

**UK LEVELLING UP FUND – POTENTIAL BIDS FOR FUNDING**

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**1 EXECUTIVE SUMMARY**

- 1.1 This report concerns the identification and proposed submission of two comprehensive bids to the next round of the UK Levelling Up Fund.
- 1.2 The UK Levelling Up fund is a highly competitive capital fund focussed on the following themes:
- smaller transport projects that make a genuine difference to local areas (or larger transport schemes such as road network investments);
  - town centre and high street regeneration; and;
  - support for maintaining and expanding the UK's world-leading portfolio of cultural and heritage assets.
- 1.3 The Bids have been informed by an analysis of existing council approved strategies, previous public consultations and speaking to Elected Members. This has enabled a programme of projects to be identified to make up the two bids under an overarching regeneration and transport theme. Best advice has also been taken from the UK Government but considerable uncertainty still remains in the process. That said, these bids offer a unique opportunity to progress key capital projects that can greatly assist the economy of Argyll and Bute through tackling known issues. Following approval the bids will be developed further which may have a bearing on what project elements we ultimately take forward. It is anticipated that prior to final submission Member approval will be sought.
- 1.4 It is recommended that Council agree that officers continue to develop the bids based on the themes and projects as contained within this report and report back to Council prior to submission to the UK Government.

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**2. INTRODUCTION**

- 2.1 Following the report presented to the Policy and Resources Committee on 13 May 2021, this report provides Council with the latest information on possible projects to be included in a two potential future bids to the UK Levelling Up Fund and asks Members to agree that the shortlisted projects be developed further prior to submission in the next round of funding.
- 2.2 As Council are aware, the first bids to the Fund were due on 18 June 2021. The UK Government have still to determine a definitive timeline for a future round, however, we are working on being in a position to submit two bids before the end of the financial year.

**3. RECOMMENDATIONS**

- 3.1 It is recommended that Council agree that officers continue to develop the bids based on the themes and projects as contained within this report and report back to Council prior to submission to the UK Government.

**4. DETAIL****4.1 Context**

- 4.1.1 The UK Levelling Up Fund (UKLUF) was announced on 3rd March 2021 as part of the UK Budget process, and the wider UK Government Levelling Up agenda. It was one of three new UK wide funds launched using the powers conferred to the UK Government through Sections 50 and 51 of the UK Internal Market Act 2020.
- 4.1.2 It is a UK wide £4.8 billion capital fund which will support investment projects with up to £20 million of funding, in addition to investment in larger high value transport projects up to £50m in exceptional circumstances. The fund will run for four years until 2024/2025 with potential for some projects to be delivered until 2026 using only additional funding not Levelling Up funds. The prospectus published at the last UK Budget sets this out clearly and has been reconfirmed by the UK Government Civil Servants. It should be noted that the capital funds will require a minimum of 10% match capital funding.
- 4.1.3 A sum of at least £800 million will be allocated to Scotland, Wales and Northern Ireland over the lifetime of the Fund. For the first round of funding, at least 9% of total UK allocations will be set aside for Scotland. Bids in Scotland can be submitted by any local authority, with the number of bids being dependent on

the number of MPs in each area. An additional bid can be submitted for a transport bid which is the case for Argyll and Bute.

- 4.1.4 The themes of the Levelling Up Fund remain as previously reported however there is still a risk that the UK Government change these priorities. The current themes are as follows:
- smaller transport projects that make a genuine difference to local areas (or larger transport schemes such as road network investments);
  - town centre and high street regeneration; and;
  - support for maintaining and expanding the UK's world-leading portfolio of cultural and heritage assets.
- 4.1.5 There is a system of geographical prioritisation whereby the UK Government has devised an index that puts each local authority into one of three categories of need. Argyll and Bute has been placed in the second priority category. The indicators used relate to:
- economic recovery and growth;
  - improved transport connectivity; and;
  - regeneration.
- 4.1.6 The closing date for the first round of funding was the 18 June 2021. The Policy and Resources Committee agree on 13 May 2021, that that officers should develop ideas for future bids and bring back to Council for political oversight. The Community Renewal Fund closing date was also 18 June 2021 and there was a focus on a submission to this Fund which includes feasibility studies that have the potential in helping prepare the bids for the Levelling up Fund. There has been no decision on the Community Renewal Funding yet, this was expected late July or early August but we are hoping there will be an announcement in September.

