

## **Scottish Government Regeneration Capital Grant Fund – Update**

**Report by John Blair, Director, Resources**

### **1 Purpose of Report**

The purpose of this report is to advise Council of the position with the outcome of the three funding applications submitted to the fourth round of the Scottish Government Regeneration Capital Grant Fund 2016/17.

### **2 Background**

#### **2.1 Regeneration Capital Grant Fund**

The Regeneration Capital Grant Fund forms one element of the financial support package provided by the Scottish Government as part of achieving a Sustainable Future: The Regeneration Strategy, published in December 2011.

The Regeneration Capital Grant Fund has been developed in partnership with COSLA and Scottish local authorities. An annual budget of £25 million is available to provide financial support to locally developed regeneration projects that involve local communities helping to support and create jobs and build sustainable communities.

The fund supports regeneration projects across Scotland and is available on a competitive basis to Scottish Local Authorities

The fund is primarily aimed at providing new and/or improved infrastructure which enhances the economic, social, and physical environment of communities.

The focus of the fund relates to:-

- Projects that primarily focus on areas which suffer from high levels of deprivation and disadvantage.
- Projects that will deliver transformational change with strong regeneration outcomes.
- Projects and programmes which have the potential to lever in private sector investment and address long term market failure.
- Projects that demonstrate clear community involvement.

#### **2.2 Council Meeting 28 June 2016**

At this meeting on 28 June 2016 The Council agreed to:

- a) *Notes the timescales for Regeneration Capital Grant funding bids announced by the Government in May 2016;*

- b) *note the action of the Director, Resources on behalf of the Executive Team to submit three bid applications as set out in Section 3.0 of the report; and*
- c) *and Instruct the Director, Resources to report back in the Autumn on the outcome of the bids.*

### **3.0 Update on Applications Submitted to the Regeneration Capital Grant Fund**

#### **3.1 Application Process**

The application process follows a two-stage process. Applications that pass stage 1 are invited to complete a comprehensive business case for stage 2. Detailed feedback is only provided to applications that are considered at stage 2. The Investment Panel make recommendations to COSLA and Scottish Ministers who endorse the final decisions.

#### **3.2 Mayfield Industrial Estate Repair and Regeneration Project**

##### Project Summary

- This project involves the repair, refurbishment and regeneration of three blocks of industrial units together with the surrounding common grounds within Mayfield Industrial Estate.
- The units are approximately 30 years old and are nearing the end of their useful life. Consequently significant expenditure is required (in addition to reactive maintenance) to secure their future.
- Following the procurement of condition surveys, the budget cost of the project is £605,000 inclusive of in-house management and fees.

##### Application Update

This application was unsuccessful at stage 1.

#### **3.3 Regenerating Rosewell**

##### Project Summary

- Rosewell has no dedicated fit for purpose indoor community facilities. Previously a thriving mining village with a strong sense of both community spirit and wellbeing, over the past fifteen years, due to the demise of the mining industry, the loss of local amenities and businesses which led to an increase in unemployment levels. Owing to the lack of inward investment the economy, the wellbeing and spirit of the community has been impacted.
- In October 2010 a group of residents formed the Rosewell Development Trust to tackle the economic, social wellbeing and lack of community facilities within the Rosewell community.
- With funding support from People in Communities, The Robertson Trust, Midlothian Council, Big Lottery and other partners over the past five years Rosewell Development Trust have achieved significant success.

- The submitted bid sought £670,000 regeneration funding out of anticipated project spend of £1,985,000.

#### Application Update

The following feedback was received from the Scottish Government in respect of the Regenerating Rosewell project.

*“There was an overall improvement in the quality of projects and project applications submitted to the fund for 2017/18. This meant that a number of projects that were assessed were unable to secure a recommendation for funding from the limited pot available.*

*The Regenerating Rosewell project was not able demonstrate that it could meet the viability criteria at this time. The demand for project space required to be better demonstrated and better articulation of the outcomes from the project was required.*

*The Scottish Government have confirmed that arrangements for a further call for Regeneration Capital Grant Fund projects that could start in 2018/19 will be announced during April 2017 and would be happy to provide further feedback on the project and the fund more generally should the Trust wish to consider reapplying for this or a new project as part of that call.”*

Section 4.1 below details the proposed next steps in connection with the Regenerating Rosewell project.

