

## **Item: 19**

**Policy and Resources Committee: 21 June 2022.**

**Crown Estate Fund.**

**Proposals for Economic and Community Development Schemes.**

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

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

To consider the establishment of ring-fenced economic development and community development budgets within the Council's Crown Estate Fund.

### **2. Recommendations**

The Committee is invited to note:

#### **2.1.**

That, on 19 December 2019, when considering proposals for the allocation of marine estate revenue funding from Crown Estate Scotland for 2019/20, together with principles to guide the longer term funding allocation strategy, the Council noted:

- That Scottish Ministers confirmed that the net revenue generated from Crown Estate marine assets out to 12 nautical miles would be allocated annually to coastal local authorities.
- The expectation of Scottish Ministers that local authorities would use the revenues generated from Crown Estate marine assets for additional expenditure that specifically benefitted coastal communities.
- That any of the allocation that had not been spent in full by 31 March annually, may be carried forward to a Crown Estate Fund.

#### **2.2.**

That, on 19 December 2019, the Council subsequently adopted the guiding principles for allocation of funding from the Crown Estate Fund, as set out in section 3.2 of this report.

#### **2.3.**

That, from September 2019 to date, the Council has received a total of £2,674,933 in Crown Estate marine asset revenue funding.

## **2.4.**

The balance remaining in the Crown Estate Fund as at 31 March 2022, amounting to £1,897,195, with commitments of £643,005, resulting in an unallocated balance of £1,254,190.

## **2.5.**

The expectation that funding amounting to £2,140,000 will be allocated to the Council in respect of revenues generated over the two-year period 2020 to 2022, an annual average of £1,070,000.

## **2.6.**

The proposal that, in order to redress the reduction of funding for economic development grants, as well as Community Led Local Development funding, formerly LEADER, the following two schemes be established, utilising available balances within the Crown Estate Fund:

- Crown Estate Economic Development Fund.
- Crown Estate Community Led Development Fund.

**It is recommended:**

## **2.7.**

That, following deduction of all funding commitments made to date, 50% of the balance of the Crown Estate Fund, approximately £697,000 as at 31 March 2022, plus 50% of future annual allocations of Crown Estate revenues, estimated at £535,000 per annum over 2020 to 2022, be allocated and split evenly to the following two new funding schemes:

- Crown Estate Economic Development Fund.
- Crown Estate Community Led Development Fund.

## **2.8.**

That up to 25% of the allocations referred to at paragraph 2.7 above, estimated at £134,000 per annum over the next two years, be used to cover respective associated staff and administration costs, subject to all available government funding for that purpose being claimed first.

## **2.9.**

That determination of applications for funding from the Crown Estate Economic Development Fund be delegated to the Corporate Director for Enterprise and Sustainable Regeneration.

## **2.10.**

That determination of applications for funding from the Crown Estate Community Led Development Fund be delegated to the Corporate Director for Enterprise and Sustainable Regeneration, in consultation with the Chair of the Orkney Local Action Group, established to deliver the 2014-20 LEADER Programme.

## **2.11.**

That the unallocated 50% balance in the Crown Estate Fund, estimated at £627,000 as at 31 March 2022, together with 50% of future annual allocations of Crown Estate revenues, should continue to be applied in accordance with the guiding principles agreed by the Council on 19 December 2019 and referred to at paragraph 2.2 above.

## **2.12.**

That any budget allocations to the Crown Estate Economic Development Fund and Crown Estate Community Led Development Fund that are not spent or committed within the financial year in which they were awarded be carried forward and retained as ring fenced elements within the Fund balances.

## **2.13.**

That the Corporate Director for Enterprise and Sustainable Regeneration should submit a report, to the first available meeting of the Development and Infrastructure Committee, setting out eligibility criteria and parameters in respect of the Crown Estate Economic Development Fund and Crown Estate Community Led Development Fund.

## **2.14.**

That annual monitoring reports in respect of the Crown Estate Economic Development Fund and Crown Estate Community Led Development Fund be submitted to the Development and Infrastructure Committee.

