

Item: 3

Community Development Fund Sub-committee: 21 October 2021.

Regeneration Capital Grant Fund.

Birsay Heritage 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 Birsay Heritage 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 Birsay Heritage Trust, in respect of repairing the deteriorating historic structures at HMS Tern and providing heritage interpretation, at a total estimated project cost of £1,170,122.

2.2.

That, on 15 September 2021, the Scottish Government Regeneration Team advised that the application from Birsay Heritage Trust had passed the Stage One assessment and that 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 Birsay Heritage 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 Interim 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 Birsay Heritage 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, Birsay Heritage Trust expressed a desire for the Council to submit a funding applications 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, Birsay Heritage Trust 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 Birsay Heritage Trust is summarised below.

5. Birsay Heritage Trust – HMS Tern

5.1.

The Council transferred ownership of the 14-acre site of the former wartime airfield, known as HMS Tern, to the Birsay Heritage Trust (BHT) in 2020. Many of the original buildings survive today, including the B listed control tower, and the airfield retains a palpable sense of place.

5.2.

Since acquiring the site, BHT has developed a long-term, holistic vision to develop the site, to safeguard the heritage, to maximise the potential of the site whilst minimising heritage impact and to address local needs.

5.3.

With ambition to develop a low volume, high quality, visitor destination, The HMS Tern Project addresses needs set out in the Orkney Tourism Strategy – to disperse visitors across Orkney and to diversify the visitor offer by providing other options beyond the popular Neolithic sites.

5.4.

A Project Manager, with significant experience of major heritage projects including procurement, risk and financial management, was appointed funded by grants from the Scottish Land Fund, the Architectural Heritage Fund, and the Council, to develop and deliver the project. The Project Manager is currently co-ordinating Phase 1 fundraising.

5.5.

The HMS Tern project will be delivered in two phases. The first, the subject of this application to the RCGF, focuses on repairing the deteriorating historic structures and providing heritage interpretation, upgrading access across the site, and putting in place sufficient facilities to ensure a viable basic level of income, including glamping and campervan facilities.

5.6.

A second capital phase (2024-2025) to extend the visitor facilities, digital heritage interpretation and collections display, will follow once HMS Tern has 'bedded in' as a heritage destination.

5.7.

Scheduled to start in April 2022, subject to funding, completion of phase one works valued at £1,170,122 is expected in Spring 2023. BHT is seeking an RCGF grant £843,744 towards these costs and has confirmed, or aims to attract, additional funding from a number of other sources.

5.8.

A financial summary is set out in the table below:

Finance Summary	2022/23	2023/24	Total
Total Project Expenditure	£805,205	£364,917	£1,170,122
RCGF Grant Requested	£576,874	£266,870	£843,744
Other Funding Sources	£228,331	£98,047	£326,378
Total Funding	£805,205	£364,917	£1,170,122

5.9.

A breakdown of Other Funding Sources is set out in the table below:

Funding Source	confirmed?	date expected	2022-23	2023-24	Total
Historic Environment Scotland	Stage 1 confirmed	Q4 2021-22	£154,948		£154,948
OIC Archaeology Fund	Yes		£2,000		£2,000
OIC Economic Development	Yes		£14,640		£14,640
Pilgrim Trust	Stage 1 confirmed	Q4 2021-22	£26,136		£26,136
Regional Tourism Infrastructure Fund		2022-23	£30,347		£30,347
CARES		2022-23		£52,272	£52,272
BHT & other Trusts/Foundations		2022-23		£46,035	£46,035
Total Other Funding			£228,071	£98,307	£326,378

6. Project Appraisal

6.1.

Having previously passed Stage 1 assessment, the more detailed Stage 2 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.

As confirmed by a 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 engagement in 2019 of an experienced Project Manager, funded jointly by the Scottish Land Fund, Architectural Heritage Fund, and the Council. A professional design team was appointed in 2020.

6.3.

An extensive milestones plan has been provided to demonstrate how the project will be delivered and will deliver the following outputs:

- Conserving/repairing eleven historic structures.
- Improving access across the managed site.
- A welcome and orientation visitor facility including toilets/showers (in contemporary 'Nissen' hut design).
- Installation of interpretative heritage exhibition.
- Glamping pods providing visitor rental accommodation (three contemporary design 'Nissen' huts housing two en-suite units in each).
- A seasonal campervan site, discretely located behind earthwork 'bunds'.
- Creation of seven staff posts - sustainable, high quality employment with a variety of flexible, seasonal, full or part-time employment options.
- Low carbon, sustainable power across the facilities through installation of solar panels, wind turbine, heat pumps and sustainable waste disposal.
- Creation of training opportunities for young people or adults wishing to 're-skill' in the heritage tourism and hospitality, and building maintenance/conservation sectors.
- Social volunteering opportunities for older local people.
- Sympathetic management of the landscape to minimise visual impact.
- Community heritage activities in collaboration with the University of the Highlands and Islands Orkney Research Centre for Archaeology including historic research opportunities.

6.4.

The project proposals also align with the following Strategic Priority Themes listed in the Council Plan 2018-23:

- Thriving Communities.
- Enterprising Communities.
- Quality of Life.

6.5.

BHT has a track record of sustainably managing a heritage asset through the success of Barony Mills. Capital Project governance is in place through the HMS Tern sub-Group which has delegated authority from the BHT Board. 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.

6.6.

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.

6.7.

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.

6.8.

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.

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 HMS Tern project are set out in section 5 above, with total estimated capital costs of £1,170,122 to be funded by the RCGF of £843,744 and match funding of £326,378. With £197,724 of the match funding total identified to date there is a risk that the balance of £128,654 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 Birsay Heritage 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 rodny.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.