### **3.4 Newtongrange Station “Track 2 Train”**

#### Project Summary

“Track 2 Train” is an innovative public private regeneration project that will bring a derelict building at Newtongrange station back into use by redeveloping the building as a vibrant community hub, providing a quality social enterprise cafe bistro, commercial training kitchen, learning centre and business space with associated conference facilities. This project will seek to contribute to the wider economic and community opportunities that the new Borders Railway offers the local communities it serves.

This is an innovative training project for people with convictions or at risk of offending. The training project will aim to improve the clients’ confidence, learn transferable skills in a work place environment, and gain accredited qualifications in order to move into work. Trainees will be supported into positive destinations and the service will provide a much needed crime prevention and rehabilitation service.

#### Application update

Awarded £360,000 subject to completion of the technical checks on the application submitted for the Track 2 Train project.

## **4 Regenerating Rosewell Project**

## 4.1 Current Capital Funding Position

The Rosewell Development Trust secured development funding of £61,000 from the Big Lottery, to cover site surveys, contamination studies, civil engineering consultations, drainage, utilities studies, and detailed design concepts and cost plans.

The overall purpose is to enable the Trust to develop the project to meet the Big Lottery's requirements for the next stage in their funding process. This next stage would encompass a full funding application to the Big Lottery for capital grant funding to contribute to the construction of the hub, with the Trust expected to submit a funding bid of £1.000 million to the Big Lottery.

Midlothian Council has already committed significant staffing resource to assist the Trust with the provision of financial, technical, legal and marketing support, and the Director, Resources confirms that this staffing resource will continue to be available to the Trust. The Council has also committed a revenue budget of £10,000 to assist the Trust in reviewing their income projections and to develop a full business case that the Trust can use in support of their capital grant funding applications to the organisations listed in Table 1 below.

## 4.2 Funding Applications

At this stage, other than approval in principle of £135,000 of funding by Midlothian Council (met from Developer Contributions) the Trust has not secured any capital or revenue funding for the construction and operational phases of the project.

The overall capital costs of the project (excluding the development stage costs as described in Section 4.1 above), are estimated to be £1.985 million. The anticipated funding contributions that the Trust aimed to secure which were forecast prior to the outcome of the Regeneration Capital Grant Fund application are outlined in table 1 below:-

Table 1: Capital Expenditure and Funding Position

<b>Organisation</b>	<b>Capital Funding £000's</b>
<b>Construction Costs</b>	<b>£1,985</b>
<b>Proposed Funding:-</b>	
Big Lottery	£1,000
Regeneration Capital Grant Funding	£670
The Robertson Trust	£180
Midlothian Council	£135
<b>Total Proposed Funding</b>	<b>£1,985</b>
<b>Shortfall/(Surplus)</b>	<b>£0</b>

### Big Lottery

For of projects of this type, community organisations such as the Rosewell Development Trust will approach a number of external organisations for capital funding. For the Regenerating Rosewell project, the Trust expects to submit an application to the Big Lottery for capital grant funding of £1.000 million by May 2017, with the outcome of this funding application expected to be determined in September 2017.

### Regeneration Capital Grant Fund

The Trust have been unsuccessful in their funding application to the Regeneration Capital Grant Fund. The Scottish Government have confirmed that arrangements for a further call for Regeneration Capital Grant Fund projects that could start in 2018/19 will be announced in April 2017 and the Government would be willing to provide further feedback on the project and the fund more generally should the Trust wish to consider reapplying as part of that call.

### The Robertson Trust

The Robertson Trust funding criteria for Capital Investment Fund has recently changed and it is anticipated that a funding application will be submitted in the next two months by the Trust.

### Midlothian Council

Council on 15 December 2015 approved funding in principle of £135,000 of developer contributions towards the Regenerating Rosewell project subject to the Director, Resources being satisfied as to the overall funding arrangements of the project.

### Summary of Funding Position

Other than the Council funding of £135,000 the Trust has not secured any other funding. As a result of the unsuccessful bid to the Regeneration Capital Grant Fund, there is a minimum funding shortfall of £670,000 which could increase should other funding applications to the Big Lottery and the The Robertson Trust be unsuccessful, or the capital expenditure associated with the project increases.

