

RURAL GROWTH DEAL – ROTHESAY PAVILION

1.0 EXECUTIVE SUMMARY

- 1.1 The main purpose of this report is to provide an update on the Rural Growth Deal (RGD) and in particular an update on the “Tourism – Creating a World Class Visitor Destination” theme.
- 1.2 The report provides members with an update on decisions taken by the Rural Growth Deal Programme Board on what projects to take forward within the Tourism Theme. The Programme Board have made the decision to include the completion of Rothesay Pavilion as a priority project and have allocated circa £9m to the project, subject to approval by UK and Scottish Government.
- 1.3 The completion of Rothesay Pavilion is a Council Priority and offers the Rural Growth Deal an opportunity to support an economically transformational project. Rothesay Pavilion has the scale, quality, architectural significance and ambition as a new cultural and creative industries hub to deliver as part of the wider RGD tourism theme. In particular, the Pavilion has the potential to be a nationally significant visitor attraction to the area whilst at the same time aligning to the Scottish and UK Government’s economic and social priorities including the emergence of the wellbeing and circular economy, skills for work with a focus on creative, hospitality and digital skills together with the need to deliver net zero.
- 1.4 The allocation of £9m to the Rothesay Pavilion Project significantly reduces the funding gap for the next 2 phases of works. The Rothesay Pavilion Lobbying Group continue to work on identifying sources of additional funding to bridge the remaining gap. Additional financial details regarding the project are contained within the report that accompanies this report.

RECOMMENDATIONS:

The Policy and Resources Committee are asked to:-

- i. Endorse the decision of the Rural Growth Deal Programme Board to allocate £9m of Rural Growth Deal Funding to Rothesay Pavilion under the “Tourism – Creating a World Class Visitor Destination” theme.
- ii. Note that all funding brought through the Rural Growth Deal is subject to approval of Treasury 5 business cases by the UK and Scottish Government.

- iii. Note a further update will be brought to the Policy and Resources Committee following approval of the Rural Growth Deal Full Business Case by the UK and Scottish Government.

RURAL GROWTH DEAL – ROTHESAY PAVILION

2.0 INTRODUCTION

- 2.1 This report provides an update on the Rural Growth Deal (RGD) and in particular an update on the “Tourism – Creating a World Class Visitor Destination” theme.
- 2.2 The Council, UK and Scottish Governments agreed the ‘Heads of Terms’ for the RGD on the 11th February 2021. The Heads of Terms Agreement sets out the general areas for investment and the Full Deal Agreement will build upon this in more detail. In order to reach Full Deal, each project within the Deal has to have a Treasury 5 Outline Business Case approved by UK and Scottish Government. The Rural Growth Deal Programme Management Office (RGD PMO), Project Leads and Stantec UK Ltd are currently progressing OBCs for each Project, with a number now having been submitted for first stage feedback.
- 2.3 A key aim of the Rural Growth Deal is to deliver economically transformational projects. Projects in the “Tourism” theme of the RGD seek to encourage the growth of tourism and develop Argyll as a West of Scotland “must visit” location while supporting the regeneration of our key coastal towns and villages.
- 2.4 The Rural Growth Deal Programme Board have approved a proposal to allocate circa £9m of RGD Government funding to the Rothesay Pavilion project, subject to further discussion and Full Business Case approval by the UK and Scottish Governments. Once approved, this funding will support the regeneration of this nationally recognised building, whilst at the same time creating opportunities for regeneration, cultural enhancement and the creation of important high value jobs within the context of Rothesay and the island of Bute.

3.0 RECOMMENDATIONS

The Policy and Resources Committee are asked to:-

- i. Endorse the decision of the Rural Growth Deal Programme Board to allocate £9m of Rural Growth Deal Funding to Rothesay Pavilion under the “Tourism – Creating a World Class Visitor Destination” theme.

- ii. Note that all funding brought through the Rural Growth Deal is subject to approval of Treasury 5 business cases by the UK and Scottish Government.
- iii. Note a further update will be brought to the Policy and Resources Committee following approval of the Rural Growth Deal Full Business Case by the UK and Scottish Government.

4.0 DETAIL

- 4.1 The Council agreed the 'Heads of Terms' for the RGD on the 11th February 2021 and are currently working towards signing the Full Deal Agreement.
- 4.2 In order to sign the Full Deal Agreement the Council must submit Treasury 5 Business Cases to UK and Scottish Government for approval. In order to develop a strong business case, projects should be of a scale that they are economically transformational and can show positive Benefit Cost Ratios. The Government appraisal process is rigorous, and several iterations of business cases required to be submitted before being approved.