## **2.15.**

That the Corporate Director for Enterprise and Sustainable Regeneration should review the funding allocations to the Crown Estate Economic Development Fund and the Crown Estate Community Led Development Fund after a period of three years from the date the funds are launched, and submit a report, to the Policy and Resources Committee, detailing the outcome of that review.

## **3. Introduction**

### **3.1.**

On 19 December 2019, when considering proposals for the allocation of marine estate revenue funding from Crown Estate Scotland for 2019/20, together with principles to guide the longer term funding allocation strategy, the Council noted, inter alia:

- That Scottish Ministers had confirmed that the net revenue generated from Crown Estate marine assets out to 12 nautical miles would be allocated to coastal local authorities.
- The expectation of Scottish Ministers that local authorities would use the revenues generated from Crown Estate marine assets for additional expenditure that specifically benefitted coastal communities.
- That, in September 2019, the Council received an allocation of £774,000 from Crown Estate Scotland, being its share of the total net revenues for 2017 to 2018 being distributed in 2019 to 2020.
- That, although the Government expectation was that the Council would use the funding for additional expenditure in 2019 to 2020, any of the allocation that had not been spent, in full, by 31 March 2020 would be carried forward in a Crown Estate Fund.

### **3.2.**

The Council resolved:

- That the undernoted guiding principles be approved for the purpose of guiding deployment of the Crown Estate revenue funding for 2019 to 2020 and the long-term funding allocation strategy for coastal community benefit in Orkney:
  - Support the sustainable development and management of coastal and marine resources.
  - Support and maintain a healthy, clean and safe coastal and marine environment.
  - Support growth and job creation in the coastal and marine economy.
  - Support strategic coastal and marine planning, partnership working and good governance to enable sustainable development and resource management.
  - Support investment in the infrastructure required for coastal communities across all of Orkney to thrive.
  - Support and empower coastal communities across all of Orkney to deliver projects to realise sustainable social, economic and environmental benefits.
  - Support improvements in the long-term productivity of the coastal and marine economy by promoting investment in innovation, education and skills.
  - Support the transition to a low carbon economy.
  - Support measures that mitigate the effects of climate change, adapt to climate change and build greater resilience to the effects of climate change.
  - Support research, knowledge and data to unlock sustainable development and resource management benefits.
  - Support and enable best practice to manage and make use of coastal and marine resources.
  - Support the cultural and social wellbeing of local communities including the maintenance and enhancement of quality of life.

- That the undernoted projects be funded from the Orkney Crown Estate net revenue allocation for 2019 to 2020, at a total cost of £130,000:
  - Bag the Bruck and Pick up 3 Pieces – £35,000.
  - Marine Planning Partnership – £50,000.
  - Coastal Core Paths – £35,000.
  - Public Conveniences – £10,000.
- That the Chief Executive should submit a report, to the meeting of the Policy and Resources Committee to be held on 21 April 2020, identifying projects to be funded from the remaining balance of £644,000 of the Crown Estate net revenue allocation for 2019 to 2020.
- That the Executive Director of Development and Infrastructure should engage with the Convention of Scottish Local Authorities to seek to secure maximum income for Orkney from future allocations of Crown Estate net revenue funding, noting the baseline position established for 2019 to 2020.
- That the Executive Director of Development and Infrastructure should submit a report, to the Policy and Resources Committee in due course, on the outcome of negotiations with the Convention of Scottish Local Authorities, together with a scheme for the long term allocation of Crown Estate funding to Orkney projects.

## **4. Crown Estate Fund**

### **4.1.**

To date, reflecting Crown Estate revenues over the 3-year period up to 2019-20, a total of £2,674,933 has been received by the Council and it is expected that £2,140,201 will be allocated to the Council in respect of revenues generated over the 2-year period 2020 to 2022, with annual receipts increasing thereafter.

### **4.2.**

The balance remaining in the Crown Estate Fund at 31 March 2022 was £1,897,195 with commitments of £643,005, leaving an unallocated balance of £1,254,190.

## **5. Potential uses of the Crown Estate Fund**

### **5.1.**

Scottish local authorities have each adopted a unique, place-based approach to the use and distribution of net revenues. Projects have ranged from the small-scale and community-led approaches, such as beach cleans and wildlife gardens, to large-scale infrastructure projects such as coastal flood defences.