## **4.3 Proposed Next Steps**

### Regeneration Capital Grant Fund

The full and detailed rationale for the unsuccessful funding application to the Regeneration Capital Grant Fund is at this stage unclear. Scottish Government have indicated that they will be willing to provide further feedback on the project and the fund more generally should the Trust wish to engage in this process.

It is therefore proposed that Officers from Midlothian Council, meet with the Scottish Government's Social Justice and Regeneration Team in order to establish the precise rationale for the unsuccessful funding bid.

An opportunity exists to reapply for funding to the Regeneration Capital Grant Fund for projects that could start in 2018/19. The timeline and process for this will be announced by Scottish Government in April 2017 and would allow the Trust to submit a revised bid which incorporates the Scottish Government feedback on the original Regeneration Capital Grant Fund bid.

### Business Plan

The Trust business plan still requires further development. This has been discussed between the Trust and Council on a number of occasions. The review of the Business Plan will be a requirement for the final Big Lottery funding submission and to satisfy the Council in respect of its financial contribution. It requires the expertise of external marketing and consultancy organisations to provide robust expenditure and income forecasts for the operational phase of the project, to ensure that the Trust can operate on a viable basis. The Business Plan will review the predicted demand for the use of the building in order to provide detailed annual expenditure and income forecasts, which will be further broken down on a monthly basis to account for seasonal fluctuations in the usage of the building. This builds on the work undertaken to date in connection with the Trusts business plan.

As noted above, the Council has previously committed a revenue budget of £10,000 to support the Trust in developing a business case with robust cost and income projections for the project. It is proposed that the Director Resources continues to work with the Trust in the ongoing development of the business plan.

#### **4.4 Meeting between Regenerating Rosewell Team and Midlothian Council Officers**

The Director Resources was in contact with representatives of the Regenerating Rosewell Team and a meeting was held on Tuesday 14 March 2017. Whilst the option of abandoning the project was considered by the Trust and the Council, the following actions were proposed, given the work undertaken to date by the Trust and supported by the Council:-

- The Director Resources to contact the Scottish Government Social Justice and Regeneration Team to arrange a meeting to consider the feedback regarding the bid.
- This is a precursor to enable the Trust and the Council to consider the approach to applying for future Regeneration Capital Grant Fund funding.
- The Trust to continue to explore all other external funding options supported by the Director Resources;

## 4.5 Following the Public Pound

It is important in considering the Council's involvement in the project that full consideration is given at all stages of the project to the *"Following the Public Pound"* report published by Audit Scotland in 2004, which sets out the principles of best practice for local authorities with respect to funding decisions which utilise public money:

*"Robust systems for identifying and evaluating all the significant risks associated with planning and delivering services is an important aspect of good governance and applies where councils are considering new and existing funding agreements. In addition to normal business risks such as financial loss and service failure, there is the risk of damage to reputation through association with an external organisation if financial or service delivery problems emerge."*

*"Effective governance also requires councils to ensure that funds and resources provided to [voluntary organisations] are used for the purpose intended. Best Value requires efficiency, effectiveness, economy, equal opportunities and the achievement of sustainable development; these concepts are equally relevant in funding arrangements. Effective monitoring that is commensurate with the value of the funds and assessed risks is therefore essential."*

*"...the principles of good governance apply in decisions concerning public money irrespective of whether those funds are spent directly or are transferred to...voluntary organisations."*

Accordingly any financial contribution from the Council to the construction or operational cost of the Regenerating Rosewell project to address the current shortfall of £670,000 as a result of the unsuccessful Regeneration Capital Grant Fund bid, or indeed a greater element of the full cost amounting to £1.985 million would represent a considerable investment by the Council. This is at a time of significantly constrained financial resources and in the context of the projected budget shortfalls as outlined in the Financial Strategy reported to Council on 7 February 2017.

It is therefore incumbent to reinforce to all members of the Council that at this stage any further funding commitment from the Council would be considered premature and would not be prudent. Any such consideration would more appropriate for Council to determine after:-

- (a) Detailed understanding of the rationale for non-investment from the Regeneration Capital Grant Fund;
- (b) The further development of a detailed business plan and assessment of the viability / sustainability of the project on an operational basis;
- (c) Firm funding commitments be secured towards the construction costs from the other proposed external organisations including the Big Lottery.

