

SCOTTISH GOVERNMENT TOWN CENTRE CAPITAL FUND – PROJECT LIST

1.0 **EXECUTIVE SUMMARY**

- 1.1 As members will be aware the council has been allocated £1.242m from the Town Centre Capital Funding distributed by the Scottish Government (SG) as part of the 2019/20 budget settlement to Argyll and Bute Council. The overarching aim of this fund is **to contribute to transformative investments which drive local economic activities and re-purpose town centres to become more diverse, successful and sustainable**. This is a discreet pot of ring fenced, capital funding and no council funding will be added to it.
- 1.2 The Council now require to agree which projects to allocate this funding to taking full account of the guidance that has been provided by the Scottish Government and the delivery deadline of 31 March 2020 for award of contract. A list of possible projects, which are considered to be the most deliverable within such a tight timeframe, is provided in Appendix C for consideration and agreement.
- 1.3 It is recommended that members:-
- Agree in principle to the allocation of the Fund, as detailed in the attached project list (Appendix C)
 - Delegate any amendments that are required, including respective redistribution of costs, to the Director of Development and Infrastructure, in consultation with the Leader and Depute Leader of the Council and Leader of the Opposition
 - Note that changes may be required based on deliverability and relevant timelines.
 - Note that an update report will come before Policy and Resources in December 2019 following submission of the first monitoring report to Scottish Government in November 2019.

SCOTTISH GOVERNMENT TOWN CENTRE CAPITAL FUND – PROJECT LIST

2.0 INTRODUCTION

- 2.1 The purpose of this report is to seek consideration and agreement to the town center projects which will be supported by the £1.242m Town Centre Capital Funding from the Scottish Government for 2019/20.

3.0 RECOMMENDATIONS

- Agree in principle to the allocation of the Fund as detailed in the attached project list (Appendix C)
- Delegate any amendments that are required, including respective redistribution of costs, to the Director of Development and Infrastructure, in consultation with the Leader and Depute Leader of the Council and Leader of the Opposition
- Note that changes may be required based on deliverability and relevant timelines.
- Note that an update report will come before Policy and Resources in December 2019 following submission of the first monitoring report to Scottish Government in November 2019.

DETAILS

- 4.1 As members will be aware the council has been allocated £1.242m from the Town Centre Capital Funding distributed by the Scottish Government as part of the 2019/20 budget settlement to Argyll and Bute Council. This is a discreet pot of ring fenced capital funding and no council funding will be added to it.

- 4.2 The council has accepted this funding following notification by the Scottish Government on 7th March 2019. It is now for the Council to consider which projects to spend this funding on taking full account of the guidance that has been provided by the Scottish Government, see **Appendix B** and subsequent guidance provided at an initial workshop for Local Authorities and from which Scottish Government has now issued a frequently asked question sheet, also attached to this report in **Appendix A**. It is also worth noting that SG invited LAs to attend a reporting and monitoring workshop on 23 May which provided information on the expected reporting and monitoring requirement. SG are being very clear that any projects without a let contract by 31 March 2020 will not be eligible for the TCF and any development costs incurred that then do not result in a let contract will not be covered by the fund and would be a cost to the council. Whilst transferring TCF to a third party is acceptable, the same rules apply and the onus will be on the LA to secure the necessary evidence and ensure delivery of the project in line with SG reporting. Using funds towards the first phase of a wider project or using funds for enabling works are encouraged over ordinary council business, such as the development of car parks etc.
- 4.3 As previously advised the intention of the fund is designed to support the vitality and viability of our town centres. The fund comes with guidance on how it should be spent, see **Appendix A & B** to this report. The guidance contains a range of criteria that the council needs to take account of as it decides on how to spend the fund with a key aspect being **that the works be completed; or, at least work or contracts signed or commenced within 2019-20**. The guidance also contains a number of themes that the funding could help deliver.
- **Town Centre Living** – footfall is key to achieving thriving, successful towns centre; and, the best footfall is residential for people who will use shops, services, and will care for its safety and security in the evenings
 - **Vibrant Local Economies** – creating a supportive business environment including the involvement of Business Improvement Districts (BIDs) and other local partnerships
 - **Enterprising Communities** – social enterprise, services, arts and events; and, community empowerment and community based activities which increase the health, wealth and wellbeing of town centres
 - **Accessible Public Services** – creating and accessing public facilities and services, supported by economic, service and transport hubs
 - **Digital Towns** – exploiting digital technology and promoting Wifi infrastructure to enable access to information, data analytics, marketing opportunities, branding, and communication with the wider world
 - **Proactive Planning** – land reform and supporting the creation of sustainable, low-carbon and connected places which promote natural and cultural assets, designed in partnership with local communities and key stakeholders.
- 4.4 Since the announcement and subsequent allocation further guidance has been provided including a frequently asked question sheet attached at **Appendix A** below. The Scottish Government has confirmed that the fund

has been designed to have maximum flexibility, and that the decision making rests with the LA. However it is clearly stated that the **overarching aim of this fund is to contribute to transformative investments which drive local economic activities and re-purpose town centres to become more diverse, successful and sustainable**. It is being stressed that when considering projects that LAs take the following into account