### **5.2.**

In other island local authorities, the revenues have been used to establish community funding schemes. In Shetland, their scheme is open to applications from charities, community organisations, social enterprises and other community or public bodies and can provide grants of between £10,000 and £100,000 to projects which

deliver against the priorities of the Shetland Partnership Plan. In the Outer Hebrides, in August 2020, Comhairle nan Eilean Siar announced £1.3 million of grants from the Crown Estate fund to support 76 community projects across the Western Isles.

### **5.3.**

The Crown Estate revenues allocations to local authorities replaced the Scottish Government's previous Coastal Communities Fund in September 2019, a fund which up until then had funded many community economic development projects, sometimes match-funded by LEADER grants or the Council's Community Development Fund. The combined closures of the Coastal Communities Fund and the 2014-2020 LEADER Programme have resulted in reduced funding opportunities for Orkney community-led development projects.

### **5.4.**

The previous LEADER Programme, European Union support which has been ever present since 1994, has not been replaced by a multi-annual government programme. In May 2022, the Scottish Government announced indicative 2022-23 allocations of Community Led Local Development (CLLD) funding to all 21 previous Scottish LEADER areas. At £110,000, Orkney's allocation was considerably lower than the annual average funding (£416,000) available from the 2014-20 LEADER Programme, and the ring-fenced sum available for the delivery and administration of the fund (a maximum of £16,500) was not sufficient to support a staff resource.

### **5.5.**

Following subsequent representations by Council officers, the Chairs of the Orkney LAG and several other LAGs to the Agriculture and Rural Economy Directorate, revised CLLD funding allocations were announced on 8 June 2022, which resulted in the Orkney allocation increasing to £188,330, including an increased allocation for administration of up to £57,142. Although an improvement on the original allocation, this still falls well short of historical LEADER funding.

### **5.6.**

In respect of the 2014-20 LEADER Programme, the completion date of which was extended to 31 December 2021 to reflect delays resulting from the COVID 19 pandemic, a Local Action Group (LAG) was established to make decisions on the disbursement of LEADER Grants. The LAG, comprising representatives from the public, private and voluntary sectors across Orkney, continues to operate, with LAGs being the designated delivery body in respect of the successor Scottish Government CLLD programme. The Memorandum of Understanding (MOU) between the LAG and the Council will be amended in due course to reflect the transition from LEADER to the Scottish Government CLLD Programme.

## **5.7.**

In delivering the 2014-20 LEADER Programme, 50% of the salary costs of the permanent post of LEADER Development Officer were grant-funded from LEADER funds with additional LEADER staff and administration costs met in full by the Programme. Projects seeking funding were evaluated by Council Officers who presented the evaluations and recommendations to the LAG for consideration.

## **5.8.**

The previous European Union Structural Funds delivered by multi-annual investment programmes, and previously managed by the Council's European Liaison Officer, have now been replaced by a range of competitive national and/or regional annual funds and, to some extent, by the UK Government's Shared Prosperity Fund. However, the funding landscape is now very bespoke with most funds being short-life and having only brief windows to apply for and spend funding. The European Liaison Officer post was disestablished in 2020, following the UK's exit from the EU..

## **5.9.**

The Economic Development Service also previously included a Projects and Funding Officer post, which was disestablished in 2018 after becoming vacant and subsequent unsuccessful attempts to fill it. Although some of the new funds now being launched do contain an allocation towards administration costs these are not at a level that can fully support the additional staff resources required to develop projects, submit funding applications, or monitor and report on any grants received.

## **5.10.**

The Council's Economic Development Grants budget has also reduced considerably over the years, from £1,200,000 in 2002 to £306,300 in 2022, restricting opportunities to fund transformational economic development projects.

## **5.11.**

To redress the reduction of economic development grants and Community Led Local Development (CLLD) funding (formerly LEADER), it is recommended that 50% of the balance of the Crown Estate Fund plus 50% of future annual allocations of Crown Estate revenues be ring-fenced and split evenly to create two new funds within the Crown Estate Fund:

- Crown Estate Economic Development Fund (CEEDF).
- Crown Estate Community Led Development Fund (CECLDF).

