

## **Item: 3**

**Community Development Fund Sub-committee: 15 June 2023.**

**Stage 1 Funding Applications – Regeneration Capital Grant Fund.**

**Report by Corporate Director for Enterprise and Sustainable Regeneration.**

### **1. Purpose of Report**

To consider submission of Stage 1 funding applications to the Regeneration Capital Grant Fund on behalf of Birsay Heritage Trust and the Pier Arts Centre.

### **2. Recommendations**

The Sub-committee is invited to note:

#### **2.1.**

That the Council has received requests from the undernoted organisations to submit Stage 1 applications to the Regeneration Capital Grant Fund for the 2024/25 funding round:

- Birsay Heritage Trust – regeneration of HMS Tern - £760,000.
- Pier Arts Centre – provision of a creative arts hub - £1,608,000.

#### **2.2.**

That, in accordance with the Regeneration Capital Grant Fund guidelines, the Council, as lead applicant, is required to rank applications.

#### **2.3.**

That, whilst both third party applications are considered to be highly worthwhile of being supported in their own rights, on balance, the Corporate Leadership Team considered that the Pier Arts Centre project be ranked first.

**It is recommended:**

#### **2.4.**

That the Council should submit Stage 1 funding applications to the Scottish Government Regeneration Capital Grant Fund, on behalf of both the Pier Arts Centre and Birsay Heritage Fund.

## **2.5.**

That, in accordance with the Regeneration Capital Grant Fund guidelines, the applications be ranked in the following priority order:

- Priority 1: Pier Arts Centre, at the requested amount of £1,608,000.
- Priority 2: Birsay Heritage Trust, at the requested amount of £760,000.

## **3. Background**

### **3.1.**

There are a number of grant funds to which only local authorities, or only when involving local authorities, can apply such as the Rural Tourism Infrastructure Fund as well as the Regeneration Capital Grant Fund.

### **3.2.**

That the Scottish Government Regeneration Capital Grant Fund, which is open to and delivered in partnership with local authorities, supports locally developed place-based regeneration projects that involve local communities helping to tackle inequalities and deliver inclusive growth in disadvantaged and fragile remote communities across Scotland.

### **3.3.**

On 22 June 2021, when considering a draft framework that would allow the Council to submit applications on behalf of community organisations to funding schemes that were only open to local authorities, the Policy and Resources Committee recommended:

- That the Third Party Funding Applications Framework be approved.
- That powers be delegated to the Community Development Fund Sub-committee to determine requests to the Council to submit funding applications on behalf of a third party.

### **3.4.**

The Third Party Funding Applications Framework, attached as Appendix 1 to this report, includes a condition that the Council will support third party applications for grants up to a maximum of £1,000,000 for a single project. This condition was included in order to minimise risk to the Council of a third party defaulting on their grant award. Despite this, the framework does not preclude the Council from supporting the submission of a third party application to the Regeneration Capital Grant Fund (RCGF) for more than £1,000,000, if it is deemed desirable to do so.

### **3.5.**

The RCGF does not stipulate a maximum grant level in the fund guidance. As such, the Scottish Government would accept applications for a higher amount than the current maximum of £1,000,000 stated in the Council's Third Party Funding Applications Framework for a single project.

### **3.6.**

Birsay Heritage Trust and the Pier Arts Centre have individually requested that the Council submit a Stage 1 application for funding to the RCGF on behalf of their respective organisations.

### **3.6.**

The RCGF is delivered in partnership between the Scottish Government and COSLA and the deadline for the annual Stage 1 applications for funding from the 2024/25 budget is 21 June 2023.

### **3.7.**

Any application is required to pass the Stage 1 initial examination by the Scottish Government before a more detailed Stage 2 application is invited. The outcome of the Stage 1 applications will be notified in August 2023.

### **3.8.**

In the event of any applications passing the Stage 1 assessment by the Scottish Government, a further report will be presented to the Community Development Fund Sub-committee regarding submission of Stage 2 RCGF applications.