## **4.2 Shortlisting Project Ideas**

- 4.2.1 In developing the project ideas, we have had to take cognisance of the funding criteria and also the deliverability due to the tight timescale of the UK Levelling Up Fund. The Fund also rules out maintenance of assets being an option with only structural interventions linked to economic priorities considered a legitimate ask. We have also taken into consideration the linkages with the Rural Growth Deal, Regional Spatial Strategy, Economic Strategy and Local Development Plan.
- 4.2.2 Bids and constituent projects should have the support of local stakeholders and partners. They should be consulted on and bids should be developed with local input. The proposed projects have been based on agreed priorities with local communities developed over several years through community visioning exercises and are able to be taken forward within the challenging timeframe. Drawing in the expertise of established partners such as HES and Heritage Lottery will be essential.
- 4.2.3 Bids should also have local MP support and decisions on successful bids will be made by the UK Government although they will consult the Scottish Government to see if projects support key economic themes.

- 4.2.4 In terms of the £20m bid, which focuses on Town Centre Regeneration, the advice from the UK Government is that the programme of investment is to be considered across no more than three geographic sites. There also needs to be a link through a unifying theme.
- 4.2.5 In terms of the £50m transport bid, the advice is that this bid can be up to £50m in exceptional circumstances and as such it needs to be a robust, compelling bid that picks up on key issues like inclusion, economic and social impacts and how it contributes to net zero. There also appears to be a current stance by the UK Government against a programme of small works and there appears to be a limit of three individual projects/themes per lead Local Authority Bid. This applies to both themed bids. This approach appears to discriminate against rural authorities such as ours with only one MP covering the whole constituency. Glasgow for example can make 7 bids with up to 21 individual projects as they have 7 MPs.
- 4.2.6 A Members Seminar was held on 24 August 2021 to provide all Members with the opportunity to identify project ideas. There was good discussion at this Seminar and the following ideas were discussed, many of which feature in our bid proposals outlined later in this report:
- Whisky Isles infrastructure/ferry connectivity
  - Oban transport infrastructure, transport HUB
  - Royal Hotel Rothesay
  - Inveraray Pier
  - Additional Marinas
  - Ferry Service, Dunoon Gourock Kilcreggan
  - Lorn Economic Growth Zone
  - Dunbeg Corridor and Roundabout
  - Airport and Drone Technology
  - Dunoon Pier, berthing and pontoon facilities
  - Phase 2 of Industrial Estate in Kilmory
  - Flood protection works in Lochgilphead
  - Ideas from Ardrishaig Charette
  - Corran Halls Development as Conference centre
  - Active Travel project in Helensburgh, potential to accelerate.
- 4.2.7 For the projects identified in paragraph 4.2.6 that have not been proposed for a submission to the Levelling Up Fund, this does not mean that they are not worthy projects but rather they are considered not to be deliverable in the timeframe identified by the UK Government, or they may be better delivered through another route. For example, Kilmory Industrial Estate through RCGF, HIE and private sector funding.
- 4.2.8 The following two sections provide a high level outline of the identified projects for each of the two bids. It should be noted that all the project elements may be subject to change dependent on the feasibility work and this will be reported back to Members prior to any submission. We will also report progress with the bids to Members over the coming months.

