

Agenda Item	10
Report No	ECI/45/2021

HIGHLAND COUNCIL

Committee: Economy and Infrastructure

Date: 2 December 2021

Report Title: Highland Coastal Communities Fund

Report By: Executive Chief Officer Infrastructure, Environment & Economy

1 Purpose/Executive Summary

1.1 The Highland Coastal Communities Fund is a new fund designed to support economic regeneration and sustainable development around coastal areas in Highland. The fund is derived from revenue generated by Scottish Government Crown Estate marine assets. Each year local authorities are allocated a proportion of the profits.

There has been an overall allocation to Highland of £3,034,703, which represents two years of allocations from Scottish Government. Funding is distributed as the Highland Coastal Communities Fund (HCCF).

1.2 Broad eligibility criteria for the scheme is as follows:-

All projects are expected to be able to meet at least one of the following priorities:-

- Economic recovery;
- Community resilience;
- Mitigating the impact of the climate/ecological emergency; or
- Addressing the challenges of rural depopulation.

Projects should be able to demonstrate that they are:-

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

- 1.3 This report is to update Members on progress with the distribution of the funds through the Area Committees and the HCCF Strategic Sub Committee in advance of a new allocation being granted to Highland Council.

2 Recommendations

2.1 Members are asked to

- i. note the content of the report at **Appendix 1** and in particular the recommendations in section 11:-
 - a. to consider setting of priorities within their area in order to focus and direct the funds available and to manage the expectations of applicants;
 - b. to explore the opportunity to develop a streamlined monitoring and evaluation framework to support the evidencing of impact through the scheme
 - c. to consider the retention of a strategic pot of funding that allows for projects that deliver benefit across multiple areas with a focus on addressing the climate and nature emergency; and
 - d. to consider the resourcing requirements of the scheme and the added value to applicants and Members that can be achieved with adequate investment into the administration of the fund; and to recommend to full council that up to 10% of the £3m allocation is ringfenced for this purpose to ensure appropriate and adequate resourcing of the scheme.
- ii. note the full list of projects funded to date contained within **Appendix 2**.
- iii. agree that the distribution of the overall allocation across Highland is taken forward on the same basis as agreed for the allocations already received (ie in line with the Scottish Government methodology around sea area).

3. Implications

- 3.1 **Resource** – The current allocation of funding capped the administration resource for the programme at around 3% (£100,000). Given the volume of expressions of interest/applications, this has not been sufficient to administer the funds on a full cost recovery basis and has had to be subsidised by other Council funding. If future allocations are to be devolved to Area Committees for disbursement, consideration should be given to ensuring that adequate resource is drawn from the overall allocation to ensure compliant delivery of the programme.

The annual allocation of funding from Scottish Government to Highland Council has just been announced and for Highland this will be £3,201,134.02. A report to agree the distribution of this across Highland will be taken to full Council in December 2021.

- 3.2 **Legal/Risk** – 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. An internal audit review of the current scheme is underway and recommendations and learning from this will be built into the future delivery of the fund

- 3.3 **Community (Equality, Poverty and Rural)** – Coastal communities funding is available to all Area Committees within Highland with a coastline. The focus of the funding is economic recovery and community resilience. 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 the HCCF funding. All applicants are required to evidence environmental sustainability as referenced in the technical assessments
- 3.5 **Risk** – An internal audit review of the current scheme is underway and recommendations and learning from this will be built into the future delivery of the fund
- 3.6 **Gaelic** – Consideration given within individual project applications in line with HC policy.

4 Background and Context

- 4.1 In May 2021, the Economy and Infrastructure Committee agreed to receive a review of HCCF funding in advance of the new allocation being awarded to The Highland Council. This review has been undertaken by the team and is attached as appendix 1 for information.

As a matter of good practice, it is suggested that this reporting is revisited during the coming year with progress again reported to the Economy and Infrastructure Committee. Where possible it is intended to contact applicants to the fund to inform this future reporting. Also, as the funded projects are now beginning to get off the ground it will be important to ensure that there is a robust method of evidencing the impact of the funding, which should in turn inform future reporting to Committee.

Designation: Executive Chief Officer Infrastructure, Environment & Economy

Date: 12 November 2021

Author: Fiona Cameron, Programme Manager
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Background Papers: **Appendix 1** – HCCF review document
Appendix 2 – Projects funded to date

Highland Coastal Communities Fund – Year One Review

1. Report Summary

The purpose of this report is to summarise and review the first operational year of the new Highland Coastal Communities Fund (HCCF). The report outlines the fund's purpose, budget, eligibility criteria and application and decision-making process. It then highlights the scale and range of applications that have been received, assessed and approved across ten Highland Council Local Area Committees and one Strategic Committee (Badenoch & Strathspey does not receive any funding as there is no coastline within the area).

The report also reviews the fund's administration requirements and decision-making processes, in light of the actual experience of one year's full operation. It concludes by making recommendations for its future resourcing and delivery, prior to Highland Council receiving its next allocation of Coastal Communities funding.

2. Highland Coastal Communities Overview

The HCCF is a new fund designed to support economic regeneration and sustainable development around coastal areas in Highland. The fund is derived from revenue generated by Scottish Government Crown Estate marine assets. Each year local authorities are allocated a proportion of the profits.

Highland Council has received two allocations to date from Crown Estates, £1,292,405.46 in financial year 2019-20 and £1,742,298.29 in financial year 2020-21 (July 2020). Permission was obtained to carry forward and merge these two allocations to have a combined sum of £3,034,703.75 for the first full year of operation for HCCF in Highland.