### **3.9.**

Only in the event of a successful Stage 2 application would the Council be required to enter into a grant funding agreement.

### **3.10.**

The Stage 1 process predominately focusses on the Council reaching an agreement on whether to recommend submission of third party applications. The Council is not under any contractual obligation unless or until a grant offer is made by the Scottish Government, and formally accepted by, the Council. This would only potentially happen after the Stage 2 process. There is also no obligation for the Council to provide additional match funding, should there be a funding gap in a project, if and when a Stage 2 application is successful. The RCGF is a competitive fund and is typically oversubscribed at all stages.

### **3.11.**

The following sections provide more detailed information in respect of the two requests submitted to the Council for consideration of Stage 1 applications to the RCGF for 2024/25.

## **4. Birsay Heritage Trust - HMS Tern**

### **4.1.**

Birsay Heritage Trust (BHT) previously submitted Stage 1 Regeneration Capital Grant Fund (RCGF) applications to the 2022/23 and 2023/24 funding rounds. Following the last Stage 1 assessment, the assessment panel feedback was that the proposal did not demonstrate the project would deliver significant regeneration outcomes and wider community benefit. It was not clear that this was a regeneration project and may be more appropriate for other funding sources. BHT have attempted to address the feedback in its 2024/25 submission.

### **4.2.**

The HMS Tern project intends to sensitively regenerate the HMS Tern airfield as a visitor heritage destination, generating economic, social and environmental benefits for the people of Birsay and remote communities across Orkney.

### **4.3.**

BHT took over 14 acres of HMS Tern airfield in 2020, when ownership was transferred from the Council. Since then, BHT has been developing the project with development work to assess viability taking place between 2019 and 2022:

- Historic structures condition survey, repair cost estimate and conservation management plan by accredited Conservation Architect.
- Site utilities survey.
- Emergency like-for-like repairs to listed structures.
- Business Plan including market research and community consultation.
- Capital Project Execution Plan.
- Pre-Application Planning Advice from OIC.

### **4.4.**

Phase 1, which is the subject of the RCGF application, will conserve and repair HMS Tern historic buildings, developing heritage interpretation and improved access and offer onsite accommodation for visitors. It is intended to be delivered between April 2024 to Spring 2026. Subject to a successful bid for RCGF and project deliver and evaluation a further phase of development phase will be considered for 2027-30.

### **4.5.**

The proposed project works include the following:

- Rebuild the historic Nissan Hut Cinema.
- Conserving and repairing the historic structures to form part of the visitor experience for local residents and visitors to Orkney alike.
- Improving access across the site.
- Welcome and orientation visitor facilities including toilets.

- Installation of interpretative heritage exhibition.
- New motorhome, camping facilities and visitor accommodation.
- Low carbon, sustainable power across the facilities through installation of solar panels, wind turbine, heat pumps and sustainable waste disposal.

#### 4.6.

BHT has identified various community needs and challenges, and propose that this project will help address these challenges. These include the Dounby Place Plan, post-COVID-19 economic and social needs, climate change, and deterioration of local historic buildings.

#### 4.7.

The table below outlines the project costs and proposed funding package:

| <b>Project Details.</b>  | <b>Cost.</b>       |
|--|--------------------|
| Project Costs.   | £1,665,000.        |
|  |                    |
| <b>Project Financing (applications pending)</b>                                  | <b>Amount.</b>     |
| Regeneration Capital Grant Fund.   | £760,000.          |
| OIC Community Development Fund   | £50,000.           |
| HIE Green Grant Fund   | £90,000.           |
| VS RTIF  | £90,000.           |
| Crown Estate Scotland Community Capacity Grants Programme                        | £50,000.           |
| The National Lottery Heritage Fund/ TNL Heritage resilience and recovery funding | £95,000.           |
| UK Government - Community Ownership Fund   | 50,000.            |
| HES: Heritage & Place Programme  | £80,000.           |
| HES Historic Environment Grants Programme  | £80,000.           |
| Garfield Weston  | £70,000.           |
| Local Energy Scotland - Let's Do Net Zero Community Buildings                    | £60,000.           |
| Bank of Scotland Foundation - Change fund  | £80,000.           |
| Esmee Fairbairn; Creative, Confident Communities                                 | £80,000.           |
| The Pilgrim Trust  | £20,000.           |
| <b>Total</b>   | <b>£1,665,000.</b> |

#### **4.8.**

At present, none of the potential additional sources of funding have been secured but conversations have been ongoing.

