

<b>Agenda Item</b>	<b>8</b>
<b>Report No</b>	<b>HC/1/22</b>

## HIGHLAND COUNCIL

**Committee:** Highland Council

**Date:** 10 March 2022

**Report Title:** Levelling Up Fund and Shared Prosperity Fund Update

**Report By:** Executive Chief Officer Infrastructure Environment & Economy

### 1. Purpose/Executive Summary

- 1.1 This Paper sets out the latest position on the Levelling Up Fund project in Inverness and the applications that the Council will be making to the next round of funding once the application window opens later in the year. It also sets out the current context around the Shared Prosperity Fund and indicates the actions that the next Council will need to take to ensure that the most benefit possible can be directed towards the region.

### 2. Recommendations

- 2.1 Members are asked to:-
- i. Note progress and Agree the proposals for the Levelling Up Fund bid resubmissions for Round 2 (expected to be submitted by end June 2022);
  - ii. Agree that any additional resources required to submit the applications are funded from the Regional Economic Development element of the Economic Prosperity Fund; and
  - iii. Agree that further lobbying on the Council's future share of the Shared Prosperity Fund remains a top priority for the Council, with a report being brought back to an early Council meeting following the local government elections in May 2022.

### 3. Implications

- 3.1 **Resource** – there are resource implications arising directly from the actions being proposed in terms of external analysis of metrics and of preparing bids to both funds set out in this report. The Council received £125,000 to help build capacity in respect of the Levelling Up Fund and that has been used to fund the first round of bids, with the remainder being used to support the second round. However, it is proposed that any shortfall should be funded from the Regional Economic Development tranche of the Economic Prosperity Fund.
- 3.2 **Legal** – there are no legal implications at this time.

- 3.3 **Community (Equality, Poverty and Rural)** – One of the key benefits of these funding streams and the future Shared Prosperity Fund is to support the whole of the Highlands, and particularly the most rural and deprived areas. It is critical that efforts are made to lobby strongly on these issues and ensure a fair proportion of future funding to the area.
- 3.4 **Climate Change / Carbon Clever** – all bids will be fully assessed for their contribution to the Council’s stated targets in respect of the Climate and Ecological Emergency. A key output of the Inverness bid is a significant reduction in carbon footprint.
- 3.5 **Risk** – There are a number of key risks relating to the bid preparation process, particularly around the timing that has been set by the UK Government. The timescales given are very short and whilst there will be future rounds of bidding, there is still an expectation that the initial funds must be spent by the same deadlines. There is also a clear risk that the bids will not be accepted, given that it is a competitive process that is being followed.
- 3.6 **Gaelic** – There are no Gaelic implications at this time.

#### 4. Introduction

4.1 On 3 March the Chancellor set out details of the UK Levelling Up Fund. Reports were considered by the Highland Council in March and May 2021 where it was agreed that three bids would be submitted. The Council was successful in the bid for the Inverness, Nairn, Badenoch & Strathspey Constituency, and the projects are now being delivered, with a memorandum of understanding having been signed with UK Government, and funding drawdown agreed. The remaining two bids – the NC500 transport bid and the Caithness, Sutherland and Easter Ross constituency bid - were not successful, and detailed feedback has subsequently been received. The remaining constituency bid – for the Ross, Skye and Lochaber Constituency – is being worked up, and this report provides an update. It is expected that the following timeline will be in place for Round 2 of the Levelling Up Fund:

- Late March: Call for applications
- Late April: Circulate emerging draft of applications for comments
- Late May: Circulate complete draft of applications for comments
- Mid June: Submission deadline
- October: Announcement of successful applications
- November/December: Meeting between successful applicants and UK Government to agree project KPIs and quarterly payments schedule. Feedback meetings with unsuccessful applications
- February 2023: first payments received
- 31st March 2023: deadline to start work on site
- 31st March 2025: deadline to draw down all LUF funding
- 31st March 2026: deadline for project completion

4.2 This report also sets the context of the Shared Prosperity Fund, and the actions that the Council will need to undertake to ensure a fair share of the funding being made available to the region over the coming years.

#### 5. UK Levelling Up Fund

5.1 As Members are aware, the £4.8 billion Levelling Up Fund is intended to invest in infrastructure including regenerating town centres and high streets, upgrading local transport, and investing in cultural and heritage assets.

The Fund will achieve this by focusing on:-

- Town centre and high street regeneration, including remediation and repurposing of vacant and brownfield sites;
- Improving local transport connectivity and infrastructure, including upgrades to local bus, road and cycle infrastructure; and
- Maintaining and regenerating cultural, heritage and civic assets.

5.2 It is a competitive fund which targets places across the UK with the most significant need, as measured by an index which considers the following place characteristics:-

- need for economic recovery and growth;
- need for improved transport connectivity; and
- need for regeneration

90% of funding available through the UK Levelling Up Fund is capital funding and 10% revenue.

5.3 Investment will be prioritised for local areas that are most in need of levelling up, with each local authority being given a category of 1, 2 or 3 against this criterion. Highland Council has been assessed as a category 3 area which is the lowest category in terms of need based on the metrics used.

## **7. Levelling Up Fund Round 1**

7.1 As Members are aware bids to the first round had to be submitted by 18 June 2021. Three bids were submitted, as detailed in Appendix 1 to this report. The Council was informed in October 2021 that the Inverness Zero Carbon Cultural Regeneration' bid (LUF0313) will be awarded £19,856,253.

7.2 A number of meetings have been held with UK Government since that time relating to the successful bid and Governance arrangements have now been put in place through the establishment of an overall Programme Board, and various project boards and project teams are taking forward the individual elements. A Memorandum of Understanding has been signed with the UK Government, and funding draw down will commence shortly, with a target delivery date of end March 2025 for all three projects.