Highland Council then had to agree how to distribute this allocation to Area Committees and agree a decision-making process to award funding to applicants. A Members' workshop was held on 31 August 2020 to discuss proposed distribution and governance arrangements for the fund. This informed a report to full Council on 10th September 2020. Following detailed discussion, Members agreed the following distribution of their £3,034,703 allocation, set out in table 1 below.

Table 1: Overall HCCF Budget Allocation- Round 1

Area Committee	HCCF Allocation (£)
Black Isle, Dingwall and Seaforth (see note 1 below)	22,015.82
Caithness	409,652.26
Easter Ross	108,107.84
Inverness	12,156.72
Lochaber	462,032.02
Nairnshire	12,090.00
Skye and Raasay	505,492.06
Sutherland	700,407.71
Wester Ross, Strathpeffer and Lochalsh	347,543.75
Strategic Projects (see note 2 below)	355,205.57
Programme Administration	100,000.00
Total	3,034,703.75

Note 1: The original allocation was made when Black Isle and Dingwall and Seaforth was a single area committee. Following the decision to form two separate committees, the allocation was split 50:50 and this is reflected in subsequent tables and analysis.

Note 2: It was agreed at the Economy and Infrastructure Committee on 5 May 2021 that a Sub Committee be formed to take decisions on strategic project applications.

It was also agreed that decisions on HCCF grant awards would be made by Members at Area Committees.

3. Programme Eligibility

A wide range of projects are eligible to apply for HCCF grants. Projects must be located within 5km of the coast or be able to demonstrate a clear benefit for coastal communities if they are not. Applications are permitted from public, private and third sector organisations. Funding of up to 100% of project costs is possible. The exception to this is in the case of applications from private businesses, where there is a funding limit of 50% of project costs.

Generally, it is not expected that applications for grant awards of less than £5,000 or more than £100,000 will be considered. Members have the discretion to vary these limits in exceptional circumstances, if they are persuaded by the case made in the application.

Outwith these key eligibility criteria, the following considerations are applicable:-

All projects are expected to be able to meet at least one of the following priorities:

1. Economic recovery;
2. Community resilience;
3. Mitigating the impact of the climate/ecological emergency; or
4. Addressing the challenges of rural depopulation.

Projects also require to demonstrate that they are:-

1. Sustainable/viable;
2. Providing value for money;
3. Providing additionality;
4. Able to evidence local support/local benefit; and
5. Able to evidence positive impacts for coastal communities and/or the coastal economy.

In addition to the above, Area Committees had the discretion to set their own local priorities for Highland Coastal Communities funding if they wished to do so. Three Area Committees; Caithness, Lochaber, and Wester Ross, Strathpeffer and Lochalsh elected to set specific local priorities. These were not to the exclusion of any other applications, but rather as a guide to the type of project they wanted to see come forward and an aid to prioritising limited funds. The local priorities set by these areas were:-

- Caithness - projects focussing on economic recovery post Covid and projects that support community well-being. These included mental health services, support for vulnerable groups, those experiencing rural isolation and poverty, and facilities providing sport, recreation, arts and social interaction.
- Lochaber - projects that alleviate pressures caused by visitor numbers and projects located in remote rural locations
- Wester Ross, Strathpeffer and Lochalsh - community led infrastructure projects or projects alleviating tourism pressures.

4. Application and Decision-Making Process

A two-stage application process is in place for the HCCF. Stage one requires applicants to submit an Expression of Interest (EOI) form. This is a short two-page form which collects key contact details; total project cost; HCCF grant requested, main items of project expenditure; details of any match funding and a summary of the proposed project. Expressions of Interest are usually called for within a prescribed time period, in order to be discussed by Members at local Ward Business Meetings.

EOI forms are then subject to a technical check undertaken by officers. This includes eligibility criteria, and any key observations or concerns are also highlighted at this stage. As noted above, these are then presented by officers to Members at Ward Business Meetings. Members then decide which EOI's they wish to invite to proceed to a full application.

Applicants who are successful at EOI stage then complete a full application form, along with submitting supporting documentation. Officers are available to provide advice and support to applicants during this process. The timescale for this stage is determined by the agreed date of the Local Area Committee at which decisions on applications are to be made. Highland Council's Coastal Communities Team have sought to keep the full application form as short and straightforward as possible. This has had to be balanced with obtaining the necessary levels of information to enable informed and audit compliant approval decisions to be made.

Upon receipt of full applications, officers undertake a detailed technical check and assign a R.A.G status (red, amber, green) to key assessment criteria. These include project robustness, evidence of community engagement and support, evidence of need, legacy and exit strategy, consideration of environmental and equalities issues, and value for money. Generally, officers will contact applicants during this process to clarify any points and seek additional information where required. The assessment of the project only takes account of information provided within the original application and follow up queries.

Officers attend the Local Area Committee at which the applications they are dealing with are to be decided upon. They present their technical assessments and answer any questions from Members. Once decisions are made officers inform applicants of the outcome.

5. Offers of Grant and Release of Funds

Successful applicants are issued with a formal offer of grant letter, which was based on the EU LEADER grant offer letter with advice from legal services. This contains a range of standard conditions, together with any project specific conditions that are required to be set. A post offer meeting is undertaken, between the officer dealing with the project and the lead applicant. This is to go through the terms and conditions of the offer with the applicant, ensure they are clear in terms of their grant obligations, and answer any questions they may have.

Following this, the applicant signs and returns the offer of grant. Upon receipt of this by Highland Council, the project is deemed to be "live", and the applicants can begin to incur eligible expenditure they wish to claim from the HCCF.