#### **4.9.**

Based on the summary information requested at Stage 1 of the Regeneration Capital Grant Fund, coupled with the feedback received from the Scottish Government after the Stage 1 rejection last year, BHT's project aligns with the overall objectives of the fund, which include supporting locally developed regeneration projects that involve local communities. As such, submission of the application to the Scottish Government by the Council is recommended, for the amount of £760,000.

### **5. Pier Arts Centre – Stromness Creative Arts Hub**

#### **5.1.**

The Pier Arts Centre (PAC) previously submitted Stage 1 Regeneration Capital Grant Fund (RCGF) applications to the 2022/23 and 2023/24 funding rounds. Last year the application was passed to Stage 2 assessment but was not approved for funding. The assessment panel raised questions about viability and deliverability of the project in the required timescale for the 2023/24 funding round, also noting that RCGF primarily supports construction costs rather than extensive enabling works (e.g. project design fees). PAC has attempted to address the feedback in its 2024/25 submission.

#### **5.2.**

The project intends to provide a creative arts hub in the former Stromness Post Office, bringing back into use a prominent derelict building on the town's main street.

#### **5.3.**

In 2015, the PAC acquired the former Stromness Post Office, as a means to enhance and complement the PAC's existing provision. A feasibility study and options appraisal has helped to shape the suite of works proposed under this project.

#### **5.4.**

The project will involve partial demolition and refurbishment of the former Stromness Post Office, creating a space to provide new high-level artistic and creative opportunities in Orkney. It is intended to be delivered between 2024 to 2026.

#### **5.5.**

The proposed project works include the following:

- Bring a prominent derelict building, adversely impacting the main street, back into use.
- Provide dedicated creative and learning spaces for use by the community, schools, students, professional and amateur artists, and visitors to Orkney.

- Provide participatory creative and artistic activities for local people and for the rapidly rebounding tourism market.
- Provide short-term residential facilities for artists and performers.

## 5.6.

PAC has identified various objectives of the project. These include enhancement of Stromness Town Centre and community involvement, provision of a new visitor offering, integration of renewable energy technologies, and stronger partnership working locally.

## 5.7.

Since the previous RCGF submission, two key sources of funding commitment have been confirmed, namely the UK Shared Prosperity Fund and the Islands Deal. The Islands Deal contribution is subject to final approval of a Full Business Case in respect of a wider Creative Islands Partnership and Asset Development Programme. At present, none of the other potential additional sources of funding have been secured but conversations have been ongoing and so decisions remain pending.

## 5.8.

The table below outlines the project costs and proposed funding package:

| <b>Project Details.</b>               | <b>Cost.</b>       |
|---------------------------------------|--------------------|
| Project Costs.                        | £4,288,857.        |
|                                       |                    |
| <b>Project Financing (confirmed).</b> | <b>Amount.</b>     |
| UKSPF.                                | £405,532.          |
| Islands Deal.                         | £1,214,000.        |
| <b>Project Financing (pending).</b>   |                    |
| Regeneration Capital Grant Fund.      | £1,608,000.        |
| OIC (unconfirmed and notional).       | £655,900.          |
| HIE (unconfirmed and notional).       | £405,425.          |
| <b>Total</b>                          | <b>£4,288,857.</b> |

## 5.9.

As outlined in section 3.3 above, the Council's Third Party Funding Applications Framework includes a condition that the Council will support third party applications for grants up to a maximum of £1,000,000 for a single project. PAC were aware of this condition prior to submitting their application.