1. Consider **the scale and resulting impact of the projects** and look to concentrate on larger scale projects that impact on populations of greater than 1,000 where possible. SG are seeking to demonstrate that there has been a meaningful impact on town centres as a consequence of the fund and if this can be demonstrated there may be a possibility of this continuing into future years.
2. Use **existing national and local policy to priorities funds**, especially use of place based analysis
3. **Leverage** – it is important to think about extending existing projects such as CARS/TH projects to add value to existing investment and funding
4. **Connection** – building on successful projects

4.5 In addition to the above SG has also advised that there will be a requirement to **report on progress** and LAs will be required to provide a third quarter return in November 2019 which is likely to be an indication of actual and anticipated expenditure with a very brief outline of project(s). A more detailed year-end report will be required which will detail which contracts have been let, to profile delivery spend and to advise on anticipated outputs and outcomes. SG do acknowledge that projects are unlikely to be complete within 2019/20 but at the very minimum there has to be either a start on site or a contract let for the works by 31 March 2020.

4.6 Consequently it is likely that projects which have the lowest risk and highest likelihood of delivery are those which are part of an established programme of works, providing that this does not relate to normal council works such as car parks and are well advanced in the development phase and any necessary match funding is in place, and staff/community resources are in place to deliver the identified capital projects.

4.7 Where projects are less well advanced and still require to undertake a significant amount of development works (eg confirmation of works to be undertaken, appointment of design team, survey works, architectural drawings and applying for and securing consents and match funding) these will have a higher risk associated with them and it will also mean that funding would need to go towards the development costs as well as the delivery costs. For some of these projects it may mean that development works and associated costs would still not secure a contract award within the timeframe.

4.8 An officer resource will be required to oversee the delivery of the projects and to undertake the monitoring and reporting requirements to SG. The tight timeframe requires concentrated effort to deliver the desired outcomes of the fund, which

may impact on, or delay, other council projects to ensure that Town Centre Fund delivery timescales can be met given the limited officer resources we have available.

- 4.9 The constraints related to the timescales for the projects precludes extensive engagement with communities over project proposals which would normally characterise the approach taken by council officers.
- 4.10 It has been a challenging task to identify town centre projects from across the geographical area of Argyll that fit with the aims and objectives of the fund and are deliverable within a very challenging timeframe. A framework that considered potential projects within the context of SG guidance and themes, as outlined in paragraphs 4.3 and 4.4, was used to determine the most deliverable projects. The attached table (**Appendix C**) provides a list of possible projects some of which will be of a higher risk than others in regard to delivery and it is intended to deliver on these as fully as practically possible. Work will continue in regard to confirming scope and costs following approval by Council. There may need to be amendments to the projects that will go forward through this fund if it becomes evident that the timelines set by SG cannot be delivered. In cases where it is not possible to progress projects, or where it may be possible to deliver projects by other means, alternative projects will be progressed. This may be the case for the Rothesay proposal for instance, as there is a possibility that another delivery route for the pontoon proposal could be found. It will therefore be necessary to put in place a scheme of delegation to allow any changes to be agreed with the Director of Development and Infrastructure, Leader, Depute Leader and Leader of the opposition, including a potential need for the reallocation of costs.
- 4.11 In order to support the delivery of projects and to mitigate against anything unforeseen which may impact on each individual project, an overarching 5% contingency has also been allowed for.

