

Agenda Item	
Report No	

HIGHLAND COUNCIL

Committee: Highland Council

Date: 10 September 2020

Report Title: Crown Estate Net Revenue

Report By: Executive Chief Officer Infrastructure and Environment

1. Purpose/Executive Summary

- 1.1 The paper summarises the current position in respect of the Scottish Crown Estate Net Revenue allocations and the actions undertaken to date. The paper focuses on; proposed funding distribution models(s), governance arrangements, scheme eligibility and the administration resource required to run the programme.

2. Recommendations

- 2.1 Members are asked to:

- I. Agree the funding distribution model as set out in the paper to apply to the initial tranche of funding available to the Council;
- II. Agree the governance structure recommended within the paper;
- III. Agree the details of scheme eligibility, as recommended within the paper:
 - Broad eligibility principles
 - Eligible applicants
 - Eligible geography
 - Rates available;
- IV. Agree the administration resource requirements to support communities and members in preparing, administering and managing the fund for the initial tranche of funding available to the Council;
- V. Agree that the scheme be advertised and applications sought as soon as practicable to support the economic recovery and the development of projects that support the coastal and marine communities throughout Highland.

3. Implications

- 3.1 Resource: The Council agreed at its March meeting that an open grant fund would require dedicated resource(s) to engage with and support communities, partners and Members to determine local priorities, work with and support applicants and take

papers and report to the relevant decision-making body. Section 9 identifies a minimum requirement for 2 full time officers to deliver the scheme. Resource requirements will need to be kept under review as the programme develops.

- 3.2 Legal: No legal implications at this stage however once a scheme is agreed legal contracts (offer letters) will need to be issued to recipients of grant aid. Highland Council will also be required to report annually to the Scottish Government, about how Crown Estate Net Revenues have been spent. This report will be made publicly available. All decisions on projects are expected to be open, transparent and equitable.
- 3.3 Community (Equality, Poverty and Rural): The availability of area-based grant is to be welcomed and communities should be positively impacted by this new resource, at a time of reduced local funding. The report suggests that consideration should be given to review and evaluate allocations with a view to a more sophisticated methodology being applied in future years that take account of other factors such as deprivation and rurality along with any revised methodology used by Scottish government.
- 3.4 Climate Change / Carbon Clever: A key component of the scheme will be the need to consider climate change. All projects will also need to demonstrate they have taken account of environmental sustainability such as transition to a low carbon economy and/or how to mitigate, adapt or build resilience to climate change.
- 3.5 Risk: The Council will need to ensure that the scheme meets the aspirations of the Scottish Government to secure future allocations. The appropriate level of resourcing will need to be available to meet demand and ensure that both the scheme and projects are compliant.
- 3.6 Gaelic: In line with Council policy, Gaelic will be written into any new scheme. Schemes to support Gaelic will also be eligible provided they demonstrate impact on local coastal economy.

4. Background

- 4.1 Members will be aware that in 2019, £1,292,405.46 of the net revenues generated from the Crown Estate marine assets out to 12 nautical miles for 17/18 was allocated to Highland. Confirmation has now been received from the Scottish Government that the allocation for 2018/19 for Highland will be £1,742,299.32. Together this gives a total fund available for Highland of £3,034,704.78.
- 4.2 On 12 March 2020, at Full Council, the following actions were agreed:
- i. to continue to work with COSLA and the Scottish Government regarding future allocations;
 - ii. to roll forward the 19/20 Crown Estate Net Revenues Allocation to 20/21 using the current Scottish Government allocation formula to distribute to Council areas;
 - iii. to hold a Members' workshop to determine the preferred funding management options; and
 - iv. that a finalised funding distribution model, details of the scheme eligibility, support services required for the administration of the fund and Governance arrangements would be reported to May 2020 Council for approval and immediate implementation.

4.3 To date:
(i) and (ii) are ongoing ,
(iii) a workshop was held on Monday 31st August that allowed members the opportunity to discuss the proposed distribution and allocation of the fund; and
(iv) forms the basis of this paper under the following headings:

1. Funding distribution model
2. Governance arrangements
3. Details of scheme eligibility
4. Administration of the fund

5. Funding Distribution Model

5.1 The potential approaches to the allocation and administration of net revenues set out within this paper, are given in the context of the current crisis facing all areas because of the CV19 pandemic. Confirmation has been received from the SG (letter from Roseanna Cunningham attached) that these funds can be used to directly support CV19 recovery actions. Such support should still align with the general purpose of the funds to deliver benefit to coastal communities.

