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**UK LEVELLING UP FUND – PROGRESS UPDATE**

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**1.0 EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to provide Elected Members with an update on progress in terms of the development of the Levelling Up Fund Bids, following on from the update provided in September 2021. The council has determined to submit 2 bids to the next round of the Levelling Up Fund to be announced by the UK Government. One bid will be for an area regeneration town centre project, maximum £20m and the other a Transport Bid, up to £50m. The latest information from the UK Government is, that it is likely to be an Easter deadline and the criteria will be largely the same as the first round, subject to some additional refinement.

**RECOMMENDATIONS**

It is recommended that the Policy and Resources Committee:

- a) Note the progress with the two bids and approve that the bids are now titled Argyll and Bute Western Seaboard Marine Gateways Initiative and Connected Argyll and Bute;
- b) Approve the removal of the Ardrishaig/Crinan Canal element of the regeneration bid;
- c) Approve the adjustment to the Oban Integrated Transport Hub to become a Hydrogen Fuelling station (Hydroban).
- d) Approve that up to £150,000 can be drawn down from the Recovery and Renewal Fund subject to the Chief Executive and the two Executive Directors being satisfied that the monies are for the purposes of developing the Levelling Up Fund bids;
- e) Agree that the Chief Executive and the two Executive Directors are delegated authority to approve any alterations required to elements of the bids, as agreed by Council in September 2021, as revised today, where this is necessary to meet deadlines for submission, after consultation with the Leader, Depute Leader and Leader of the largest Opposition Group
- f) Agree that the Chief Executive and the two Executive Directors are delegated authority to approve the final bid submissions in the period from and including 5 May 2022, when Councillors demit office in anticipation of the Local Government election to be held on that date, until the first meeting of the Council when an administration is formed.

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**UK LEVELLING UP FUND – PROGRESS UPDATE**

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**2.0 INTRODUCTION**

- 2.1 This report provides an update on progress on the development of our Levelling Up Fund bids. The council has determined to submit 2 bids to the next round of the Levelling Up Fund to be announced by the UK Government. One bid will be for an area regeneration town centre project maximum £20m and the other a Transport Bid up to £50m. The latest information from the UK Government is, that it is likely to be an Easter deadline and the criteria will be largely the same as the first round subject to some refinement. No further details have been provided at the time of writing this brief.
- 2.2 We have received the £125k of development funding to help prepare the bids. In addition some of the Community Renewal Award (CRF) funding was for feasibility studies that will help towards the development of the bids, as well as supporting the development of the Rural Growth Deal projects.
- 2.3 Officers continue to seek feedback on why first round bids by other participating councils were successful, or not. One particular aspect that has come across is that the bids have to follow a net zero agenda as much as possible and this may influence what we can submit as an authority.

**3.0 RECOMMENDATIONS**

- 3.1
- a) Note the progress with the two bids and approve that the bids are now titled Argyll and Bute Western Seaboard Marine Gateways Initiative and Connected Argyll and Bute;
  - b) Approve the removal of the Ardrishaig/Crinan Canal element of the regeneration bid;
  - c) Approve the adjustment to the Oban Integrated Transport Hub to become a Hydrogen Fuelling station (Hydroban).
  - d) Approve that up to £150,000 can be drawn down from the Recovery and Renewal Fund subject to the Chief Executive and the two Executive Directors being satisfied that the monies are for the purposes of developing the Levelling Up Fund bids;
  - e) Agree that the Chief Executive and the two Executive Directors are delegated authority to approve any alterations required to elements of the bids, as agreed by Council in September 2021, as revised today, where this is necessary to meet deadlines for submission, after consultation with the Leader, Depute Leader and Leader of the largest Opposition Group
  - f) Agree that the Chief Executive and the two Executive Directors are delegated authority to approve the final bid submissions in the period

from and including 5 May 2022, when Councillors demit office in anticipation of the Local Government election to be held on that date, until the first meeting of the Council when an administration is formed.