## **5.12.**

To enable delivery of the proposed new CEEDF, and to continue to deliver the allocation from the Scottish Government towards Community Led Local Development, it is recommended that up to 25% of the annual fund allocation be used to cover associated staff and administration costs, subject to all available government funding for that purpose being claimed first.

### **5.13.**

To assist in delivery of the proposed CECLDF, along with project development and administration of any new government funds as they emerge, it is also recommended that up to 25% of the annual allocation to the CECLDF be used to cover associated staff and administration costs, subject to all available government allocations for that purpose being claimed first.

### **5.14.**

In order to remain as responsive as possible to requests for funding, and to maintain the influence of the community, it is recommended that determination of funding requests from the new CECLDF be delegated to the Corporate Director for Enterprise and Sustainable Regeneration, in consultation with the Chair of the Orkney Local Action Group.

### **5.15.**

Consistent with the determination of current economic development grants, it is recommended that determination of funding from the CEEDF be delegated to the Corporate Director for Enterprise and Sustainable Regeneration.

### **5.16.**

It is recommended that annual monitoring reports be submitted to the Development and Infrastructure Committee and that the funding allocations be reviewed after a period of three years. In keeping with the Crown Estate Fund principles, it is recommended that any of the allocations to the CEEDF and CECLDF that are not spent or committed within the financial year in which they were awarded be carried forward and retained in fund balances.

## **6. Human Resource Implications**

### **6.1.**

There will be a requirement to establish a staffing resource to administer and deliver these proposals as noted in sections 5.12 and 5.13 above, and a method of funding has been identified.

### **6.2.**

If the proposal is approved, then the additional staffing requirements for either temporary or permanent posts can be approved through existing delegation to relevant senior officers.



## **7. Corporate Governance**

### **7.1.**

This report relates to the Council complying with governance and financial processes and procedures 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.

### **7.2.**

However, the proposals to establish the two schemes would support the Council's priority of Enterprising Communities.

## **8. Financial Implications**

### **8.1.**

To date, in respect of allocations of funding from Crown Estate revenues generated over the 3-year period up to 2019-20, a total of £2,674,933 has been received by the Council and it is expected that £2,140,201 will be allocated to the Council in respect of revenues generated over the 2-year period 2020 – 2022, with annual receipts increasing thereafter.

### **8.2.**

The balance remaining in the Crown Estate Fund at 31 March 2022 was £1,897,195 with further commitments of £643,005, leaving an unallocated balance of £1,254,190.

### **8.3.**

The proposed use of up to 25% of 50% of the annual allocation to cover associated staff and administration costs would see approximately £134,000 allocated to that purpose and £401,000 to be split evenly to the two new funds of Crown Estate Economic Development Fund and the Crown Estate Community Led Development Fund.

## **9. Legal Aspects**

### **9.1.**

The expectation of Scottish Ministers is that local authorities use the revenues generated from Crown Estate marine assets for additional expenditure that specifically benefits coastal communities.

## **9.2.**

Section 56(1) of the Local Government (Scotland) Act 1973 states that, subject to any express provision contained in the 1973 Act or any subsequent Act, a local authority may arrange for the discharge of any of its functions by a committee of the authority, a sub-committee, an officer of the authority or by any other local authority in Scotland.

## **9.3.**

The effect of Section 56(1) is to limit the methods by which the Council may delegate the discharge of any of its functions. It is therefore not legally competent for the Council to delegate authority to the Local Action Group (LAG) to administer funds provided directly to the Council by Crown Estate Scotland.

## **9.4.**

Administration of the LEADER funding can be differentiated on the basis that the LAG had a specific role as determined by the funding bodies. The LAG acted as the funding decision-making body, with the Council taking responsibility for the management of LEADER funds on behalf of the LAG.

## **9.5.**

The information contained in sections 9.2 to 9.4 above has been taken into account in formulating the recommendation that applications for funding from the Crown Estate Community Led Development Fund be delegated to the Corporate Director for Enterprise and Sustainable Regeneration, in consultation with the Chair of the LAG.

## **10. Contact Officers**

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