Tourism – Creating A World Class Visitor Destination - Rothesay Pavilion

- 4.3 The Rural Growth Deal Programme Board met on 10th May 2023 and considered an update on the "Tourism – Creating a World Class Visitor Destination" theme of the RGD. The Programme Board were asked to consider a proposal to re-profile funding within the Tourism Programme to focus on the completion of the Rothesay Pavilion project. This would provide a budget of circa £9m via the Rural Growth Deal, which would significantly reduce the funding gap which stands at circa £13m.
- 4.4 As reported to the Policy & Resources Committee in December 2022, a number of priority locations had been identified for consideration for funding under the Tourism Theme of the RGD:-
 - Dunoon Waterfront
 - Rothesay Waterfront
 - Helensburgh (Wooden Pier)
 - Ardrishaig/Crinan Canal Corridor
 - Campbeltown – Kintyre Sea Sports
- 4.5 Over the past 6 months, Council Officers, Stantec, partner organisations and local stakeholders have been working to develop project options for each identified location, however it has been very challenging to identify transformational projects achievable with the budget available in each location. This is a particular risk, given that some of these projects would not have been delivered until the later stages of the RGD Programme and will therefore be subject to cost inflation pressures. It was also considered that there was a risk that these smaller scale projects would not have sufficient benefit cost ratios and would not create a favourable Treasury 5 Business Case, as is required by

Government and as advised by Stantec our consultants working on the business cases. It was proposed that alternative funding streams could support some of the RGD project options that were considered and Development & Economic Growth Officers will continue to work with local and national stakeholders to ensure that alternative funding streams are identified and progressed.

- 4.6 It was therefore considered that an alternative option could be to scope back the number of locations targeted via the RGD and focus the Tourism investment on a larger scale, transformational project such as Rothesay Pavilion.
- 4.7 It was proposed that the second project within the Tourism Theme, Kintyre Seaports, remain within the programme as it is significantly advanced and the Outline Business Case has been submitted to Government for first stage appraisal.
- 4.8 The Rural Growth Deal Programme Board subsequently approved this proposal, subject to further discussions with the UK and Scottish Governments.
- 4.9 The RGD PMO have held subsequent discussions with UK and Scottish Government Civil Servants. In line with the process for Rural Growth Deal projects, Government will require a Treasury 5 Full Business Case to approve the proposal in full. Civil Servants have indicated that they may be able to provide an earlier “approval in principle” in order that Argyll and Bute Council can consider instructing phases 2b and 2c of the Pavilion Project. The RGD PMO, along with the Rothesay Pavilion Project Management Team are currently working to provide Government with the information that they require in order to make an “approval in principle” decision.
- 4.10 The RGD PMO have instructed Stantec UK Ltd to prepare a Full Business Case for Rothesay Pavilion and it is hoped that this will be submitted to Government for appraisal in late August/early September 2023. It is expected that several iterations of the FBC will be required and it is hoped that the FBC will be approved by the end of 2023.
- 4.11 Argyll and Bute Council cannot drawdown funding from the Rural Growth Deal until “Full Deal” is signed. It is currently forecast that “Full Deal” will be signed early in 2024. It is therefore anticipated that the Council may have to underwrite some spend on the Pavilion until such time as RGD Funding is available for drawdown.
- 4.12 Despite the contribution of £9m from the RGD, it is noted that a funding gap of circa £4m remains. The Rothesay Pavilion Lobbying Group continue to work with potential funders to identify sources of funding to address the remaining funding gap.

5.0 CONCLUSION

- 5.1 The Rural Growth Deal offers an opportunity to support the completion of Rothesay Pavilion by contributing circa £9m. The Pavilion project is consistent with the aims of the “Tourism – Creating a World Class Visitor Destination” theme of the Rural Growth Deal and offers an opportunity for the RGD to support an economically transformational project of scale that will benefit the community of the Isle of Bute and beyond.
- 5.2 There remains a funding shortfall however the Rothesay Pavilion Lobbying Group are actively seeking funding to address this through a Lobbying Strategy. The quicker we can deliver the Pavilion project however means the more likely the funding gap will be reduced.
- 5.3 The inclusion of Rothesay Pavilion will require to be approved by UK and Scottish Government. A Full Business Case is being developed at pace in order that approval can be provided as early as possible to progress the completion Rothesay Pavilion.

6.0 IMPLICATIONS

- 6.1 Policy – The RGD is consistent with the Council’s Economic Strategy.
- 6.2 Financial – There may be a requirement for Finance to underwrite spending until the Full Deal Agreement is signed and RGD Funding is available for drawdown. There remains a budget gap.
- 6.3 Legal – none identified at present.
- 6.4 HR – None at present.
- 6.5 Fairer Scotland Duty: Required as part of the Business Case Process.
 - 6.5.1 Equalities - protected characteristics – an EqSEIA will be completed as part of the Business Case process.
 - 6.5.2 Socio-economic Duty – The Rural Growth Deal will follow Scottish Government guidance on Inclusive growth including measures to address socio-economic disadvantage.
 - 6.5.3 Islands – Islands impact assessments required as part of OBC process where necessary.
- 6.6 Climate Change – all RGD Projects must follow Scottish Government Carbon Management Guidance.
- 6.7 Risk – risk that Full Deal signing could be delayed and release of funding could be delayed.
- 6.8 Customer Service – None at present.

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July 2023

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