6.0 CONCLUSION

- 6.1 A key constraint of the Fund is the tight timescale in terms of delivery. Projects need to be completed, started on site or at the very least have a signed contract agreed by the 1st of April 2020. Given that the projects themselves will not be agreed until mid-June this leaves only 8/9 months to fully develop the agreed projects, undertake the necessary procurement and award a contract and appoint a contractor. This timescale may therefore have wider repercussions in terms of the need to delay other projects currently underway or programmed by the council due to the limited officer resource we have available.
- 6.2 Once agreement is given by the Council to take forward the identified projects in Appendix C work will continue in regard to confirming scope, costs and officer resources to deliver the desired outcomes

7.0 IMPLICATIONS

- 7.1 **Policy** – There is a need to comply with the Scottish Government Town Centre First Policy and associated guidance for the Fund.
- 7.2 **Financial** – None arising directly from this report. This is a discreet pot of ring fenced funding and the council itself will not be providing any funding. The Scottish Government expect that any uncommitted funds by the 1st of April 2020 will have to be returned to them.
- 7.3 **Legal** – No legal issues.
- 7.4 **HR** – This will need to be resourced from existing staff.
- 7.5 **Equal Opportunities** – There are no equal opportunities implications.
- 7.6 **Risk** – The delivery of these projects within the identified timescale is the principle risk that needs to be addressed, as per detail within paragraphs 4.8 and 4.9 of this report. Projects will be subject to continued monitoring to try and mitigate against this, and officers will meet with the Director and Council Leader in September to provide an update on all projects.

Customer Service – There are no customer service implications.

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For further information - please contact:

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Appendix A - Town Centre Fund (TCF) – information session follow up

Appendix B - Scottish Government Town Centre Capital Fund Guidance

Appendix C – List of Projects

APPENDIX A - TOWN CENTRE FUND (TCF) – INFORMATION SESSION FOLLOW UP

FAQ

Is there a definition of towns and town centres?

There is no formal definition of towns. We have used STP's (Scotland's Towns Partnership) working definition of a town as a locality with a population of 1,000 or more; and, this includes cities which also have local neighbourhoods with similar challenges. Town centres and local centres; and, emerging and new centres, are likely to be identified in Development Plans.

Can capital funds be carried over into the next financial year?

Funds are to be used in this financial year, and any unused or unspent funds will require to be returned. We have defined "spent" as where the construction work has commenced or contracts signed, whereby actual delivery of those works may run into the next financial year. We would expect work to be completed early in the next financial year up to a maximum of 6 months to ensure return of unused grant within 2020/21.

Decision making resides with local authorities and there is no requirement for bids or submission of proposals to SG for approval.

Local authorities are not starting from a blank sheet. There is an opportunity to catalyse and accelerate proposals and ambitions arising from town centre action plans (TCAP) and collaborative engagement and planning already undertaken or underway.

Are there any criteria or priorities about what sort of projects should be funded?

An overarching aim of this fund is to contribute to transformative investments which drive local economic activities and re-purpose town centres to become more diverse, successful and sustainable. It is likely that transformational change will be achieved where this investment is prioritised for greatest impact. The themes of the TCAP are broad and the guidance notes that it is expected that local authorities make investment decisions in the context of national and local commitments. This includes the Town Centre First Principle and the Place Principle which call for investment decisions to be based on approaches that put the health of the town centre at the heart of decision making; and, are collaborative and place based with a shared purpose.

Prioritisation could therefore be informed by proposals which are already, or will be part of, town centre action plans, based on community and partner consultation and prioritisation; and, based on background analysis of the health of the town centre, assessment of quality of places, and the identification of transformative improvements that can create or make use of assets and achieve impact.

Tools such as Understanding Scottish Places, town audits, place standard, charrettes, and town centre toolkit can all contribute to this process; and, STP and other partners can support or contribute to this process.

Can capital expenditure be used to purchase property?

Capital expenditure can be used to purchase property where the purpose is to diversify, regenerate or contribute to the economic development of the town centre.

Can capital expenditure be used to meet the costs of Compulsory Purchase of land or buildings?

The grant can be used to fund the costs of purchasing and/or renovating land or property through the use of a CPO but there are a number of considerations and risks associated with this. As there are a number of stages to CPO including the potential for objections, public local enquiries, and legal challenges to the decision; followed by negotiation and agreement of compensation, it will be necessary to consider the likely timescale for securing confirmation of the order and taking title to the property based on a valid estimate of the compensatable value. Indicative timescales outlined in current guidance are around 12 months to a decision/determination by Scottish Ministers, though this can be considerably shorter if there are no objections to the CPO.

In this context, we would consider the contract signed where the determination of the order is complete and the order has been confirmed by Scottish Ministers and, there has been no legal challenge to the Order. If this stage has not been achieved by 31 March 2020 we would require a return of those unused funds as they are no longer contractually allocated for capital expenditure.

Therefore an assessment of how realistic it is to secure agreement without any expectation of objections would be required, with the risk being that grant funding set aside for a CPO is lost and needs to be returned to SG. We would advise that consideration of funding a CPO is discussed with the CPO Policy Unit (neil.langhorn@gov.scot 0131 244 0667).