The HCCF offers a considerable degree of flexibility with regard to the release of funds. Crucially, there is the ability to release funds prior to payment of invoices, where projects do not have sufficient financial resources to pay out and then claim back the funds (as was, notably, the requirement with EU LEADER funding). Funds can be released upon receipt of either quotes, or unpaid invoices where necessary. The obligation is then on the applicant to pay these at the earliest opportunity and submit bank statements to evidence that payment.

Whether requesting an advance payment or re-claiming against paid invoices, applicants submit a standard claim form along with supporting documentation and a project progress report. This is checked and processed by officers and funds are then released to the project.

As would be expected with projects that are well managed, there is often a need to make changes to adapt to external pressures during the lifetime of the project. Local development officer support ensures that this can be done in a complaint way and that the approved budget remains eligible. As a rule of thumb, development officers will have decision-making authority for changes that are deemed to be minor in nature (ie they do not affect the overall outcomes of the project or require a change to the HCCF grant award). Where changes are above this level they will be taken back to Members for a decision.

6. Project Monitoring and Closure

Project closure processes allow for a final financial reconciliation to take place and to ensure that a fully compliant audit trail is in place for each project. 10% of the HCCF grant will usually be retained until all applicant obligations to this point have been met (ie submission of payment evidence and progress reporting). Applicants will also be provided with an end of project report template to allow for detailed reporting on the direct benefits that the funding has realised.

As the first round of HCCF funding was delivered at very short notice, it was not possible to develop a monitoring and evaluation framework for applicants to report against. Within the first tranche of projects that have been funded, applicants will be mainly asked to report against the objectives/outcomes that were approved within their original applications. It is intended that prior to the delivery of the next annual tranche of HCCF funding, a full monitoring and evaluation framework is developed, which will allow for more detailed and informative reporting on the impacts of funded projects.

There is an opportunity to develop this to be proportionate to the level of grant award and to ensure information is collected that can evidence impact against wider Highland Council objectives such as net zero ambitions and equalities issues, alongside the reporting against the objectives of the scheme. There are also opportunities to streamline this to ensure that where the Council is funding a project through a number of different sources, the applicant is only asked to report against one agreed set of targets, which will therefore reduce the burden on the applicant and make the likelihood of meaningful information being submitted much higher.

The LEADER Team have previously undertaken significant work to establish a monitoring and evaluation framework that has been informed by applicant consultation and tested by applicants. This ensures a clear and realistic framework where applicants understand upfront the evidence they are being asked to collect and how they can collect it. Realistic targets and accurate reporting, supported by development officers, means there can be greater confidence in the evidenced impact. This work will form the basis of the monitoring and evaluation framework for HCCF.

7. The Highland Coastal Communities Fund in Operation

The Highland Coastal Communities Fund (HCCF) opened with an initial call for Expressions of Interest (EOIs) on 23rd November 2020. A relatively short deadline of 3 December 2020 was set for these to be submitted. This was partly with the intention to operate this initial call as a pilot round. It was also set with timescales in mind for technical checks and January Ward Business Meetings, where EOIs would be considered.

Even within this short time frame, a high number of EOIs were submitted. To date, some 213 have been submitted to the programme. The vast majority of these (with the exception of 28 strategic expressions and a handful of others) were received in this initial window. It is important to note that no priorities for funding were set at this initial stage- this was an open call, and this was a major factor in the volume of EOIs received.

Of these initial EOIs, very few were deemed to be technically ineligible for consideration. There was therefore a significant task for Members to determine which should be invited to proceed to full application. It was only at the review stage, following submission of EOIs, that some Area Committees took the decision to set local priorities for funding. Table 2 below shows the volume of EOIs received in year one of the fund's operation, the numbers that were invited to proceed to full application, and the numbers subsequently presented to Area Committees.

Table 2: Expressions of Interest Received and Invited to Progress

Area	Area Budget	EOI's Received	Total Request	EOI's Approved	Full Applications Submitted
Black Isle	11,007.91	4	60,370.00	3	1
Caithness	409,652.26	23	1,029,428.57	19	15
Dingwall & Seaforth	11,007.91	4	30,000.00	3	1
Easter Ross	108,107.84	10	172,899.09	8	6
Inverness	12,156.72	3	17,148.00	2	1
Lochaber	462,032.02	33	2,025,539.00	22	12
Nairnshire	12,090.00	2	33,500.00	2	2
Skye & Raasay	505,492.06	33	1,837,399.52	33	20
Sutherland	700,407.71	46	2,461,315.46	37	22
Wester Ross, Strathpeffer & Lochalsh	347,543.75	27	931,284.82	25	10
Strategic	355,205.57	28	1,906,315.00	15	9
Totals	2,934,703.75	213	8,043,884.00	169	99

Table 2 (above) illustrates the scale of demand for HCCF grants when no funding priorities were set at the initial stage, and an open call for Expressions of Interest was made. It shows the very high levels of over subscription that Area Committees were faced with in the majority of cases. It should again be noted that the vast majority of these expressions were submitted during the short initial window that was set.

The table also shows that only 44 out of 213 Expressions of Interest were not invited to proceed. This means that the HCCF initially expected to process and assess some 169 full applications in its first year of operation. Due to committee timescales, this would in fact have been in the first three months of 2021.

Ultimately, not all of these proceeded to submit full applications. This was due to a range of factors, including:-

- Failures to obtain required match funding;
- Failures to obtain necessary planning or other statutory consents;
- Failure to secure landowner consent or required lease;

- Applicants deciding themselves not to progress to full application, in light of feedback, even though they had been technically eligible to do so;
- Alternative funding sources being secured prior to HCCF decision; and
- Local objections to the project

Even allowing for this “natural wastage”, 99 full applications have been processed, assessed and presented to Area Committees (and the Strategic Sub-Committee) by the Highland Coastal Communities Team in the fund’s first full year of operation.

