4.4 There is no doubt as to the value and impact of the programme and the demand for funding year on year evidences the huge effort from the community/third sector in striving to achieve positive outcomes for local communities. Through necessity and in particular the time limited nature of some of the funding, the focus during 2022/23 and 2023/24 has singularly been on ensuring funds are fully allocated. This approach has been instrumental in achieving full annual commitments, but also has generated a number of challenges which now need to be addressed.

4.5 The following statistics give a good picture of where the programme currently is at, at end March 2024:-

- 279 live projects;
- £4,315,367 spend to date; and
- £6,116,379 committed funds still to be claimed

In addition to this, there is still £750k of committed 2021/22 HCCF grant to be claimed by applicants, £4.5m RCGF and £750k Islands Infrastructure Fund.

4.6 In practice it is known that typically for many projects, securing the funding is one task and then successful delivery is another task. Given the pressures of voluntary effort, operational project changes, tender and cost increases, it is understandable that project delivery gets delayed, or project changes are required, all contributing to claim delays.

4.7 Allied to this and no doubt informed by it, central government are moving away from monitoring commitment and towards monitoring spend. It is therefore increasingly an imperative that the projects are realistically in a position to start and are delivering activity and claiming funds within a reasonable timeframe; otherwise the funds are just as much at risk of being withdrawn than as if they were not committed.

4.8 Accordingly, before the 2024/25 CRF programme commences, it is timely to pause and consider how best to manage the funds, as well as critically address the claims delay experienced.

5 2024/25 Programme

5.1 There are valuable elements to the approach that has been taken to date that should not be lost going forward. There are also valuable lessons learned that have the potential to improve the programme.

5.2 Crucially, the immediate focus of the CRF team must turn to supporting the existing case load of live projects, either by ensuring timely spend and drawdown of approved funds, or where a project is no longer deemed to be viable or will not deliver all proposed aspects, through the withdrawal and reallocation of funds. As detailed above, annual spend reports to Scottish Government suggest that this is increasingly a requirement and proactively the CRF team should address this before becoming focused on new fund disbursement. It is recognised that this will be a challenging piece of work but a necessary one, nevertheless.

- 5.3 Going forward in 2024/25, and to ensure that project delivery takes place as approved and in timely manner, it is considered that a number of changes will be required:-
- Much tighter delivery timescale/project robustness criteria should be applied at expression of interest stage and again, during the assessment of projects to ensure that those awarded funding meet the spend profile requirements of the respective fund source.
 - Approvals should be directed towards more “shovel ready” projects rather than early-stage projects that have not been fully developed.
 - Pragmatic administration procedures such as the change request process that allow for timely amendments to projects where required
 - The open nature of the calls for projects generates assessment and decision-making challenges and could be improved by more tightly defined project eligibility priorities at a local level.
 - Projects will need to have more readily available and collectable data, to enable the Council to report and demonstrate to the Scottish and UK Governments, of the benefits and impacts achieved. A unified monitoring and evaluation framework across the funds will allow for demonstration of impact at a programme level.
 - While there has been universal positive feedback on work done to date by the CRF team to streamline application/claims processes and reduce the administrative burden on applicants, it is recognised that more could be done to the benefit of applicants and to the capacity of the team. To this end there has been an initial scoping study and options appraisal undertaken with ICT services to develop and move to an online application platform.
 - Fund allocations should be prioritised in line with the respective grant terms to ensure there is no risk of funding being withdrawn.
- 5.4 Tightening the criteria in this manner is considered as beneficial to applicants; it aids in the managing of expectations; and avoids a reputational risk to the Council in being faced with having to withdraw funds should projects be deemed unviable after receiving approval.
- 5.5 At the current time the Council is expecting 2024/25 CLLD and PBIB grant awards but is unclear of the value. HCCF (£2.8m) funding has been received. The 2024/25 UKSPF funding has already been disbursed. The Scottish Government have paused Round 11 of the RCGF and therefore no new grant awards will be issued for 2024/25. Equally, the status of the Islands Infrastructure Fund for 2024/25 is also unclear.
- 5.6 Normally at the May Economy and Infrastructure Committee (E&I) decisions are taken on how to disburse the funds and the decision-making structures to be followed. Given the external funding situation and how it may dynamically evolve in the coming months and the need to pause and take stock on project criteria etc, it is considered too early to make such decisions at this time.
- 5.7 Accordingly, it is proposed that the current CRF Strategic Sub-Committee, comprising Chair of E&I Committee, Vice Chair of E&I Committee, Chair of each Local Area Committee (with Vice Chairs acting as deputies), have their remit extended. This Sub-Group will allow for a more flexible and responsive approach to be taken as required in response to changing circumstances.

Current Remit:-

- Short listing of projects to submit to Central Government to access national funds
- decisions on strategic projects/project funds and local projects (as necessary, i.e. conflict of interests).

Extended Remit to include:-

- Strategic approach to fund management and disbursement, including strategic/area allocations, core programme criteria and priorities, and decision-making governance.
- CRF Programme monitoring of spend against commitment and expected project outputs and outcomes.
- Overview of the monitoring and evaluation of the CRF programme to demonstrate the impact of the funds.

5.8 Members will note here that it is proposed that the Sub-Group will have a specific remit to monitor and evaluate the CRF programme. A method of demonstrating impact through a social return on investment model has been piloted during 2023/24 within the CLLD fund. This has been invaluable at programme level in terms of understanding what projects have achieved and in reporting back to Scottish Government; but also is expected to become a useful tool for project applicants to use at the conclusion of their CRF project in order to demonstrate to future funders the benefits of funded projects. Work to extend this model across the range of CRF streams will be taken forward in 2024/25.

Designation: Executive Chief Officer Infrastructure, Environment & Economy

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Background Papers: None

Appendices: None