### 4.3 £20m Regeneration Theme Bid

- 4.3.1 It is proposed that there is an overarching theme identified for this bid that includes the two main towns of Rothesay and Dunoon and also Ardrishaig/Lochgilphead Crinan Corridor. This theme is entitled **Western Seaboard – Marine Gateways** (working title). This theme includes a number of different elements for each of the towns to make up a single bid under the regeneration theme bid.
- 4.3.2 In terms of **Rothesay**, the projects are designed to make Rothesay and wider Bute a more investable community and will work alongside job creation and wellbeing in the wider community including the provision of additional family housing that is planned for the Island. The main element of the project would be restoring and finding a new purpose for the former Royal Hotel that dominates the principal gateway to the island. In addition the project would also include public realm works, the restoration of historical features in the town centre, net zero interventions such as EV chargers, cycle parking, expanded pedestrian space and harbour side environmental improvements.
- 4.3.3 This bid will also include the town of **Dunoon** with a focus on the A-listed Dunoon Pier with a further phase of restoration and possible demolition of unused features. In addition it is intended to add a new berthing facility as part of the regeneration of the pier together with improvements to the town centre/waterfront public realm including a link to the emerging Dunoon Project principle entrance at West Bay. This investment will add to the current regeneration activities such as the completed development of the Queens Hall together with the Dunoon CARs initiative and the Cycle Bothy project. In addition to regeneration works a series of measures will be added to help Dunoon get to net zero. All work will complement the use of the Pier as a town centre to town centre ferry service through further investment by the Scottish Government.
- 4.3.4 The third element of the bid includes **Ardrishaig/Lochgilphead - Crinan Corridor** that would include additional regeneration works improving marine connectivity, public realm elements and enabling further development on vacant sites such as new housing and/or employment generating uses including new holiday accommodation. This element of the bid will be taken forward by Scottish Canals and is informed by the extensive charrette work done to identify community priorities.
- 4.3.5 This bid would be substantial between these three communities with the feasibility work determining the final costs which will be kept to the £20m threshold of the Fund. The cost of developing the bid could be helped by a bid submitted to the Community Renewal Fund currently under consideration and we have possible agreement with private partners subject to further discussions. It is hoped that match capital funding (10%) can be achieved through projects we are already taking forward via Crown Estate funding, Island Infrastructure funding, RCGF, Tarbert and Lochgilphead, Active Travel and Better Places funding.

#### **4.4 £50m Transport Theme Bid**

4.4.1 There are three themes identified to be included within the Transport bid as outlined in the following paragraph.

##### **4.4.2 Whisky Islands (Working Title)**

Both Islay and Jura have seen substantial growth in the output of their spirits industry that makes a substantial contribution to the UK Exchequer. The industry continues to expand but this growth is placing undue pressure on the infrastructure of both islands. This project concerns an investment in the critical infrastructure of the islands principally, improvements to the local road network linking both the ferry terminals on Islay including carriageway interventions, active travel investments and an electric bus service. This project will also involve the replacement of the current Jura Ferry with a larger hybrid or electric ferry together with road improvements on Jura. This work would complement proposed investment by CMAI at Port Ellen with capital contributions sought from the private sector. In addition there may also be a possibility of linking into the generation of Tidal energy being taken forward by the private sector. This critical investment would allow this nationally important industry to continue to expand on these island communities in a sustainable way.

##### **4.4.3 Connected Helensburgh (Working Title)**

Helensburgh is home to HMNB Clyde which continues to expand through the Maritime Change project. To assist the continued integration of the base with the wider community it is considered a further substantial investment is required in terms of transport connectivity. This project will include the completion of the Dumbarton to Rosneath Cycle Way depending on the ready availability of land. The development of a hydrogen/electric bus service and the purchase of buses to serve the community and the workers at the base and Colgrain with a possible link to Glasgow Airport together with the development of an additional rail halt at Garelochhead which is currently subject to feasibility work. In addition, it is intended to repair the structural integrity of Helensburgh Wooden Pier together with the installation of a modern berthing facility helping to complete the investment in Helensburgh Waterfront and create a new facility that enables marine connectivity to re-establish itself to Helensburgh Town Centre.