## **5 Report Implications**

### **5.1 Resource**

At the Council meeting on 28 June 2016 the Director Resources advised that the support provided to Regeneration Projects included financial, technical, legal and community development officers.

Following the announcement of the Regeneration Community Grant Funding awards the following actions are proposed.

#### Track 2 Train

The Borders Rail Economic Development Group will maintain an oversight of this project.

To monitor progress with the Track 2 Train this project will be governed via the Borders Rail Economic Development group to ensure that the appropriate technical resources are available. Furthermore it is imperative that all external funding is secured and is in place prior to committing to any contracts.

#### Regenerating Rosewell

The Council on 15 December 2015 has approved funding in principle of £135,000 towards the Regenerating Rosewell project subject to the Director, Resources being satisfied as to the overall funding arrangements of the project.

At this stage, the Regenerating Rosewell project has yet to secure any capital grant funding (other than the £135,000 from Midlothian Council towards the construction costs of £1.985 million.) The project faces a significant funding deficit against its planned funding amounting to £670,000, due to the unsuccessful bid to the Regeneration Capital Grant Fund. It is also noted that the Big Lottery are typically the first organisation to approve any grant funding for projects of this nature.

It is reinforced that at this stage, any further funding commitment from the Council would be considered premature and would not be prudent.



## **5.2 Single Midlothian Plan and Business Transformation**

Themes addressed in this report:

- × Community safety
- ☐ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- × Improving opportunities in Midlothian
- × Sustainable growth
- ☐ Business transformation and Best Value
- ☐ None of the above

## **5.3 Key Priorities within the Single Midlothian Plan**

In terms of the key priorities of the Community Planning Partnership through the Single Midlothian Plan, the proposal set out in this report will deliver benefits in terms of the business growth.

## **5.4 Impact on Performance and Outcomes**

The project for the “Track 2 Train” project contributes to meeting the target of improving Midlothian’s infrastructure reducing reoffending and working with local communities.

## **5.5 Adopting a Preventative Approach**

The proposals outlined in the Track 2 Train project improve the prospects to make Newtongrange and the surrounding area more economically viable and more attractive for those who live, visit and work in the area. The project is preventative as it will provide viable training and employment opportunities for people with convictions.

## **5.6 Involving Communities and Other Stakeholders**

Consultation and information events will be held before work commences on the Track 2 Train site and to include key local stakeholders.

## **5.7 Ensuring Equalities**

There are no equality issues arising directly from this report. However the impact on the priority areas of Mayfield and Easthouses, Dalkeith/Woodburn and Gorebridge will be positive once the Track 2 Train project progresses.

## **5.8 Supporting Sustainable Development**

The Track 2 Train project will contribute to the vision set out in the Local Development Plan. The project will support communities to be more inclusive, resilient, to flourish and create/enhance conditions for business growth.

## **5.10 Digital Issues**

There are no digital issues arising from this report.

## **6.0 Summary**

Of the three applications submitted to the Scottish Government Regeneration Capital Grant Fund 2016/17 one was unsuccessful at stage 1, two were considered at stage 2 and the Track 2 Train project was awarded £360,000 subject to standard technical checks. Council officers will continue to work with Rosewell Development Trust to progress the project as set out in this report.

## **7 Recommendations**

The Council is invited to:

- (a) Note the successful funding bid for Track 2 Train from the Regeneration Capital Grant Fund.
- (b) Note the unsuccessful funding bid for the Mayfield Industrial Estate Repair and Regeneration Project to the Regeneration Capital Grant Fund.
- (c) Note the unsuccessful funding bid, at stage, for the Regenerating Rosewell Project to the Regeneration Capital Grant Fund.
- (d) Instruct the Director Resources to arrange an urgent meeting with Scottish Government regarding feedback on the Regenerating Rosewell bid.
- (e) Instruct the Director Resources to continue to work with the Rosewell Community Development Trust to explore other funding solutions and options.
- (f) Instruct the Director Resources to provide an update report to future Council Meetings.

**28 March 2017**

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### **Background Papers:**