Table 3 below shows the value of full applications submitted and funding awarded to date by area.

Table 3: Full Applications Received and Approved by Area

Area	Area Budget	Full Apps Submitted	Approved	Total Request	Total Award	Remaining Budget
Black Isle	11,007.91	1	1	4,450.00	4,450.00	6,557.91
Caithness	409,652.26	15	13	552,082.80	409,652.26	-
Dingwall & Seaforth	11,007.91	1	1	5,000.00	5,000.00	6,007.91
Easter Ross	108,107.84	6	5	120,792.00	92,111.24	15,996.60
Inverness	12,156.72	1	1	12,156.72	12,156.72	-
Lochaber	462,032.02	12	9	675,585.00	462,032.02	-
Nairnshire	12,090.00	2	2*	12,090.00	8,590.00	3,500.00
Skye & Raasay	505,492.06	20	17	714,673.56	503,102.33	2,389.73
Sutherland	700,407.71	22	17	1,198,032.15	700,407.71	-
Wester Ross, Strathpeffer & Lochalsh	347,543.75	10	10	294,438.90	294,438.90	53,104.85
Strategic	375,893.50*	9	7	485,893.50	375,893.50	-
Totals	2,955,391.68	99	83	4,075,194.63	2,867,834.68	87,557.00

* Two projects were approved in Nairnshire, but one declined their offer of funding.

* Due to clerical error the strategic allocation had to be increased in line with the amount requested from a project missed from the original funding round

Strategic Projects

In addition to local area allocations, at the Economy & Infrastructure Committee on 5 May 2021, Members agreed the following recommendations:-

1. To make an open call for strategic projects i.e., projects that can clearly demonstrate a wider benefit than within their local Area Committee geography. Also, that local areas can bid into this pot for additional top up support for approved or deferred local area projects where there has been over-demand from their first local area allocation round. No one area will be able to access more than 50% of the funds available.

2. To establish a decision-making group comprising the Chair and Vice Chair of the Strategic Committee and the Chair of each of the local Area Committees to undertake consideration of EOI's and full funding applications, agree levels of funding to be awarded and set any required grant conditions.

The HCCF opened to accept expressions of interest for strategic projects on 1 June 2021 and closed on 14 June. 28 expressions of interest were received during this time with a total grant request of £1,906,315.00.

This volume in just two weeks again illustrates the level of demand for funding that exists with regard to HCCF. Also, in particular, it evidences the benefit in making available a pot of funding specifically for strategic projects, which is something Members may wish to consider when the new allocation is received.

Business Support Through HCCF

Private businesses are eligible to apply to the HCCF, with the stipulation that they are only eligible for grant up to 50% of project costs. The volume of stand-alone private businesses applying has been surprisingly low. Only three awards have been made directly.

However, two Area Committees took a decision to ring fence sums specifically to support businesses with recovery from Covid. Lochaber and Wester Ross, Strathpeffer & Lochalsh awarded £30,000.00 and £40,000.00 respectively to Business Gateway, to deliver small grant schemes. The Lochaber project focusses on supporting businesses to invest in digital technology as part of Covid recovery, and the Wester Ross, Strathpeffer and Lochalsh project focusses on business start-up and growth, particularly for young people.

HCCF officers are involved in checking these individual grant requests to the schemes and making payments direct to the businesses involved. These schemes are just starting and the outcomes from these will be reported back to the Area Committees.

Types of Project Supported by HCCF

Table 4 below illustrates the broad types of project that have been approved for funding to date. The definitions are relatively broad- for example, in some cases "community facilities" could also be considered to be "visitor facilities". Definitions are broadly based on the primary purpose or beneficiaries of a project. It can be seen that the majority of projects relate to capital grants for community and visitor facilities.

Table 4: Types of Project Supported Via HCCF Grant

Project Type Approved	Number
community facilities/ infrastructure	39
visitor facilities	19
environmental/ landscape	7
business support	5
community support/ resilience	4
health and services	4
consultation/ feasibility studies	3
climate change/ net zero	2
Total	83

Live Projects

Of the 83 projects approved to date, only 36 are substantively underway. From a financial perspective, this does not represent a risk, as HCCF funds can be rolled forward into subsequent financial years. From Table 3 (above), the fund is able to show that 97.72% of its budget for projects is committed.

The value of claims submitted has been low, however. To date, only £376,723.30 has been paid out to applicants. This only represents 13.14% of total approved grants. This does not reflect any delays in processing claims by the Highland Coastal Communities Team. It is simply due to the value of claims submitted thus far, which is a reflection of the level of progress projects have made to date. The main reasons for projects not yet being underway, or not claiming significantly, are:-

- Projects awaiting confirmation of other funds;
- Funding short falls due to securing less HCCF grant than applied for;
- Delays in obtaining planning permission, asset transfer, lease or other statutory requirements ;
- Ongoing negotiations with landowners;
- Project locations having to change due to landowner consent being withdrawn;
- Procurement not yet completed;
- HCCF funding only a small % of overall costs so not yet drawn down;
- Contractor and supply chain delays due to Covid;
- Price increases due to current global economic climate;
- Cases where projects applied to round one of HCCF to secure funds, but were not intending to start until late into 2021;
 - Delays to phase 1 of projects, which require to complete before HCCF funded phase 2 can begin; and
 - Projects waiting until after the tourist season before commencing

While the position outlined above does not represent a major financial concern, it does cause concern with regard to ongoing administration requirements for the Highland Coastal Communities Team. Of the 83 projects approved to date, none are as yet formally concluded. If, as expected, the next round of funding is announced for

Highland before the end of 2021, and a new round opens in early 2022, the number of projects to be administered will increase significantly from the current 83 in a short period of time.

