
LEVELLING UP PARTNERSHIP PROCESS

1.0 INTRODUCTION

- 1.1 The Levelling Up Partnership funding was announced by the UK Government in the Autumn Statement. Since this announcement the council has had relatively little information from Government representatives on how the fund will operate or the process of the fund. Prior to Christmas we received a 2 page financial overview of the fund from the UK government in terms of the monies available and potential timetable for delivery. This financial review is appended as **Appendix 1** of this report.
- 1.2 A key aspect of this report is the quantum of potential funding for the council which is contained within **Table 1**. The table identifies there is up to £20m capital funding that will be available in 2025/26. In addition, the council will receive from the 1st of April £45k for our capacity issues so this can be used to employ someone for example and another £45k in 25/26. There is an additional £250k of RDEL funding that could be used for revenue related costs associated with the final projects and this will be available from 25/26 once more clarity on the selected projects is known.
- 1.3 Another key aspect is the UK Government working with the Scottish Government is also looking at barriers to growth and would welcome a discussion on what policy levers or fiscal changes could be done to help address this. This is something in addition to the capital monies.

Table 1.

£m	24-25	25-26	Total
CDEL	-	20	20
RDEL	0.045	0.295	0.34
<i>Capacity payment</i>	0.045	0.045	0.09
<i>Intervention package</i>	-	0.250	0.25
TDEL	0.045	20.295	20.34

2.0 RECOMMENDATIONS

- 2.1 It is recommended that Council:-

- a) Consider the report and note the Levelling Up Partnership process as it is currently understood;
- b) Agree that officers engage with the UK Government officials on the long list of projects as identified in Table 1 of this report.

3.0 DETAIL

- 3.1 It should be noted that the process to choose the final projects is different to any other process we have entered into with either the UK or Scottish Governments. For example, it is envisaged that the long list of projects will be identified by May 2024 and the short list by 15th of July 2024. Business cases will then be undertaken by the UK Government (not the council) with a final decision made in September 2024. There will be a degree of public consultation but no details have yet been provided on the detail of the process. It should be noted that the final decision on the successful projects will lie with the Secretary of State and not the council and he has certain preferences as far as it is understood.
- 3.2 It should be further noted that the Minister for Levelling Up Jacob Young will meet Brendan O'Hara our MP as part of this process and indeed there has already been an initial meeting held. Another important aspect of the funding is that there are other things that can be brought into play including changing/removing regulations and/or fiscal changes to unlock barriers to growth. This would be worthy of some detailed consideration to engage with the UK Government on and it should be further noted that the Scottish Government will also be asked to be involved in this part of the process.
- 3.3 In terms of the kind of projects it very much follows the levelling up agenda, business, transport connectivity, community safety, skills and education, housing etc.
- 3.4 Council Officers have drawn up a list of 10 possible projects for consideration. Given recent decisions by the council in the budget process and the challenges to deliver by set timescales a RAG status has been applied to each project together with estimated costs and additional comments as appropriate. It is proposed that once considered by the Council this will form a long list of projects that will be considered by the UK Government representatives.
- 3.5 These projects are thought to align with the principles of the Levelling Up Agenda as expressed by the UK Government but they are subject to public consultation, deliverability and evidence to inform the business case preparation. The UK Government will actually do the business case work but we will provide a lot of the necessary information, policy documents and suggest stakeholders for them to speak to.
- 3.6 The UK Government Officials are intending to visit Argyll and Bute on the 22nd of April to start initial discussions with officers as part of a scoping exercise. A number of key council officers will meet with them to further develop the process further. UK Government representatives initially struggled to

understand the scale of our geography and asked for a provisional long list of potential projects to help guide them where they should go to have a better understanding of the challenges and opportunities we have as a place. This long list, following consideration by members, will need to ultimately conform with the overall principles of the Levelling Up Agenda from the UK Government and a detailed business case. It should be noted only 2 or 3 projects are likely to be supported by this funding route so it is important to manage community expectations on what this money can achieve and ultimately be used for.