5.2 It is known that in future years there will be a change in the allocation methodology used by the Scottish Government to distribute these revenues to local authorities. The interim allocation methodology used by the Scottish government relies on a d minimis allocation to every local authority area which is then “topped up” by an amount calculated on the percentage share of the sea area in the 0-12 nautical mile zone adjacent to each local authority. Highland Council has already agreed to use the same methodology to allocate this initial tranche of funding.

5.3 In initially following the Scottish Government methodology for allocations, within Highland this will result in a devolved budget to each of the 9 Highland Council areas with a share of the sea area (excluding Badenoch & Strathspey as it has no sea area). In order to ensure that all of the 9 Council areas with a coastline benefit from the scheme in a meaningful way, it is recommended that a de minimis amount is set aside for each area. Following discussions at the Member’s seminar there were differing views on the scale of the de minimis level. **Table 1** below shows an allocation of **£50,000** per area that will form the de minimis level of funding and represents a baseline figure that will be available for area based projects. The figure of £50,000 represents a relatively low proportion of the overall fund, but will lead to significant additionality within each area to support both new projects and projects which are currently in development. The de minimis amount available to each area is then supplemented by the share of sea area adjacent to the coastline of each area (as used by the Scottish Government allocation).

5.4 It is also recommended that a strategic fund set at **15%** of the overall total is identified to provide:

- additional top up support for local area projects where there is over-demand from area allocation;
- funding for Highland-wide strategic projects – for example related to:
 - Coastal Protection, Active Travel, Visitor Management projects that are of benefit to more than one Council area or locality;

- feasibility or viability studies that may lead to future projects (Council or Community led);
- match funding against external schemes (RTIF, Sustrans, HITrans, Regeneration Grants); and
- funding for the administration of the Scheme (£100k).

It is also recommended that no one area will be able to exceed 50% of the strategic fund. This fund would also fund the administration of the scheme.

- 5.5 Table 1 therefore shows the de minimis allocation of £50,000 to each area, topped up by the percentage sea area. As Members will note this represents a positive and significant fund available to support projects.

Table 1 – Proposed Distribution of Crown Estates Revenue Funding

TOTAL AVAILABLE £3034703.78 Remaining available £2129498.213

15% Strategic Fund

£455,205.567

Area Committee	De minimis Allocation	% Top Up by Sea Area	Amount Top Up	Final Allocation
Inverness	£50,000.00	0.47	£10,035.95	£60,035.95
Dingwall & Seaforth and Black Isle	£50,000.00	0.85	£18,175.11	£68,175.11
Nairn	£50,000.00	0.47	£9,980.87	£59,980.87
Wester Ross, Strathpeffer & Lochalsh	£50,000.00	13.47	£286,913.86	£336,913.86
Lochaber	£50,000.00	17.91	£381,429.37	£431,429.37
Skye and Raasay	£50,000.00	19.60	£417,307.69	£467,307.69
Sutherland	£50,000.00	27.15	£578,219.81	£628,219.81
Easter Ross	£50,000.00	4.19	£89,248.16	£139,248.16
Caithness	£50,000.00	15.88	£338,187.39	£388,187.39

- 5.6 Consideration should be given to review and evaluate these allocations with a view to a more sophisticated methodology being applied in future years that can take account of other factors such as deprivation and rurality along with any revised methodology used by Scottish government.

6 Governance Arrangements

- 6.1 It is for the Council to make decisions on how the funding is to be spent but there is an expectation from Scot Govt that decisions will be transparent and accountable to communities and others. Funds can only be allocated to projects/initiatives which can demonstrate that they are additional and benefit coastal communities, although with the understanding that SG allows for prioritisation of CV19 recovery within this context.
- 6.2 Given the split of funding above the suggested option for governance of the scheme would be that area committees act as decision making bodies for the locally devolved budgets and that the Strategic Committee (Economy and Infrastructure) takes an overview of the strategic funds.

7 Details of scheme eligibility

7.1 Eligibility - Broad Principles

7.2 In light of the COVID 19 crisis, it is recommended that initially this 2 year tranche of funding is directed to economic recovery and community resilience projects as a first priority with the detail being determined at a local level as appropriate to the area. To allow for local and strategic flexibility the criteria should not be too tightly defined at an early stage. It is also important to consider how the two aims of economic and community recovery can best be dealt with under one combined fund.