It should also be noted that where “schemes” are being operated to support private businesses, such as the ones in Lochaber and Wester Ross, Strathpeffer and Lochalsh referred to above, these grants effectively become “sub- projects”, each in themselves requiring a degree of checking and processing. This further adds to the administrative support required for the overall fund.

8. Programme Administration and Priority Setting

Although the Highland Coastal Communities Fund is less onerous in terms of audit and compliance than previous EU community and economic development funds, it still comes with a number of requirements to be met by applicants. Highland Council currently has financial responsibility for the distribution of over £3,000,000 of public funds through the delivery of HCCF. This figure will rise significantly in the coming months.

There is the need to assist applicants to develop their projects and ensure they fit with programme objectives. Some applicants require advice on procurement and project cash flow considerations. Project conditions require to be monitored to ensure they are met, and the necessary supporting evidence is on file. The fund has attracted approaches from some groups who are unfamiliar with funding applications and drawing down grant funds. This is a positive development, as it ensures more widespread benefit from the funding; however, this requires an appropriate level of resourcing and support in order to maximise this benefit and increase the capacity of such groups.

Within this first tranche of funding, applicants have received support across the entire grant application and approval and delivery stages. Ongoing support is required in many cases to ensure projects remain compliant with grant conditions and can deliver their approved objectives in light of inevitable changes that will occur post approval.

It is felt that the future delivery of the programme would benefit from all Area Committees setting clear priorities for the type of project they wish to see coming forward. It would be helpful if these were set prior to stage 1 of the application process; the call for Expressions of Interest. This would offer a degree of control over the volume of expressions received, would manage applicants’ expectations, and reduce frustration due to declined proposals.

Setting priorities for local funding would also lead to a more focussed selection of full applications to be considered at Area Committee. It would free up officer time to be able to assist to a greater degree with project development and community capacity building.

There have been suggestions and instances where reduced offers of grant have been made, in order to try and support a greater number of applications. While there is some merit in this approach, it can often adversely affect a project. It can jeopardise match funding offers that are conditional on securing a set amount of HCCF funding.

It can set project timescales back significantly while additional funding is sought. This can have knock on effects for project budgets. It can also impact on the scale of a project and on the benefits ultimately delivered.

Overall, the two stage application process has been very helpful but as stated above it would benefit significantly from priority setting at an early stage. This would lead to a more focussed selection of applications and would allow greater officer support to be available to applicants at project development stage.

9. Required Staff Resourcing Going Forward

Within the first tranche of HCCF funding delivered by Highland Council, a capped allocation of £100,000 was made to resource the administration of the scheme. This represents around 3% of the total HCCF allocation, which is far lower than would usually be expected in terms of delivering external funding on a full cost recovery basis. Previous EU programmes would usually allow for up to 25% of the allocation to be spent on admin, although this reflects both the more complex nature of these funds and the desire that the administration fulfils a wider community capacity building role. Within other domestic funding programmes it would be more usual to expect a minimum of 10% of the allocation to be utilised for administration.

In reality, the delivery of HCCF over this year has cost more than the available funding and has had to be subsidised by other funds.

Staffing over this year has been as follows:

Current Team Structure

1 Programme Manager

4 DO's (3 x FTE, 1 x 0.8 FTE)

1 HC06 (32 hours)

1 HC04

Total cost - £276,000

The team has spent as a minimum 75% of their time working on HCCF therefore the actual cost of resourcing this over one year has been £207,000 (6.8% of last year's allocation). It is worth noting that the work last year was solely to take projects through the approval process. There is a significant support requirement for projects to drawdown funds and to deliver their objectives once live.

In line with Members desire to see external funding streams delivered on a full cost recovery basis, there is an opportunity to ensure that the support given through each programme is maximised by taking a blended approach and investing a proportionate amount from each fund into a team, rather than each different scheme funding individual posts. This allows for local officers to be based within different areas of Highland; maximises the support that is available to applicants and ensures that the financial and compliance requirements of each scheme are fully met by dedicated officers with relevant skills and experience. This requires an appropriate and

proportionate level of administration investment from all schemes in order to achieve maximum benefit and value from each programme.

Although increased investment in administration can be viewed as reducing the amount that is available to directly fund projects; the overall benefit of ensuring adequate administration vastly outweighs this with the potential for every applicant who approaches the scheme to end up in a better position regardless of whether they are awarded funding or not. Linkages can be made with other funding streams and applicants who do receive funding are far better supported to deliver their project, which in turn delivers far more positive outcomes for Highland.

As noted above there are currently 83 live projects within the HCCF programme that require ongoing support. The next annual allocation has just been announced and given the demand for funding it is already expected that even with a much tighter focus on priorities within areas this will be vastly over-subscribed. It is therefore recommended that Members consider allocating a higher percentage of the future allocation to administration.