#### 4.0 DETAIL

- 4.1 This report provides a reminder to Members of what was envisaged to be included in the bids as reported to Council in September 2021 and outlines some of the progress to date.
- 4.2 The Bids subject to feasibility consideration are included in two separate programmes. The Regeneration Bid up to £20m – **Argyll and Bute Western Seaboard Marine Gateways Initiative** that originally involved proposals for Rothesay, Dunoon and Ardrishaig/Crinan Corridor. The Transport Bid up to £50m – **Connected Argyll and Bute** – this involves the Whisky Islands, Connected Helensburgh and Lorn Economic Growth Zone.
- 4.3 The advice from the UK Government is that the programme of investment within this bid has to be considered across no more than three geographic sites. There also needs to be a link through a unifying theme. Tying the three sites together (Rothesay, Dunoon and Ardrishaig) has proved challenging during initial scoping of the projects and we have been engaging with partners involved in these projects. It is now considered that the Ardrishaig element will not be sufficiently advanced to make a successful bid and Members are asked to endorse that the focus for this bid is on Rothesay and Dunoon. Ardrishaig forms part of the Rural Growth Deal considerations and this will be further developed as part of this development work which is running parallel.

#### THE REGENERATION BID (£20m)

- 4.4 Development work is underway in both Rothesay and Dunoon on the necessary business case work. This is being assisted by a number of external consultants who have been appointed following procurement to provide the specialist skills we need. Progress is noted below.

<b>Rothesay</b>	
<b>As reported to Council in September</b>	<b>Progress Update</b>
<p>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,</p>	<p>Agreement has been reached with the owner of the Royal Hotel to work together on the project:</p> <ul style="list-style-type: none"> <li>- Condition/Floor Plans/Costs – costs met by owner</li> <li>- Market Analysis/ Valuations/ Assessment of Market Failure</li> <li>- Independent QS assessment of cost plan.</li> </ul> <p>At the time of writing, the condition appraisal was expected - a meeting was arranged with the owner at the end of January to discuss work to date.</p>

<p>net zero interventions such as EV chargers, cycle parking, expanded pedestrian space and harbour side environmental improvements.</p>	<p>Waterfront ‘person friendly’ spaces to enhance experience/ease of movement from/to waterfront. Stantec have been commissioned with the design work sub-contracted to landscape specialists who will look holistically across all the sites. Detail design in place for cycle way between the harbour and Rothesay Pavilion, which would be integrated into the design.</p> <p>Roads and Infrastructure are looking at the flood mitigation measures and this may form part of the capital ask and will tie into the work of the regeneration team. Officers are looking at ongoing activity with various elements within the project:-</p> <ul style="list-style-type: none"> <li>- Flooding map being reviewed</li> <li>- Hydrological assessment being undertaken, along with a model build – officers will consult on this with SEPA</li> <li>- Options appraisal being undertaken and will assess options against damage assessments to determine solutions, with positive cost benefit analysis</li> </ul>
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4.6

<b>Dunoon</b>	
<b>As reported to Council in September</b>	<b>Progress Update</b>
<p>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</p>	<p>Tender evaluation Stage 2 responses have been received for conservation accredited architect-led design scheme – are currently being considered.</p> <p>Waterfront ‘person friendly’ spaces to enhance experience/ease of movement to town/along waterfront/access to esplanade. Car park areas either side of pier (will need to link into the wider parking review that is currently underway) Argyll Gardens (bandstand area)</p>

<p>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.</p>	<p>Esplanade.</p> <p>Stantec have been commissioned with the design work sub-contracted to landscape specialists who will look holistically across all the sites.</p> <p>Consultants are being appointed to take forward the feasibility study and options appraisal for the pier looking at different options on what works to take forward to the structure and the berthing options plus the harbourmaster offices.</p> <ul style="list-style-type: none"> <li>- Determine an up to date structural assessment/integrity of Dunoon Pier.</li> <li>- Prepare a feasibility study for berthing facility.</li> <li>- Produce a design for implementation with the caveat that the works will look to reduce the liability to the Council in terms of the listed element of the pier.</li> </ul>
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4.7

<b>Ardrishaig/Lochgilphead – Crinan Corridor</b>	
<b>As reported to Council in September</b>	<b>Progress Update</b>
<p>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.</p>	<p>As per paragraph 4.3 it is recommended that this element is no longer included within the Levelling Up bid.</p>

### **THE TRANSPORT BID (£50m)**

4.8

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. Again, a key challenge here will be tying these together into one bid. The potential schemes contained within the Transport Bid and progress are summarised in the table below but are now collectively titled **Connected Argyll and Bute**:

4.9

<b>Whisky Islands</b>	
<b>As reported to Council in September</b>	<b>Progress Update</b>
<p>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 CMal 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.</p>	<p>The key issue for the buses will be meeting revenue implications and there will be a need to match fund this capital bid with 10% of the capital costs. It should be noted that Transport Scotland, through its infrastructure partner CMAL, is taking forward a series of transport connectivity projects on the island most notably the expansion of Port Ellen Ferry Terminal. There is potential to work with this project to add impact to our proposal.</p> <p>Port Askaig Marshalling:</p> <ul style="list-style-type: none"> <li>- Additional marshalling to accommodate freight and tourism linking with new vessels to mainland</li> <li>- Support for spirit and tourism industries and island communities</li> <li>- Segregation and safety relating to commercial and domestic traffic, building capacity to accommodate growing spirit industry and tourism demands</li> </ul> <p>2 x feasible options are being looked at being done as part of CFL capacity for new vessels. Both options can accommodate 21 HGVs.</p> <p>Replacement Jura ferry to create an increased capacity and resilience. Working with CMAL on small vessel replacement. Looking to have a common style of vessel 45 – 49m long to provide resilience across the west coast network and reduce upfront costs with a single model. Low to zero emission is a key priority.</p> <p>Strategic connectivity linking Port Askaig, Port Ellen and the Airport.</p>

	<p>Connectivity improvements between these 2 key ports to facilitate movements of people and goods, and to accommodate increased freight and tourism traffic as well as providing support to the spirits industry. Route has been identified with improvements to accommodate increasing capacity readily deliverable. In terms of the route identified, there are two roads connecting Ports Ellen and Askaig which run broadly parallel - the A846 which runs past the entrance of the airport and the B8016 which runs to the rear (east) of the airport. The A road goes through Bowmore whilst the B road by-passes Bowmore going directly to Bridgend. By virtue of the A road status and its slightly better standard the A846 should be the preferred route for all traffic and the B road promoted more for cycle and walking. Officers are scoping out and arranging a virtual meeting to seek views on connections between Port Askaig and Port Ellen.</p>
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4.10

<b>Connected Helensburgh</b>	
<b>As reported to Council in September</b>	<b>Progress Update</b>
<p>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</p>	<p>Working on bus element and a steering group has been established including the key organisations, ABC, MOD, SPT, HITRANS. SPT are preparing potential costings and will approach local bus operators to determine the risks associated with service enhancements and financial support necessary to make this viable.</p> <p>The active travel element will be taken forward by Strategic Transport working closely with Roads and Infrastructure. The active travel routes where we own our own land are being reviewed as these will be more deliverable within the timeframe.</p> <p>Securing berthing face on wooden pier: Design already in place showing mono-piles along the south side with fenders on berthing face – initial design work is nearing completion.</p>

<p>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.</p>	
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4.11

<b>Lorn Economic Growth Zone</b>	
<b>As reported to Council in September</b>	<b>Progress Update</b>
<p>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.</p>	<p>The Dunbeg Corridor part of the bid will be led through the work we are doing on the Dunbeg Corridor using TIF funding as a match. We held a meeting on the 1<sup>st</sup> December of the Dunbeg Corridor Consultation Group where the project was well received by the community and a number of key stakeholders including LINK and West Highland Housing Association.</p> <p>The drone hub has secured CRF funds to take to full business case and in the process of appointment Skyports to undertake this work. There are “green” aspects of this element including installation LEDs on the runway at Oban and installation of solar panels on the terminal building.</p> <p>A meeting with West Coast Motors has been held via Hi Trans and they are keen to support our bid including revenue costs. We are awaiting a funding decision on bus partnership monies that has jointly been submitted by the council and Hi Trans that will help with development costs.</p> <p>Following a Hitrans workshop with stakeholders including, ABC, CMAL, Calmac, ScotRail, Network Rail, West Coast Motors, Transport Scotland, Oban Airport and Haulage Operators it is proposed to focus on a hydrogen fuelling solution for low carbon buses as a first phase instead of an integrated transport hub.</p> <p>Any vehicles purchased through the funding must be retained in ownership by the council, the vehicle can then be</p>