7.3 In respect of the two unsuccessful bids, feedback was provided from the UK Government. Both bids were seen to have had merit and to have passed the initial gateway review before being ultimately turned down. With that in mind, it is proposed to take on board the feedback and resubmit essentially the same bids within Round 2, with some small changes to reflect on the feedback received.

7.4 The additional work required on the NC500 bid is to:

- further demonstrate community support for the projects;

- provide more information on socio-economic benefits that will arise from the investment, not just relating to the tourism economy but also to in the context major economic development opportunities at for example Kishorn; and
- deliver greater low carbon benefits, for example by expanding the active travel elements.

7.5 The additional work on the Wick bid is to:

- revisit the socio-economic benefits from the delivery of the project, particularly in the context of the changing off-shore renewables opportunity; and
- provide more information on the regeneration benefits and more evidence of community support.

7.6 Stantec have been recommissioned to support preparation of the additional information required and will continue to work with the Council through to submission of the bids.

## **8. Levelling Up Round 2**

8.1 In line with the timelines set out above, work is underway on the final bid, which is for the Ross, Skye and Lochaber Constituency. It is proposed that there will be three elements:

1. Portree Harbour Regeneration
2. Ullapool Waterfront Regeneration
3. Fort William/Lochaber Project

8.2 Work is underway to draw up defined projects and consultants have been appointed to assist. The Portree Harbour proposals are well advanced, with strong engagement taking place with the Portree and Braes Community Trust and other local partners. A masterplan has been prepared to guide the bid.

8.3 The Ullapool project comprises improvements to the waterfront, which will improve access to the ferry terminal and provide opportunities for further tourism related developments. This scheme already has planning permission and is effectively ready to be delivered if the funding gap can be closed, and the Council is working with the Harbour Trust to demonstrate the socio-economic benefits that will arise.

8.4 The Fort William/Lochaber project is less defined and requires further work through to June when it is likely applications will be submitted. One of the challenges that the team is facing is that UK Government wish to see the Levelling Up Fund projects to be interlinked, so a common theme is being sought. Whilst efforts are being made to firm up on a deliverable project relating to Fort William waterfront (linked to wider town centre regeneration), there is also the possibility of bringing forward an alternative project that will be the first phase of the new infrastructure that will be required for the Corran Ferry replacement project. This may have the benefit of being closely linked with the other two projects at Portree and Ullapool, and is certainly more advanced in respect of design and business case development. Whichever option is ultimately brought forward, Members should note that an intense period of activity is being put in place over the next three months to bring this bid to submission stage.

## **9. Shared Prosperity Fund**

- 9.1 The UK Government published its Levelling Up White Paper and guidance on the UK Shared Prosperity Fund on 2<sup>nd</sup> February.
- 9.2 The publications confirmed that UKSPF will have three main priorities, namely community and place, skills and people and supporting local business. The priorities will come together under a banner called Pride of Place. The guidance on the Fund does not provide any additional information on the overall quantum for the forthcoming UKSPF over the 3-year Spending Review period, with around £2.6bn for the UK. The fund will reach up to £1.5bn a year by 2024-25 across the UK. The guidance states that the Fund will make available a mixture of both revenue and capital funding to places and that this funding will be allocated by formula to invest in local priority projects. To access their allocation, each place will be asked to set out measurable outcomes they are looking to deliver, and what interventions they are choosing to prioritise in an Investment Plan submitted for UK Government approval. The guidance goes on to say that further information on the allocation formula, including local allocations, will be made available in due course. As it stands, therefore, it is not known from the guidance how much funding will be allocated to Scotland, or how this will be broken down to different areas.
- 9.3 In terms of delivery 'geographies' in Scotland the guidance says that the UK Government is keen to promote regional working where it makes sense for local leaders and can deliver good outcomes for local people and businesses. It goes on to say that the UK Government supports delivery across existing strategic regional areas, illustrated by, but not limited to, City and Growth Deals. Where strategic regional areas overlap, it would welcome local views on the appropriate geography, how funds should be allocated and what the lead authority should be. The Council now needs to input through COSLA and directly to UK Government where appropriate on what the priorities should be in terms of investment (Local Investment Plans) and on ensuring the metrics and distribution arrangements reflect the distinct challenges of the Highland area. It is suggested that a detailed report on emerging thinking is considered early in the new Council.

## **10. Conclusion**

- 10.1 This reported has provided a brief overview on progress across both the Levelling Up Fund and the Shared Prosperity Fund. Members are asked to agree the recommendations set out.

Designation: Executive Chief Officer Infrastructure, Environment & Economy

Date: 27 February 2022

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## Appendix 1 Round 1 Levelling Up Fund Bids

### Transport Bid

Many of the large infrastructure projects in Highland (both those that are already funded and programmed, or those that are being promoted through the consultation on the Strategic Transport Projects Review to Scottish Government) are under the responsibility of Transport Scotland. Focus has therefore been placed on projects that are under the responsibility of the Council. There are significant challenges throughout Highland in terms of roads infrastructure in particular, and it is was agreed that a compelling bid could be submitted for the North Coast 500 route, tied in with an expansion of Electric Vehicle Charging Points and improvements to tourism related infrastructure.

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

It includes investments in:-

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

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

### Bid for the Caithness, Sutherland and Easter Ross Constituency

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

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

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

### **Bid for the Inverness, Nairn, Badenoch and Strathspey Constituency**

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

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

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

- Lack of cultural event delivery infrastructure to support an active and vibrant cultural offer in the city for both residents and tourists
- Need to create more accessible spaces to support physical health and wellbeing.

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

The proposal includes the following projects:-

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

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

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

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

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



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

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

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