10. Future Allocation

As part of a review process agreed with Scottish Ministers and COSLA Leaders earlier this year, a new hybrid formula was approved for distribution of allocations. This hybrid approach comprises a 50/50 combination of the current interim seabed formula and the new asset-based methodology. This new formula has increased the percentage that Highland is awarded from the overall national fund by over 10%, meaning that the award due to be received by Highland Council for distribution in 2022 is £3,201,134.02. The Scottish Government have indicated that their preference is that these funds be spent within the financial year 2021/22; however, given the size of allocation to Highland this would not be practical and an extension to this is expected to be secured. The award letter also states an ambition *to take forward a longer-term journey to maximise the impact of the net revenue allocations, bearing in mind the major challenges presented by the climate and nature emergencies and the scale of response required to respond to these.*

The need to adequately resource the scheme to ensure audit compliant and efficient delivery is considered to be imperative. The approach outlined above of investing a proportionate level of funding from schemes into an experienced core team to deliver the funding is absolutely felt to give best value both for Highland Council and for applicants, and as such a ringfencing of up to 10% of the fund total is recommended to meet this requirement. This ringfencing will allow for appropriate and timely resource to be put in place to ensure that HCCF can be used most effectively to benefit Highland. **Should the full 10% ultimately not be required for administration then the balance will be allocated out to areas to be made available for projects in line with the agreed split across Highland.**

11. Conclusion and Recommendations

In conclusion, it is clear that HCCF has been of significant value to Highland in the range and number of projects supported and the positive outcomes that each of

these will deliver. The devolving of budgets to Area Committee level has allowed for decisions to be made within areas as to what the most appropriate interventions for each area are; and has given a degree of flexibility to the approach to ensure that it best fits within each area as appropriate.

In advance of the next annual allocation being decided, Members are asked to consider the following recommendations:

- a. to consider setting of priorities within their area in order to focus and direct the funds available and to manage the expectations of applicants;
- b. to explore the opportunity to develop a streamlined monitoring and evaluation framework to support the evidencing of impact through the scheme
- c. to consider the retention of a strategic pot of funding that allows for projects that deliver benefit across multiple areas with a focus on addressing the climate and nature emergency; and
- d. to consider the resourcing requirements of the scheme and the added value to applicants and Members that can be achieved with adequate investment into the administration of the fund; and to recommend to full council that up to 10% of the £3m allocation is ringfenced for this purpose to ensure appropriate and adequate resourcing of the scheme.

Appendix 2

Summary of Highland Coastal Communities Projects Funded in 2021

Black Isle: Budget £11,007.91, Remaining £6,557.91

Applicant	Title	Category	Total Cost	HCCF Award	HCCF %	Underway?
Culbokie Community Trust	Culbokie Village Green Volunteer Programme	Community Facilities/ Infrastructure	61,650.00	4,450.00	7.22	No
Black Isle Totals			61,650.00	4,450.00		

Caithness: Budget £409,652.26, Remaining £0.00

Applicant	Title	Category	Total Cost	HCCF Award	HCCF %	Underway?
Brough Bay Association	Harbour Project	Community Facilities/ Infrastructure	52,462.00	27,000.00	17.71	No
St John's Episcopal Church	Provision of Accessible Toilet and Improved Accessibility to Church Building	Community Facilities/ Infrastructure	77,895.00	15,000.00	19.26	Yes
Dunnet Forestry Trust	Dunnet Community Forest Projects	Visitor Facilities	29,914.00	22,436.00	75.00	Yes
John O'Groats Development Trust & John O'Groats Mill Trust	John O'Groats Mill Trail	Visitor Facilities	40,280.00	30,080.00	74.68	Yes
Bridgenorth Ironmongers Ltd	New Post Office Facility	Community Facilities/ Infrastructure	19,500.00	9,755.00	50.03	Yes

Applicant	Title	Category	Total Cost	HCCF Award	HCCF %	Underway?
Thurso Youth Club SCIO	Thurso Youth Club Refurbishment - Phase 1	Community Facilities/ Infrastructure	54,564.00	40,923.00	75.00	Yes
Thurso Community Development Trust	Thurso Grows Hub & Greenhouses	Community Facilities/ Infrastructure	127,376.00	67,791.75	53.22	Yes
Befrienders Highland	Caithness Expansion	Health and Services	7,360.00	7,360.00	100.00	Yes
Caithness Voluntary Group	Listening Ear	Health and Services	49,700.00	39,700.00	79.88	Yes
Caithness Voluntary Group	Room to Think – Interactive Resource Hub	Health and Services	14,076.80	9,082.80	64.52	Yes
Keiss Primary School Parent Council	Keiss Primary School trim trail	Community Facilities/ Infrastructure	31,691.52	23,000.00	72.57	Yes
Scrabster Harbour Trust	Cruise Ships Gangway Upgrade	Visitor Facilities	37,400.00	18,700.00	50.00	No
Various TBC	Strategic Investment Fund	Business Support	98,823.71	98,823.71	100.00	No
Caithness Totals			741,043.03	409,652.26		

Dingwall & Seaforth: Budget £11,007.91, Remaining £6,007.91

Applicant	Title	Category	Total Cost	HCCF Award	HCCF %	Underway?
Maryburgh Men's Shed	Maryburgh Men's Shed Establishment Costs	Community Facilities	5,000.00	5,000.00	100.00	No
Dingwall & Seaforth Totals			5,000.00	5,000.00		

Easter Ross: Budget £108,107.84, Remaining £15,996.60

Applicant	Title	Category	Total Cost	HCCF Award	HCCF %	Underway?
Inver and District CC	Inver Bay seating	Community Facilities/ Infrastructure	5,000.00	4,000.00	80.00	Yes
HITRANS	Case for Change Study for re-opening of Evanton Rail Station	Consultancy	18,000.00	5,000.00	27.78	No
Seaboard Memorial Hall	Conveniences for All	Community Facilities/ Infrastructure	24,980.00	23,980.00	96.00	Yes
Ross Sutherland Rugby Club	Clubhouse Development Project: Phase 2 Viewing Balcony	Community Facilities/ Infrastructure	61,137.00	33,058.24	54.07	No
Tain Heritage Trust	Tain Picture House Regeneration	Community Facilities/ Infrastructure	28,788.00	26,073.00	90.57	Yes
Easter Ross Totals			137,905.00	92,111.24		