Table 1 - Long List of Potential Projects

Project Title	What is it?	Likely Ask?	Status
Helensburgh Colgrain Business Park	Contribution to the building out of this new business park linked to innovation associated with the expansion of HMNB Clyde at Colgrain. Contribution would relate to utilities and access works plus workshop space	£5m linked to £7m commitment through the RGD (Outline business case prepared)	Masterplan has been approved and Outline Planning Consent. Land ownership needs to be secured
Rothesay Pavilion	To contribute to the budget gap to bring the pavilion back to productive use. This will enable funds to be redirected to other council priorities.	£5m linked to our RGD work. At Full Business case stage albeit still a large number of challenges associated with it.	Able to be delivered quickly given stage of works and business case.
Oban Airport Aviation Business Park	To contribute to the building of phase 2 of the Oban Business park	£10m matching TIF funding; prudential borrowing and RGD unmanned vehicle hub as part of the RGD.	Land in control; business case work partly completed and detailed planning consent for two buildings.
Dunbeg Corridor	To contribute to the implementation to Dunbeg 4 focussed on new road works and roundabout that will help open up a new commercial area and housing for over 400 new homes plus	£10m to £13m; matched to TIF and Housing Infrastructure Fund to release a much larger capital investment.	Agreed Masterplan in place; detailed planning due in April and a number of key feasibility studies undertaken. Potentially

	community woodland.		creates business park and 460 new homes. Could be funded via alternative route.
Marine Training School and Seaweed Academy (Dunbeg)	Contribution to a new training facility for the marine economy at SAMs/Dunbeg	£3m to £5m linked to RGD and HIE funding; Operated by SAMs and Argyll – UHI.	Difficult to deliver within time scales; Part of RGD; Not in our control.
Dunoon Regeneration	Funding for the regeneration of Dunoon one of Scotland's most economically fragile towns. Linked to phase one of the Dunoon project.	£12m	Scheme previously rejected by UK Government; lack of match funding identified and overall costs not fully determined
Affordable Housing For Key Workers	Adding scale to our work associated with the Housing Emergency to build affordable housing for key workers on a number of sites across Argyll and Bute.	£5m adds to RGD and other works we are taking forward on Islay and Tobermory.	Difficult to demonstrate overall impact of this; However could be considered scaling up impact of RGD and work underway in Tobermory and Islay
Campbeltown Pier Extension	To enable an extension of Campbeltown Pier to serve the needs of the Off shore wind industry.	£10m in discussions with off shore renewables firms to see how this pier can be used for their operations and using other buildings in Campbeltown.	This project is at a concept stage and would be challenging to deliver in the timescales demanded
Jura/Islay Ferry	New low carbon ferry to serve between Islay and Jura increasing capacity.	£10m ask matched with prudential borrowing and private sector contribution; possible Scottish Government funding.	Difficult to deliver in the timescale; match funding not secured

Islay Roads Scheme	Investment in the Islay Road Network to accommodate whisky expansion	£10 to £15m ask to significantly upgrade freight capacity of Islay road network	Difficult to demonstrate economic benefits; no match funding identified or detailed costings
Former Royal Hotel Rothesay (Bute)	Refurbish former prominent building into 13 new homes and commercial space on ground floor.	£5m capital to fully restore building	Difficult to deliver in timescale; Not in council ownership.

3.7 The UK Government is looking to formally launch the Partnership in early June with a further visit planned for that date although no specific day has been agreed. They have expressed a desire to view a number of the potential projects at that stage. They need public transport access so it was suggested that Helensburgh, Bute and Oban could help provide an overview of the area. However, that may all change and is of course subject to your consideration of the long list of projects and others that may present themselves in due course.

3.8 Further details of the process have been requested in written form from UK Officials. The first tranche of capacity funding will happen on the 1st of April 2024 and this will be the only money we receive this financial year. Given the quantum involved (£45k) it is likely to be spent on additional in house administration capacity due to additional workloads on existing teams.

