

Item: 4

Community Development Fund Sub-committee: 21 October 2021.

Regeneration Capital Grant Fund.

North Ronaldsay Trust.

Report by Interim Executive Director of Finance, Regulatory, Marine and Transportation Services.

1. Purpose of Report

To consider the submission of an application from North Ronaldsay Trust to the Second Stage of the Regeneration Capital Grant Fund.

2. Recommendations

The Sub-committee is invited to note:

2.1.

That, in June 2021, the Council submitted a Stage One application, to the Scottish Government Regeneration Capital Grant Fund (RCGF), on behalf of North Ronaldsay Trust, in respect of a project to restore redundant property and land at Treb, North Ronaldsay, at a total estimated project cost of £1,513,356.

2.2.

That, on 15 September 2021, the Scottish Government Regeneration Team advised that the application from North Ronaldsay Trust had passed the Stage One assessment and the submission of a Second Stage application was invited by 22 October 2021.

It is recommended:

2.3.

That a Second Stage application be submitted to the Regeneration Capital Grant Fund on behalf of the North Ronaldsay Trust.

2.4.

That, in the event of the application attracting an offer of grant from the Regeneration Capital Grant Fund, powers be delegated to the Interim Executive Director of Finance, Regulatory, Marine and Transportation Services, in consultation with the Head of Finance and the Solicitor to the Council, to accept/decline the offer of grant and, if accepted, enter into an appropriate legal agreement with the North Ronaldsay Trust.

3. Introduction

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

- That the Third Party Funding Applications Framework, attached as Appendix 8 to the Minute, 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.

4. Background

4.1.

In May 2021, North Ronaldsay Trust (NRT) expressed a desire for the Council to submit a funding application to the 2021/22 Scottish Government Regeneration Capital Grant Fund (RCGF) on their behalf, by the Stage One deadline of 17 June 2021.

4.2.

As the Framework, attached as Appendix 1 to this report, was not due to be considered by the Policy and Resources Committee until 22 June 2021, officers requested an extension to the submission date from the RCGF but were advised that, although an extension was not possible, the Council could submit applications by the due date and subsequently withdraw them in the event of the Framework not being agreed. The request was then reported to a meeting of the Senior Management Team on 3 June 2021 where it was recommended that a Stage One application be submitted on the foregoing basis.

4.3.

It is worth noting that the Council is not under any contractual obligation unless or until a grant offer is made by the Scottish Government to, and formally accepted by, the Council. The RCGF is a competitive fund and is typically oversubscribed at all stages.

4.4.

The Third Party Funding Applications Framework, attached as Appendix 1, sets out the background to the process that was agreed by the Council.

4.5.

Having been advised on 15 September 2021 that the application submitted had successfully passed the Stage One assessment by the RCGF, there is only a brief window between the determination of Stage One applications and the deadline for the submission of Second Stage applications on 22 October 2021 at 14:00.

4.6.

With the community group involved reluctant to commit resources to the development of Second Stage applications in advance of the outcome of Stage One, and due to the much greater level of detail required to complete a Second Stage application, NRT has been under considerable pressure to complete this application on time.

4.7.

In terms of the Third Party Funding Applications Framework, the Second Stage application submitted by the NRT for consideration is summarised below.

5. North Ronaldsay Trust (NRT) – The Pund

5.1.

With assistance from the Scottish Land Fund, in March 2021 the NRT acquired the North Ronaldsay property of Treb. The site comprises interconnected buildings with a house, shop space, store, and a large workshop, all currently in poor condition. There are two additional derelict standalone sheds and approximately eight acres of surrounding unused farmland.

5.2.

Historically, Treb was a focus of activity on the island and NRT hopes to reclaim its purpose as a Community Resource Hub which they have named ‘the Pund’ after the stone shelters used to corral the island’s seaweed eating sheep.

5.3.

NRT has engaged a consultant and is currently developing a new 10-year Island Development Plan covering the period 2022 to 2032, with the first project being the planned redevelopment of the buildings at Treb.

5.4.

The Pund is an intergenerational project for North Ronaldsay to restore redundant property and land into a productive workspace hub and develop new build facilities to create a community and lifelong wellbeing hub for the island. NRT believes it represents the optimal use of resources and will give each constituent element the best chance of success, including:

- Bringing together multiple elements of socio-economic benefit in a centrally located, single accessible site beside the island’s airfield.
- Transformational investment on a scale that creates additional employment opportunities, supports population growth, increases economic capacity and enhances island resilience.

- Creating a dedicated hub for on-island processing of the island’s sheep flock – wool, meat and skins - as well as providing research opportunities into the rare seaweed-eating sheep. A modular 'Meat Larder' enterprise will be in place by March 2022, with funding recently awarded from the Island Communities Fund.
- Creating a Resource Hub with heritage centre, events/meeting room, dwelling, office, plus a Health and Wellbeing Centre, for use by NHS Orkney, Scottish Fire and Rescue Service, Scottish Ambulance Service, and a Community Gym.
- Ensuring delivery is focused on people’s needs. The community is involved in designing and delivering the services that affect them.
- All Pund facilities to be powered from renewable energy sources demonstrating that North Ronaldsay is open to new ideas and new ways of working. Future new builds to exceed current building standards where possible to maximise energy efficiency and future proof the buildings.
- Exploiting opportunities for a bespoke island power network incorporating two wind turbines, solar PV panels, and a community battery to store renewable energy at the Pund for business, utilities, and transport.