With regard to Compulsory Sales Orders, whilst there is a commitment to introduce a new CSO mechanism, the necessary legislation has not yet been taken forward, so

this is not currently an option.

Can capital expenditure be used to fund the development of projects, consultation, community events, feasibility, use of consultants?

LAs can capitalise adviser's fees to the extent they are directly linked to the development of the capital asset being funded. Examples envisaged are fees for specific professional work such as structural surveys, architects, feasibility studies etc., associated with the specific project which will be capital funded. However, it is assumed that wider consultation and planning events associated with investment decisions and town centre action plans are unlikely to qualify as capital. The grant cannot be used for general administration costs associated with the project. Ultimately, capital spending is along the same rules as LA capital/resource funding and therefore policy officials should seek their own internal finance guidance.

Can capital grants be used to fund third party capital expenditure; or, to provide grants for smaller community-led projects?

Yes, the grant offer is broad in saying that it can be used directly or through provision of grants to fund third party capital expenditure; and, that is outlined as any public bodies, private sector bodies or individuals, and under the terms of the legislative powers set out in schedule 1. Local authorities will have their own due diligence about which organisations or eligible bodies to transfer funds to for capital expenditure.

The grant still requires to be spent by the third party within this financial year (defined as where the construction work has commenced or contracts signed, whereby actual delivery of those works may run into the next financial year).

It would be worth thinking about how transformational any impact might be if the grant is split into smaller community grants; and, how delivery could be achieved within those timescales. Therefore committing the funds to operating a grant scheme does not constitute expenditure, and the grant can't be passed on indefinitely for use by other parties. The end of year report will need to set out what the capital expenditure is allocated to by the end of the year as set out in the grant offer.

Are there any limitations on match funding?

The grant offer doesn't set limitations on match funding. It would be for local authorities to check if any limitations come from other sources, e.g. EU funds.

Can TCF funding be match funded with RCGF?

RCGF projects for 2019-20 have already been announced; and, the TCF fund needs to be additional to existing planned or budgeted expenditure. As such, it could be used to add to or complement agreed RCGF funding, but not to replace any RCGF funding as outlined in the application or award.

Reporting

There is a requirement for a third quarter return in November 2019 which is likely to be an indication of actual and anticipated expenditure with a very brief outline of project(s).

There is also a requirement for an end of year report even though the work may not have been completed. That is why the requirement is to detail expenditure, show how this is additional, profile delivery or implementation, and outline your anticipated impact and outcomes and how these will be measured. We will require this report by 31 March 2020. While the grant may not be fully spent, the estimated works commenced or contracts signed will confirm the amount of expenditure and, the statement of expenditure will require to show when committed expenditure is to be incurred. We will also require a final statement of completed expenditure by September 2020 to inform any final return of unused grant.

Will there be support for evaluation establishing baseline data?

There is a shared interest in promoting and highlighting the achievements of local authorities in terms of delivery and impact. It is essential to demonstrate the impact of this investment for shared learning.

SG and STP are happy to provide further frameworks and support for establishing baseline data and carrying out evaluations where requested and will forward any further relevant guidance.

Will State aid rules apply to Town Centre Funding awarded to third parties?

Local Authorities should conduct a State aid assessment when considering any grants and apply the State aid tests. See link: www.gov.scot/publications/state-aid-guidance/. Where State aid is considered to be present cover should be sought under the block exemption regulations or de minimis.

Please contact the State Aid Team if you require further advice: stateaid@gov.scot

APPENDIX B; TOWN CENTRE CAPITAL FUND 2019/20 – SCOTTISH GOVERNMENT GUIDANCE NOTE

Purpose

1. The purpose of this note is to provide local authorities with guidance on the aims and allocation of the ring-fenced £50m Town Centre Fund distributed through the local authority capital settlement.

Aims

2. The aim of the Town Centre Fund 2019-20 is to enable local authorities to stimulate and support place based economic investments which encourage town centers to diversify and flourish, creating footfall through local improvements and partnerships. Specifically, this fund will contribute to transformative investments which drive local economic activities and re-purpose town centres to become more diverse, successful and sustainable.
3. In particular, the grant will fund a wide range of investments which deliver against the themes of the Town Centre Action Plan including town centre living and supporting town centres to be vibrant, accessible and enterprising places. This could include re-purposing buildings for housing, retail, business, social and community enterprise, services, leisure, and culture, tourism and heritage; and, improving access and infrastructure.