4.0 CONCLUSION

4.1 Discussions have started on the Levelling Up Partnership at an Officer level following our award of funding during the Autumn statement. A process is being developed but as yet we have had little information other than teams meetings and a brief financial briefing attached as **Appendix 1** of this report. The funding offered is up to £20m capital with £90k of capacity funding split over 2 years and £250k of other revenue funding that will become available when projects have been further developed. A long list of projects has been submitted to the UK Government as a starting point for initial discussions and this list is being refined through this process. A simple RAG assessment has been applied by officers but all projects included in **Table 1** remain open for discussion with the UK Government representatives. Other projects may also emerge as the process is implemented.

4.2 The Levelling Up Partnership process by the UK Government will be followed starting with a scoping meeting in April, a formal visit and announcement in June and then a public consultation and shortlisting process by the 15th of

July. The UK Government will do the business cases and the final project (s) are to be selected by September, by the Secretary of State and not the council. There is also an offer of policy changes to address barriers to growth and further consideration will have to be given to this important aspect. As further details emerge of the Levelling Up Partnership process members will be informed and it is intended to update members at the next EDI Committee.

5.0 IMPLICATIONS

- 5.1 Policy - The Single Outcome Agreement (SOA) and Economic Development Strategy and Action Plan support the sustainable growth of our economy.
- 5.2 Financial – None arising from this report although it concerns a £20m capital potential investment plus possible policy interventions.
- 5.3 Legal – None arising from this report.
- 5.4 HR - None arising from this report.
- 5.5 Fairer Scotland Duty:
 - 5.5.1. Equalities - The report explains a process that can help support the economy of our areas generating employment opportunities.
 - 5.5.2 Socio- Economic Duty – There is a risk is we do not make progress with the projects contained within this report our economy will be under increasing pressure from national and global policies and changes in the economy.
 - 5.5.3 Islands – Projects have been identified on our islands for member consideration.
- 5.6 Climate Change – The UK Government will want to see how any project will help deliver net zero.
- 5.7 Risk – Our rural economy is fragile and failing to deliver this external investment would be a considerable concern.
- 5.8 Customer Service – Improvements to transport connectivity, electricity charging, freight No implications.
- 5.9 Rights of the Child (UNCRC) – No implications arising from this report.

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APPENDIX 1 - FINANCE NOTE FOR ARGYLL AND BUTE COUNCIL

APPENDIX 1

FINANCE NOTE FOR ARGYLL AND BUTE COUNCIL

As you know, Argyll and Bute was selected as a Levelling Up Partnership at Autumn Statement 2023. The DLUHC policy team will soon be in contact to discuss next steps. This note is intended to give you an understanding of the financial package, how funding will be delivered, and important considerations for the development of intervention packages.

Funding for Levelling Up Partnerships (LUPs)

As part of the core funding package, there is up to £20m CDEL and c.£250k RDEL available for the Levelling Up Partnership. This is profiled for payment in 25-26. Total funding allocated will depend on the policies agreed and subject to business case approvals.

Capacity payments of £90k will be provided to support local authorities to allow them to dedicate resource to the process. These will be split equally across 24-25 and 25-26.

Profile of funding

£m	24-25	25-26	Total
CDEL	-	20	20
RDEL	0.045	0.295	0.34
<i>Capacity payment</i>	0.045	0.045	0.09
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What is in scope?

CDEL – Capital Grants (or General Capital) expenditure is any spend on assets that are expected to be used for a period of one year or more. This budget covers expenditure on assets, investment, and capital grants. For Levelling Up Partnerships, we envisage that this will primarily involve capital grant budgets which fund capital costs of delivering programmes.

RDEL – Resource spending is money that is spent on day-to-day resources (i.e. spent on goods or services used within one financial year). RDEL may be available to enable faster delivery of capital funding or strategically critical use.

Example

In Blyth, CDEL funding was provided for housing development and retrofit, as well as technical training kit. A mix of RDEL and CDEL funding was provided to improve CCTV. RDEL funding was provided for an empty homes team that would become self-sustaining and to support housing regeneration activity.