### **5.9.1.**

Supporting a request for more than £1,000,000 for a single project may expose the Council to additional financial risk. However, if members are minded to support the PAC request for a RCGF grant of £1,608,000, the Sub-committee can do so, as long as the application is deemed to satisfy the grant funder's criteria.

### **5.9.2.**

In this particular case, it is worth noting that a funding application for the full requested amount would enable the RCGF to become the main funder for the project, providing the opportunity for securing a significant amount of external funding, as well as reducing the requirement for PAC to identify additional match funders.

### **5.10.**

Based on the summary information requested at Stage 1 of the Regeneration Capital Grant Fund, the Pier Arts Centre project aligns with the overall objectives of the fund, which include supporting locally developed regeneration projects that involve local communities. As such, submission of the application to the Scottish Government by the Council is recommended, for the amount of £1,608,000.

## **6. Priority Ranking**

### **6.1.**

The RCGF scheme application guide for Stage 1 submission notes that applicants submitting multiple project proposals are asked to number them in order of priority. The Council, as lead applicant, is therefore requested to consider this.

### **6.2.**

Whilst both third party applications are considered by officers to be highly worthwhile of being supported in their own rights, the Corporate Leadership Team, when considering the recommendations and the ranking request concluded that, on balance, the Pier Arts Centre project should be recommended as ranking first.

### **6.3.**

The proposed priority ranking took into account several factors such as perceived fit with the Regeneration priorities of the RCGF schemes, the levels of other committed funding that will support deliverability within the required RCGF timescales. The Pier Arts Centre's proposal also reflects the Orkney-based development within the approved Creative Islands Wellbeing project of the Islands Growth Deal programme and is currently seeking a full funding package.

## **7. Corporate Governance**

This report relates to the Council complying with governance and procedural issues and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

## **8. Financial Implications**

### **8.1.**

The principal reason why the Council established the third party framework was to enable the submission of applications on behalf of community organisations to funding schemes that are only open to local authorities and to widen the possible funding routes for local projects and maximise external funding opportunities.

### **8.2.**

There are potential financial risks associated with accessing funding on behalf of third party organisations with the most obvious risk that of default on the grant conditions by the third party, leaving the Council liable for repayment of the grant.

### **8.3.**

The financial details of the two proposed project are summarised in sections 4 and 5 above, with total estimated capital costs of £5,953,857, seeking RCGF funding totalling £2,368,000 and match funding of £3,585,857. With only some of the match funding totals identified to date there is a risk that the balance will be difficult to secure although potential sources have been identified. A further risk faced by this and every other building projects currently at the planning stage is that of construction cost inflation and challenges in procuring contractors.

### **8.4.**

An administrative burden will be established if the grant applications made on behalf of the Birsay Heritage Trust and Pier Arts Centre are successful. The Council will require to remain involved in the projects to ensure that the grant conditions are fully discharged.

### **8.5.**

Should any of the applicants be successful in securing a grant through the RCGF, this does not guarantee any other level of financial contribution or support from the Council.

## **9. Legal Aspects**

### **9.1.**

In order to claim grant monies, whether or not on behalf of a third party, the Council will be required to adhere to the funder's grant conditions.

## **9.2.**

In circumstances where the Council agrees to enter into a funding agreement on behalf of a third party, the Council's position will require to be protected by the third party entering into an agreement with the Council on terms mirroring the Council's agreement with the funder in respect of the relevant grant monies, including provisions for the Council's remedy in the event of a third party defaulting on the grant conditions.

## **10. Contact Officers**

Gareth Waterston, Corporate Director for Enterprise and Sustainable Regeneration, extension 2103, Email [gareth.watson@orkney.gov.uk](mailto:gareth.watson@orkney.gov.uk).

Sweyn Johnston, Head of Enterprise and Economic Growth, extension 2271, Email [sweyn.johnston@orkney.gov.uk](mailto:sweyn.johnston@orkney.gov.uk).

Stuart Allison, Service Manager (Enterprise), extension 2514, Email [stuart.allison@orkney.gov.uk](mailto:stuart.allison@orkney.gov.uk).