5.5.

Project costs have been estimated at £1,513,356 over two years and NRT is seeking to secure £985,460 grant funding from the RCGF towards that cost. A financial summary is set out below:

Spend	2022-23	2023-24	2024-25	Totals
Total capital expenditure	£1,114,131	£394,800	£4,425	£1,513,356
Funded by				
RCGF	£595,460	£390,000		£985,460
Match funding	£518,671	£4,800	£4,425	£527,896
Total funding	£1,114,131	£394,800	£4,425	£1,513,356

5.6.

£121,676 of the match funding total has been confirmed, leaving £406,220 yet to be secured. Sources have however been identified and applications will be submitted in due course.

5.7.

Phase 2 plans include potential for four affordable residential units, further community/commercial ventures, and plans for acquiring and running a Community Electric Minibus Service on the island. Total costs of the second phase are estimated at £1,200,000. Phase 2 currently remains in the pre-planning stage and is yet to be formally agreed by the NRT and the community.

6. Project Appraisal

6.1.

Having previously passed Stage 1 assessment, the more detailed Second Stage application is subject to further scrutiny by the independent Regeneration Capital Grant Fund Investment Panel which will make final recommendations on projects to be funded.

6.2.

The applicant has highlighted the deficit of commercial space and community amenities on the island with no commercial facilities where businesses can develop. The Trust and the broader community submit that they have the experience and capabilities to deliver this project, having previously completed a £1 million plus redevelopment of its Lighthouse Complex, plus extensive renovation of a church and more recent renovation of a house to provide affordable housing.

6.3.

As confirmed by the successful examination at Stage 1, the project proposal meets the eligibility criteria specified by the funder and demonstrates significant pre-project planning and preparation, including the development of a ten-year development plan, partially securing match funding, and establishing key project tasks/milestones.

6.4.

The project proposals support and contribute to improved outcomes for the North Ronaldsay community as outlined in the following documents:

- The Council Plan 2018-23 – Strategic Priorities:
 - Thriving Communities.
 - Enterprising Communities.
 - Quality of life.
- Orkney Community Plan 2019-2022 – Priorities:
 - Strong Communities.
 - Living well.
 - Vibrant Economy.
- Sustainable Orkney Energy Strategy 2017-2025 – encouraging a move towards low carbon transport and heat networks.

6.5.

Community consultation has previously been undertaken and will take place again during April and May 2022 to ensure that the proposal and final site design retains local support.

6.6.

Not all of the match funding has yet been confirmed and this does represent a financial risk. The RCGF Assessment Panel might seek further information from the funding providers and/or the project delivery organisation. Recent increases in the cost of construction materials might also be of some concern. However, the proposal is well researched and prepared and is considered worthy of submission to the RCGF for Second Stage evaluation.

6.7.

Any subsequent offer of grant and the associated terms and conditions will have to be acceptable to both the project delivery organisation and the Council and, in the event of an offer of grant funding being received, all terms and conditions attached to the offer(s) will require to be carefully considered and the level of financial risk to the Council assessed and mitigated as appropriate.

6.8.

The applicant is aware that if the application is successful, the project must be delivered in accordance with the Council's own policies and procedures, and they have been provided with copies of relevant published Council documentation.

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 Pund project are set out in section 5 above, with total estimated capital costs of £1,513,356 to be funded by the RCGF of £985,460 and match funding of £527,896. With £121,676 of the match funding total identified to date there is a risk that the balance of £406,220 will be difficult to secure although

potential sources have been identified. A further risk faced by this and every other building project currently at the planning stage is that of construction cost inflation.

8.4.

An administrative burden will be established if the grant application made on behalf of the North Ronaldsay Trust is successful. The Council will require to remain involved in the project to ensure that the grant conditions are fully discharged.

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 in principle 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 Waterson, Interim Executive Director of Finance, Regulatory, Marine and Transportation Services, extension 2103, Email gareth.waterson@orkney.gov.uk

Roddy MacKay, Head of Planning, Development and Regulatory Services, extension 2530, Email roddy.mackay@orkney.gov.uk

Jackie Thomson, Development and Regeneration Manager, extension 2507, Email jackie.thomson@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 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 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

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.

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 pre-planning advice (if applicable), for example.

The responsible Council Officer will liaise with the 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 4 below) via the prescribed committee reporting process.

Stage 3: Consideration of 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.

Stage 4: Submission of approved application.

The Responsible Council Officer will submit the approved application and liaise with the 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.

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 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.

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 funder and the Council. The Responsible Council Officer will coordinate submission of relevant documentation to the 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 every formal meeting of the Sub-committee, a monitoring report will be submitted to advise the outcomes of third party funding applications submitted and to report progress on all projects that have been processed via this framework.