Inverness: Budget £12,156.72, Remaining £0.00

Applicant	Title	Category	Total Cost	HCCF Award	HCCF %	Underway?
Highland Council	Merkinch Local Nature Reserve - Boardwalk & Active Travel Route	Environmental/ Landscape	483,000.00	12,156.72	2.52	No
Inverness Totals			483,000.00	12,156.72		

Lochaber: Budget £462,032.02, Remaining £0.00

Applicant	Title	Category	Total Cost	HCCF Award	HCCF %	Underway?
Ardnamurchan Lighthouse Trust	Improving Access at the Ardnamurchan Lighthouse Complex	Heritage	286,090.00	73,650.00	25.74	Yes
Eigg Trading	An Laimhrig - Eigg Community Hub Redevelopment	Community Facilities	2,400,000.00	100,000.00	4.17	Yes
Ardgour Community Council	Ardgour Area Path Network	Environmental/ Landscape	43,325.00	10,935.00	25.24	Yes
Glen Etive & Glen Coe C.C	Glencoe Village Car Park Phase 1- Feasibility	Consultancy	12,000.00	12,000.00	100.00	No
National Trust for Scotland	Sustainable Visitor Infrastructure in Glencoe and Glen Etive	Visitor Facilities	575,000.00	50,000.00	8.70	No
Road to the Isles Facilities Group	Tougal car park and toilet - extension and construction of beach path.	Visitor Facilities	102,976.00	100,000.00	97.11	Yes
Fort William Marina & Shoreline Community Interest Company	Pontoons Extension	Visitor Facilities	105,570.00	70,447.02	66.73	No
Isle of Canna Community Development Trust	Coroghan Barn Redevelopment - Feasibility Study	Community Facilities	35,000.00	15,000.00	42.86	No
Business Gateway	BG Digital Boost	Business Support	30,000.00	30,000.00	100	Yes
Lochaber Totals			3,589,961.00	462,032.02		

Nairnshire: Budget £12,090.00, Remaining £3,500.00

Applicant	Title	Category	Total Cost	HCCF Award	HCCF %	Underway?
Nairn BID Ltd	Making Nairn More Welcoming for the Community and Visitors	Business Support	30,000.00	8,590.00	28.63	Yes
Nairnshire Totals			30,000.00	8,590.00		

Skye & Raasay: Budget £505,492.06, Remaining £2,389.73

Applicant	Title	Category	Total Cost	HCCF Award	HCCF %	Underway?
Edinbane Community Company	Lyndale multi user path	Community Facilities/ Infrastructure	111,089.00	25,000.00	22.50	No
Kyleakin & Kylerhea CC	Castle access paths	Visitor Facilities	9,478.00	6,278.00	66.24	Yes
Skye Sailing Club	Safety Boat Renewal	Community Facilities/ Infrastructure	45,000.00	22,556.00	50.12	Yes
Climavore CIC	Climavore Builds	Community support/ Resilience	23,732.00	7,000.00	29.50	Yes
The Highland Council	Kilt Rock Carpark Expansion	Visitor Facilities	67,100.00	57,100.00	85.10	No
Sleat Community Trust/Sleat Renewables Ltd	Tormore Forest Improvement	Environmental/ Landscape	18,000.00	13,560.00	75.33	Yes
Raasay Development Trust	Raasay Community Pontoon and Onshore Facilities	Community Facilities/ Infrastructure	537,505.00	74,003.00	13.77	Yes

Applicant	Title	Category	Total Cost	HCCF Award	HCCF %	Underway?
Broadford & Strath Community Company	Elgol Toilets & Visitor Facilities	Visitor Facilities	227,912.00	34,500.00	15.14	No
Minginish Community Hall Association	Path and Habitat Improvement	Environmental/ Landscape	143,500.00	5,000.00	3.48	No
Broadford and Strath Community Company	Community Coordinator	Community Support/ Resilience	49,800.00	34,200.00	68.67	yes
Broadford and Strath Community Company	Corry Capers	Community Support/ Resilience	42,000.00	11,612.50	27.65	Yes
Kilmuir Community Trust	Kilmuir Community Hub	Community Facilities/ Infrastructure	81,150.00	50,000.00	61.61	No
Kyleakin Connections Ltd	KC Plus	Community Facilities/ Infrastructure	315,000.00	64,578.27	20.50	No
Radio Skye	Radio Skye Signal Expansion Project	Community Facilities/ Infrastructure	26,700.00	18,400.00	68.91	No
Hebridean Diving Services	Coastal Defence Adjacent to Stein Jetty	Community Facilities/ Infrastructure	53,246.00	25,000.00	46.95	No
Portree and Braes Community Trust	The Heart of Portree Infrastructure Development Project - Preliminary Designs	Community Facilities/ Infrastructure	35,000.00	31,500.00	90.00	No
Glendale Community Hall	Opening of Glendale Community Hall Toilets to Visitors	Visitor Facilities	27,014.56	22,814.56	84.45	No
Skye & Raasay Totals			1,813,226.56	503,102.33		