How will funding be agreed?

The principal partnership of a LUP is between the local authority and DLUHC. The process is also intended to be a collaborative one that sees input from UK Government more broadly, Scottish Government, and other national and local stakeholders. Issues, opportunities, and interventions will be identified together. DLUHC ministers will make the final decisions on all funding proposals in each Levelling Up Partnership Location.

We recommend that local authorities assign a principal point for contact for the LUP to maintain oversight of projects being proposed internally and work with local authority leadership on prioritisation.

All funding proposals will require a business case which has been approved through UK Government processes. DLUHC will produce business cases but will rely on local authorities and other local partners to provide information on their internal governance and commercial processes and on the delivery and value for money parameters of the specific projects being considered. Any delays in providing information for the business case may result in delays to the payment schedule. For example, DLUHC shall request project specific information on measurable benefits, key risks and mitigations, compliance with the subsidy control regime and any environmental or equalities implications.

How will funding be awarded to partnership locations?

Subject to approved business cases, grants will be given as a direct award to Partnerships on an allocative basis. General grants will be directly awarded to each partnership. Grant recipients will primarily be local authorities.

We expect that interventions will typically be delivered through non-ringfenced Section 50 grants to local authorities via the UK Internal Market Act. These grants will be administered by the relevant local authority in line with the terms of its existing procurement, delivery and governance structures and constitutional arrangements.

Project adjustment

DLUHC will take a pragmatic approach to project adjustment, where changes to agreed interventions need to be made. Local authorities must outline the change,

explain the reasoning, and provide formal Section 95 officer approval. Changes to the agreed package will be permitted under the following circumstances:

- a. If the local authority can demonstrate to the LUPs team that the funding would achieve the same aim as another project agreed as part of the package i.e. if an aim of the original package was aimed at boosting housing numbers, a new project could be funded from the LUP package if it also aims to boost housing numbers; and/or,
- b. If the project is an alternative option from the menu of interventions developed through the partnership and agreed with Ministers; and,
- c. Any new project would meet the three criteria which each policy needed to in order to be included in the package originally. These are:
 - i. Feasibility/deliverability.
 - ii. Value for money.
 - iii. Local Strategic Fit.

Changes in line with the above must be notified in advance to DLUHC officials, who in turn will notify Ministers through a streamlined approval process. Funding an intervention that does not meet the above scenarios would require a full business case and DLUHC Ministerial approval, DLUHC officials will again take a streamlined approach to securing Ministerial approval.

We anticipate that we will primarily use a delivery plan drafted by the local authority to inform a written Memoranda of Understanding (MOU) which will need to be signed by both parties. The MOU will set out how we expect local authorities to spend the funding provided and how to monitor delivery. A Grant Determination Letter will be issued once funding has been released.

We will prioritise projects that can spend funds by the end of the financial year 25-26.

Delivery and monitoring arrangements

Local authorities will typically be responsible for implementation and will be expected to complete a fraud risk assessment as well as maintain and monitor a risk register. Opportunities to consider how place making projects can improve national security and reduce terrorism risks are encouraged.

Where interventions are being delivered by local authorities, DLUHC will work with them to agree what milestones should be set on the package as a means of monitoring progress and to ensure projects are being delivered to schedule. There will be a minimum expectation of a quarterly check point between DLUHC and the local authority on progress and learning for the first year and then move to six monthly reviews. This will be done as part of wider DLUHC engagement wherever possible.

We will set this out, with more detail on the information that we are seeking, when agreeing the MOU between DLUHC and each local authority.

Once policies are agreed and approved, we will agree a final list of priority outcomes for the local authority for monitoring and evaluation, which reflect the overall theory of change for the partnership and the specific interventions agreed.

Speed of spending

We will prioritise projects that can spend funds within the financial year in which payments are received. In order for the DLUHC Accounting Officer to be able to sign-off on grant funding to local authorities, we will need assurance from the Section 95 officer at the local authority that if they were to receive funds they would be spent by the end of each relevant financial year.