Wider expectations and support

4. It is expected that local authorities make investment decisions in the context of national and local commitments to town centres including the Town Centre First Principle and the Town Centre Action Plan; and more recently, the Place Principle. As such, it is expected that investment decisions are based on approaches which are collaborative and place based with a shared purpose; and, make use of tools and support developed by the Scottish Government, Scotland's Towns Partnership and other key partners.

National and local commitments

5. The Scottish Government is committed to supporting town centres face the challenge of changing and evolving retail patterns; and, is investing in town and neighbourhood centres so that they can be sustainable and thriving places for communities to live, work and enjoy.
6. This investment is in addition to the 26% of capital funding share which is the current agreed baseline between the Scottish Government and Local Government. It is part of a wider boost to the economy by providing over £5 billion of capital investment to grow and modernise Scotland's infrastructure; and, a wider package to support businesses, including maintaining a competitive business rates package.

Town Centre Action Plan and Town Centre First Principle

7. The Town Centre Action Plan published in 2013 was the Scottish Government's response to the National Town Centre Review. It focused on national and local solutions, encouraging action across public, private and community sectors. The Scottish Government and local government subsequently agreed the Town Centre First Principle which requested that government, local authorities, the wider public sector, businesses and communities put the health of town centres at the heart of proportionate and best value decision making, seeking to deliver the best local outcomes regarding investment and de-investment decisions, alignment of policies, targeting of available resources to priority town centre sites, and encouraging vibrancy, equality and diversity. It committed to a collaborative approach which understands and underpins the long term plan for each town centre.
8. The aim of the fund is to deliver against the themes of the Town Centre Action Plan. Those themes include:
 - **Town Centre Living** – footfall is key to achieving thriving, successful towns centre; and, the best footfall is residential for people who will use shops, services, and will care for its safety and security in the evenings
 - **Vibrant Local Economies** – creating a supportive business environment including the involvement of Business Improvement Districts (BIDs) and other local partnerships
 - **Enterprising Communities** – social enterprise, services, arts and events; and, community empowerment and community based activities which increase the health, wealth and wellbeing of town centres
 - **Accessible Public Services** – creating and accessing public facilities and services, supported by economic, service and transport hubs
 - **Digital Towns** – exploiting digital technology and promoting Wifi infrastructure to enable access to information, data analytics, marketing opportunities, branding, and communication with the wider world
 - **Proactive Planning** – land reform and supporting the creation of sustainable, low-carbon and connected places which promote natural and cultural assets, designed in partnership with local communities and key stakeholders.

Scotland's Towns Partnership

9. The Scottish Government funds Scotland's Towns Partnership to provide information, support and services which contribute to the vibrancy, vitality and viability of our town centres and neighbourhoods; and, to support the development of partnerships including Business Improvement Districts.
10. There are a range of tools and resources to support how partners can understand, audit, plan, and improve their town centres. It is expected that local authorities will use a range of tools and approaches to ensure investment decisions are based on an understanding of town centre performance and ownership; shared visions and plans with local communities, partnership and stakeholders fully engaged; and, identification of physical infrastructure changes

that will contribute to maximisation of investments and achievement of those visions.

Tools and resources

- [Understanding Scottish Places](#) (USP): a unique and dynamic online tool which shows how every town in Scotland with a population of 1,000 or more is interacting with its surrounding settlements and performing against a range of indicators and inter/dependency relationships.
- [USP Your Town Audit](#): add to USP a six-day study which provides the standard benchmark for measuring the health of a Scottish town.
- [Place Standard](#): a framework designed to support communities, public, private and third sectors to work efficiently together to assess the quality of a place.
- [Town Centre Toolkit](#): guidance on designing and planning town centres to be attractive, accessible and active, focusing on urban design, quality, sustainability and use of town assets.

Support

11. The Town Centre Fund provides an opportunity to build on work by local authorities to develop and implement town centre action plans; and, to realise transformative ambitions arising from those plans. Scotland's Town's Partnership will continue to support local authorities and other key partners in this. However, additional support is offered by Scotland's Towns Partnership in partnership with other key organisations such as: Scottish Futures Trust; Scottish Enterprise, Highlands and Islands Enterprise, or South of Scotland Economic Partnership; and, Architecture and Design Scotland to support the development of investment decisions or work with local authorities individually or across neighbouring or regional authorities, to build momentum, share learning, and, to maximise funding.
12. Local authorities will have their own good practice in terms of monitoring and evaluating the benefits, impacts and outcomes of investment as part of relevant strategies and programmes; and, to ensure that they meet their duty to achieve Best Value. Additional support could also be offered to discuss how best to identify and collect data; assess impact; and, share formats that could contribute to consistent and wider learning.