Sutherland: Budget £700,407.71, Remaining £0.00

Applicant	Title	Category	Total Cost	HCCF Award	HCCF %	Underway?
Assynt Leisure	Cludgie Project Phase 2	Visitor Facilities	170,575.00	68,230.00	40.00	Yes
Scourie Community Development Company	Scourie Rocks	Community Facilities/ Infrastructure (development phase to get planning)	118,383.00	80,000.00	67.58	Yes
Kyle of Sutherland Development Trust	Kyle of Sutherland Tourism Infrastructure (KoSTI)	Visitor Facilities	343,919.00	71,678.00	20.84	No
Brora Primary Parent Council	Community Play Park	Community Facilities/ Infrastructure	48,596.00	25,000.00	51.44	Yes
East & Central Sutherland Citizens Advice Bureau	Rural Recovery	Community Support/Resilience	19,743.00	11,068.58	56.06	Yes
Tongue Community Council	Skerry Harbour Renovation	Community Facilities/ Infrastructure	17,094.00	10,000.00	58.50	No
Kinlochbervie Playing Field Association	Kinlochbervie Community Playing Field	Community Facilities/ Infrastructure	57,370.00	37,724.55	65.76	No
Skerry Village Hall	Refurbishment Project	Community Facilities/ Infrastructure	24,000.00	15,000.00	62.50	Yes
Assynt Foundation	Upgrading and Resurfacing of Single Track Road to Improve Public Access	Community Facilities/ Infrastructure	77,334.00	26,988.58	34.90	No
Dornoch Area Community Interest Co	Dornoch South Car, Coach and Motorhome Park	Community and Visitor Facilities	720,048.00	80,000.00	11.11	No

Applicant	Title	Category	Total Cost	HCCF Award	HCCF %	Underway?
Go Golspie	Golspie Youth Centre Restoration	Community Facilities/ Infrastructure	260,000.00	61,000.00	23.46	Yes
Brora & District Action Group	Vision for Brora - Phase 2	Community Facilities/ Infrastructure	100,000.00	52,000.00	52.00	Yes
Go Golspie	Breakwater Restoration	Community Facilities/ Infrastructure	280,800.00	80,000.00	28.49	Yes
Clyne Heritage Society	Old Clyne School Redevelopment	Community and Visitor Facilities/ Infrastructure	100,000.00	52,000.00	52.00	No
Helmsdale & District Development Trust	Helmsdale Multi Use Games Area	Community Facilities/ Infrastructure	415,076.00	19,298.00	4.65	Yes
Helmsdale & District Development Trust	Helmsdale Kitchen Garden/E-bikes	Community Facilities/ Infrastructure	16,019.60	4,200.00	26.22	yes
Kinlochbervie Community Company	Regenerating slow tourism for Kinlochbervie community	Visitor Facilities	12,890.00	6,220.00	48.25	Yes
Sutherland Totals			2,781,847.60	700,407.71		

Wester Ross, Strathpeffer & Lochalsh: Budget £347,543.75, Remaining £53,104.85

Applicant	Title	Category	Total Cost	HCCF Award	HCCF %	Underway?
Gairloch Area Development Ltd (Gairloch Community Council)	Gairloch Community Beach Toilet/Shower/Camper Provision	Visitor Facilities	194,050.00	52,605.00	27.11	No
Ullapool Unpacked CIC	Zero Waste on Wheels	Climate Change/Net Zero	22,806.02	22,806.02	100.00	No
Gairloch Sustainability Team	Gairloch Eco Centre Development Start Up	Environmental	7,500.00	5,500.00	73.33	Yes
Gairloch Community Car Scheme	Gairloch Community Car Scheme(Hospital Car)	Health & Services	40,215.00	12,705.12	31.59	No
Wester Loch Ewe Trust	Old School, New Use	Community Facilities	49,500.00	38,500.00	77.78	No
Badrallach community Co.	Badrallach Old School	Visitor Facilities	30,000.00	15,000.00	50.00	No
Applecross Trust	A Brighter Face of Tourism	Environmental	13,000.00	6,500.00	50.00	No
Applecross Community Co.	Restoring the natural & cultural heritage of Applecross Torgrave Community Woodland	Climate Change/ Net Zero	20,946.00	10,472.76	50.00	No
Community Out West Trust	Kinlochewe Community Trust & Tourist Facilities Hub (phase 2)	Community/ Visitor Facilities	94,000.00	90,350.00	96.12	No
Business Gateway	Business Start Up and Growth	Business Support	40,000.00	40,000.00	100.00	No
WRSL Totals			512,017.02	294,438.90		

Strategic: Budget £375,893.50, Remaining £0.00

Applicant	Title	Category	Total Cost	HCCF Award	HCCF %	Underway?
North Highland Initiative	CISP (Community Infrastructure Support Program)	Community Facilities/ Infrastructure	60,000.00	30,000.00	50.00	No
North West Highlands Geopark	Encouraging slower tourism in the North West Highlands Geopark	Visitor Facilities	60,500.00	54,250.00	89.67	No
Association of Northern Trails (ANTS)	Laying the Foundations for a World-class John o' Groats Trail	Consultancy/ Feasibility	90,720.00	67,720.00	74.65	No
Highland Food & Drink Club	Local Food on Local Plates	Business Support	35,000.00	30,000.00	85.71	No
Moray Firth Coastal Partnership	Our Firth, Our Seashore	Environmental/ Landscape	86,784.50	86,784.50	100.00	No
Sutherland Outdoor Activities Project	Golspie Brora Cycle Links	Community Facilities/ Infrastructure	90,000.00	45,000.00	50.00	No
Ionad Thròndairnis	Ionad Thròndairnis Phase 1	Community Facilities/ Infrastructure	97,540.00	47,139.00	48.33	No
FWMSC	FW Pontoons Expansion (top up)	Visitor Facilities	15,000.00	15,000.00	100.00	No
Strategic Totals			535,544.50	375,893.50		