## **11. Appendix**

Appendix 1: Third Party Funding Applications Framework.

## **Appendix 1.**

# **Third Party Funding Applications Framework**

## **1. Purpose**

This third party funding scheme enables legally constituted community organisations to seek access to grant funds to which only local authorities or partnerships involving local authorities can apply. In doing so, the scheme harnesses the opportunity to create an enabling environment that supports community organisations to develop projects which foster investment and innovation and may not otherwise be developed. Moreover, it aims to facilitate community empowerment, improving local outcomes and building resilience.

## **2. Funding Criteria**

In addition to satisfying the Grant Funder's criteria, third party applicants to any external funding scheme must demonstrate alignment with Council priorities and/or objectives. The Council will support third party applications for grants up to a maximum of £1,000,000 for a single project.

## **3. Funding Conditions**

In addition to the Grant Funder's conditions, third party applicants to an external funding scheme are subject to the Council's own standard grant terms and conditions.

## **4. Application Process**

### **4.1. Stage 1: Assessment of eligibility**

Details of the third party funding scheme are set out on the Council's website, including (but not limited to) the Council's standard grant conditions, application process and requirements, and interested community organisations are advised to contact the Council to discuss their prospective application and determine eligibility for the scheme. The responsible Council Officer will check the grant conditions of the relevant funding scheme to ensure that there is no prohibition on passing on the funds to a third party. They will also assess the proposed project against the funding scheme's criteria as well as conduct initial due diligence checks on the applicant's legal and financial status.

### **4.2. Stage 2: Performance of due diligence**

Eligible applicants are provided with a timetable for the third party funding scheme's application process in alignment with the relevant fund's submission deadline(s), and asked to complete a checklist of tasks such as completing a draft application for the relevant fund, evidencing match funding, detailing project management and obtaining preplanning advice (if applicable), for example. The responsible Council Officer will

liaise with the Grant Funder who will forward a draft application for feedback. Once the funding application is finalised and the checklist tasks completed, the Council Officer will prepare a report for the Sub-committee (detailed in section 5 below) via the prescribed committee reporting process.

#### **4.3. Stage 3: Consideration by Sub-committee**

The Sub-committee will consider the third-party application and determine whether it meets the criteria and conditions for the Council's support. In the case of a negative outcome, applicants will be provided with the rationale for the decision in writing.

#### **4.4. Stage 4: Submission of approved application**

The responsible Council Officer will submit the approved application and liaise with the Grant Funder and the Applicant should there be any queries. The decision of the Grant Funder when received will be notified to the Applicant. In the event of a two-stage application process or pre-submission of an expression of interest, and subsequent approval by the Grant Funder to proceed to the next stage in the application process, Stages 2, 3 and 4 above are repeated.

#### **4.5. Stage 5: Offer of grant**

Upon a successful outcome to the application, the responsible Council Officer will inform the third-party organisation as well as relevant officers in the Council's Finance and Legal services. To claim grant monies, the Council will be required to adhere to the Grant Funder's grant conditions and the third party is, in turn, required to comply with the Council's conditions. The third party must enter into an agreement on terms satisfactory to the Council before the Council enters into any agreement with a funder in respect of grant monies.

#### **4.6. Stage 6: Ongoing monitoring and reporting.**

As prescribed by the grant funding agreement, the third party will complete claim forms, project update reports and any other paperwork required by the Grant Funder and the Council. The responsible Council Officer will coordinate submission of relevant documentation to the Grant Funder and the Council's Finance service as required.

### **5. Governance**

In accordance with the Council's Scheme of Administration and subject to the limitations and conditions stated therein, the Community Development Fund Sub-committee has delegated authority to determine requests to the Council; to submit expressions of interest; or funding applications on behalf of a third party.

The Sub-committee will meet as required to consider third-party funding applications, allowing submissions to be determined within the often tight timelines set by funders.

At each meeting of the Sub-committee, a monitoring report will be submitted to advise of the outcomes of third-party funding applications submitted and to report progress on all projects that have been processed via this framework.