7.3 As a general principle, all projects should address at least one of the following outcomes:

- economic recovery;
- community resilience; or
- the impact of the climate and ecological emergency
- addressing the challenges of rural depopulation

7.4 To be eligible projects must also meet the following criteria:

- be sustainable/viable
- demonstrate value for money
- demonstrate additionality
- demonstrate local support and local benefit
- be able to evidence positive impacts for coastal communities and/or the coastal/marine economy

7.5 In addition to this:

- all projects should demonstrate they have taken account of environmental sustainability such as transition to a low carbon economy and/or how to mitigate, adapt or build resilience to climate change; and
- all projects should demonstrate consideration of equalities issues and impacts

7.6 Alongside a review of the allocation methodology, the Council should also plan for review / evaluation of fund priorities to inform decisions beyond the initial two year funds available. Given the challenges arising from CV19 that are currently being faced, this fund can be seen almost as a crisis intervention and as such it is suggested that eligibility criteria should not be too constraining beyond what is

necessary. Potentially future tranches of funding can be more narrowly directed with priorities being informed by consultation and existing datasets to ensure that the widest benefit can be realised. With budgets being devolved to a local level for decision making there is potential for this work to be undertaken at an earlier stage if areas feel it is appropriate.

8 Eligibility – Additional considerations

8.1 Eligible applicants include constituted community groups, businesses, local authorities or other public sector bodies, charities, voluntary and social enterprises, including co-operatives and community ownership initiatives, development trusts, private businesses.

8.2 Where the applicant is a private business issues of displacement, state aid and other support available must be considered as part of the decision making and may limit the size of award available. The landscape for providing business support is complex and by its nature involves different and often more considerations than community grant funds. It is also expected that there would be significant demand on any fund offering financial support to businesses at this time. Considerations over other potential sources of support and whether the intervention is viable and appropriate must be taken account of. It may be appropriate for business support to be delivered at a strategic level for example by an application from Business Gateway to manage a pot of funding to support business applications for interventions such as:

- Start up grants and business growth.
- Business adaption, for example to digital/low carbon delivery
- Adaptations to meet new requirements as a result of CV19
- Small scale interventions that will have significant impacts, for example to cover the cost of child-care to allow an individual from Mallaig to travel to College in Fort William for the day

8.3 A key advantage in managing business applications through this different route would ensure that there is no cross over of support, that interventions are appropriate and viable and that expert input informs the decision making.

9. Eligible Geography

9.1 For the purposes of this fund, applicants should be within 5km of the Highland coast. Applications may be considered from outwith this zone but it will be up to the applicant to demonstrate **coastal** community/economic benefit.

10. Rates Available

10.1 Minimum grant available is £5,000 with a maximum grant of £100,000 although decision making groups will have the discretion to vary these limits in agreement with fund administrators.

10.2 Up to 100% of costs can be covered where the main purpose of the applicant organisation is to achieve social aims and the applicant has demonstrated the need for this level of intervention. If the main purpose is to generate income/profit for individuals then there is a presumption against funding more than 50% of the costs.

Decision making groups will have the discretion to vary this dependent on an organisation being able to demonstrate commensurate levels of wider community benefit as a result of the intervention.

- 10.3 With devolved local budgets, areas will also have the option to fund organisations to deliver smaller grants programmes. This will be considered eligible provided the broad aims noted above are still met and the details of how the scheme will operate are agreed as part of the application process.

11. **Types of Projects**

- 11.1 With the criteria for the scheme being deliberately broad at this stage it may be useful to look to the previous Coastal Communities Fund for examples of the types of project that may come through.

- Tourism/visitor management facilities
- Community facilities
- Small scale renewables
- Tourism infrastructure/initiatives with a focus on environmental sustainability
- Coastal and marine infrastructure, coastal paths, interpretation
- Car parks/camp sites
- Piers/jetties
- Protection of the coastal/marine environment
- Waste disposal points

12. **Payment of grant**

- 12.1 Grant payments will usually be made retrospectively upon evidence of defrayal. If required for cashflow purposes, then advance payments from an award can be made upon production of relevant invoices.

13. **Administration Resource**

- 13.1 There are existing competent officers running the LEADER/FLAG programmes, which are nearing closure and as such an opportunity exists to continue to use this resource. Recommendation is to fund two full time project officers at a minimum of HC08. This resource will be to develop the documentation and processes required to run a compliant scheme; support decision making groups and applicants; monitor, review and evaluate the impacts of the funding and the processes around its distribution. It is considered essential that this minimum level of support is available to support both communities and members.

Designation: Executive Chief Officer – Infrastructure and Environment

Date: 1 September 2020

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