	allocated to contract with the operator which will therefore reduce the contract value, ultimately making revenue savings for ABC
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- 4.12 Our focus now is working with our various consultants that have been engaged, as well as partners to prepare the two consolidated bids to meet the anticipated deadline of Easter 2022. It is really important that partners commit to assisting the council in making the bids. It should be noted that the projects we have identified are public priorities previously identified through charrettes, or through the work done as part of the Rural Growth Deal or other initiatives. As specific details emerge, we are engaging further with the public where we can. For example, the route of the Cardross to Helensburgh Active Routeway was out to consultation (ended 23<sup>rd</sup> January) and more public consultations will happen as we progress the elements of the bids further as time permits.
- 4.13 We have received the £125k of development funding to help prepare the bids. In addition, some of the Community Renewal Award (CRF) funding was for feasibility studies that will help towards the development of the bids, as well as supporting the development of the Rural Growth Deal projects. It is likely that further funding may be required, over and above the initial £125,000 development funding, and it is recommended that Members approve the delegation of the release of up to £150,000 from the Recovery and Renewal Fund to the Chief Executive and the two Executive Directors subject to them being satisfied that the monies are for the purposes of developing the Levelling Up Fund bids.
- 4.14 Progress is being reported to the Executive Leadership Team every two weeks ensuring the ELT have oversight of how the elements are developing, and, should further resource be required to get us to a position that bids are developed sufficiently to meet the deadline. Elected Members will also be kept informed on progress on projects within their area on a regular basis and it is intended to hold a Members Seminar in March 2022, which will provide a more comprehensive update to all Members.
- 4.15 The bids will continue to take shape as the work with consultants continues and we get further feedback on the options appraisals that are taking place. Should any element of the bids, through the development/business case process, identify that the bids will differ materially to that agreed by Council at their meeting in September 2021, and further agreed today in respect of Ardrishaig/Crinan Canal and Integrated Transport Hub/Hydroban, it is recommended that there is a delegation to the Chief Executive and two Executive Directors to approve any alterations where it is necessary to meet deadlines for submissions, after consultation with the Leader, Depute Leader and Leader of the Main Opposition.
- 4.16 As there is still at the time of writing this report uncertainty as to when the bids will require to be submitted, it is recommended that there is a delegation to the Chief Executive and two Executive Directors to approve the final bid submissions, in the period from and including 5 May 2022, when Councillors demit office until the first meeting of the Council when an Administration is formed.

## 5.0 CONCLUSION

- 5.1 Work has commenced in taking forward the bids for the second round of the levelling up funds. Two bids are still proposed, one related to town centre regeneration, and one related to strategic transport interventions. This is a challenging ask as the projects are complex in nature and the applications require an extensive amount of work in a relatively short period of time. ELT have approved the procurement of consultants to support various aspects of the bid, funded from the development fund paid from the UK Government.
- 5.2 Feasibility work undertaken so far has revealed the need to consolidate the two bids under the project titles of **Argyll and Bute Western Seaboard Marine Gateways Initiative and Connected Argyll and Bute**. It is proposed that the Ardrishaig element of the regeneration bid be withdrawn at this stage, although it should be noted that this may still be progressed through options being considered for the Rural Growth Deal. The Integrated Transport Hub at Oban is also proposed to be withdrawn to be replaced with a hydrogen fuelling station proposal. It is recognised that the Integrated Transport Hub will need further time to be developed following discussions with partners.
- 5.3 The submission date is estimated to be Easter 2022, although not confirmed, and it is expected that the criteria will be largely the same as the first round subject to some additional refinement.

## 6.0 IMPLICATIONS

- 6.1 Policy – The projects selected all comply with Council established policy.
- 6.2 Financial – The £125,000 received from UK Government to develop the bids is likely to be insufficient and there is a request for drawdown of up to £150,000 from the recovery and renewal fund.
- 6.3 Legal – None arising from this report however legal agreements may have to be entered into with relevant partners.
- 6.4 HR – We are in the process of appointing specialist contractors to help with bid submissions.
- 6.5 Fairer Scotland Duty:  
6.5.1 Equalities – None identified at this stage.  
6.5.2 Socio-economic Duty – the projects are designed to offer improve socio-economic opportunities for local communities.  
6.5.3 Islands – A number of the projects have positive implications for island communities.
- 6.6 Climate Change – The projects are aiming to help Argyll and Bute reach net zero through active travel, repurposing town centre buildings, low carbon buses and integrated travel.
- 6.7 Risk – The main risk remains in not having sufficient time, information and partner buy-in, or resources to prepare suitable bids within the timescale that is yet to be

confirmed. The UK Government may change the criteria of the fund but we have been advised that it will be refined rather than large scale change.

6.8 Customer Service – Not applicable.

**Kirsty Flanagan, Executive Director of Development and Infrastructure**

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24 January 2022

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**Policy Lead, Councillor Robin Currie**