##### **4.4.4 Lorn Economic Growth Zone**

This important area of potential economic and population of growth in Argyll and Bute is in need of further investment in transport connectivity to reach its full economic potential. This programme of projects will involve the development of a new transport integrated hub in the town centre, transport capacity improvements within Oban, an investment in essential road infrastructure at Dunbeg and between Salen and Tobermory on Mull (interventions will include creation of overtaking lane, additional passing places etc. and will not extend to the creation of 2 carriageways the length of the route), a hydrogen bus service serving Lorn communities together with an investment in the Oban Airport to

help develop a potential Drone Hub with a focus on a first phase that provides essential infrastructure for future investment through the Rural Growth Deal.

- 4.4.5 Similar to the £20m Regeneration bid, it is envisaged that the necessary match funding can be sourced through the likes of Crown Estate funds, Lorn Arc, Strategic Housing Fund, RCGF, Rural Growth Deal and Active Travel.

#### **4.5 Deliverability Of Approved Bids**

- 4.5.1 The main challenge in preparing credible and robust bids to submit to the next round of the Levelling Up Fund is having sufficient resources in place to deliver the bids in the first place and then be able to deliver them if one or more of the bids prove successful within the demanding timetable set by the UK Government. The costs for developing the bids are substantial and where possible the council intends to take advantage of existing staff in place with the necessary local expertise, partners willing to assist us together with feasibility work either completed, underway or to be commissioned. For example, the Lorn Arc earmarked reserves can assist with some elements of delivery. The UK Government have also provided an additional £125k to help prepare the bids which is likely to be spent on specialist consultancy work to help develop the bids. The option to capitalise staff costs as and when our bids are accepted can be taken later to assist with project delivery.

- 4.5.2 It should be noted that the council has been successful with the delivery of numerous capital projects of various sizes in recent years with many local priorities already delivered. That said, a number of priorities for capital investment remain which we have been unable to implement due to a lack of resource to either develop the bid and/or do the actual works. The Levelling Up Fund presents an opportunity to take forward a number of these projects but it also has to be recognised that it has also become increasingly important given current funding models to have a future pipeline of projects developed to take full advantage of future external capital funding opportunities. For this reason council officers are also working on developing a number of options to help boost the capacity of the council to develop and deliver new capital projects that meet the aims of the council and represent Member priorities going forward. This could include a number of the projects identified by Members but not taken forward through this bidding process. A further report will come back to the Council in due course on this matter.

### **5. CONCLUSION**

- 5.1 This report provides Council with the latest information on possible projects to be included in a two potential future bids to the UK Levelling Up Fund and asks Members to agree that the shortlisted projects be developed further prior to submission in the next round of funding. The UK Government have still to determine a definitive timeline for a future round, however, we are working on being in a position to submit two bids before the end of the financial year.

### **6. IMPLICATIONS**

- 6.1 Policy - Aligns with the Councils Economic Strategy.

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| 6.2   | Financial -  | Competitive opportunity for Argyll and Bute to lever in funding from the UK Government. There is no guarantee of funding for the bids. £125,000 has been made available from UK Government to assist in the development of bids. |
| 6.3   | Legal -  | All appropriate legal implications will be taken into consideration including adherence to the new UK Subsidy Control regime.  |
| 6.4   | HR -   | None at present.   |
| 6.5   | Fairer Scotland Duty: The Fairer Scotland Duty, Part 1 of the Equality Act 2010, came into force in April 2018. The duty places a legal responsibility on particular public bodies in Scotland, such as Argyll and Bute Council, to pay due regard to (actively consider) how they can reduce inequalities of outcome, caused by socio-economic disadvantage, when making strategic decisions and how this has been implemented. |  |
| 6.6.1 | Equalities   | All activities will comply with all Equal Opportunities/Fairer Scotland Duty policies and obligations.   |
| 6.6.2 | Socio-Economic Duty  | Focus will be given to removing socio-economic disadvantage for vulnerable residents across Argyll and Bute.   |
| 6.6.3 | Islands Duty   | The bid will be for the whole of Argyll and Bute including the island communities.   |
| 6.6   | Risk -   | There is a risk over the timing of the bids.   |
| 6.7   | Customer Service -   | None.  |

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