



MORAY COUNCIL

28 September 2022

The undernoted report has been added to the agenda for the meeting of **Moray Council** at **9.30am**, in terms of Section 50B (4)(b) of the Local Government (Access to Information) Act 1985 by reason of special circumstances on the Chair accepting the report as urgent business.

NOTE REFERRED TO:-

14c. Place Based Investment Fund Allocation 2021-22

3 - 9

Report by Depute Chief Executive (Economy, Environment and Finance)



REPORT TO: MORAY COUNCIL 28 SEPTEMBER 2022

SUBJECT: PLACE BASED INVESTMENT FUND ALLOCATION 2021-22

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)

1. REASON FOR REPORT

- 1.1 To seek homologation for reallocation of the Place Based Infrastructure Fund (PBIF) 2021-22 underspend of £93,500 to Phase 2 of the Staycation Ready project.
- 1.2 To request that the freed up capital from Phase 2 is allocated towards Phase 4 of the Staycation Ready project, to offset the rise in construction costs and enable the partnership funded project to proceed.
- 1.3 This report is submitted to Council in terms of Section III A (2) of the Council's Scheme of Administration relating to long-term financial plans.

2. REASON FOR URGENCY

- 2.1 This report is submitted to Council in terms of the Local Government (Access to Information) Act 1985, on the Chair certifying that, in his/her opinion it requires to be considered on the grounds of urgency in order to secure the full PBIF allocation for 2022/23 and to ensure that Phase 4 of the Staycation Project is fully funded and complete by March 2023.

3. RECOMMENDATION

3.1 It is recommended that the Council:

- i) **homologates the reallocation of the PBIF 2021/22 underspend from the Buckie Harbour project to works completed on the Staycation Ready Project in 2021/22; and**
- ii) **that the released capital is then used to fund the shortfall in Phase 4 of the Staycation Ready project.**

4. BACKGROUND

- 4.1 Council approval was given on the 30 June 2021 (paragraph 12 of the minute refers) to spend the full 2021/22 Placed Based Investment Fund grant allocation of £770,000 on Buckie Harbour for purchase of properties associated with the wind farm development opportunity. However £93,500 of the allocated money remained unspent.
- 4.2 Unspent money has to be returned to Government by an equivalent reduction of capital grant in future years' allocation which would be a significant loss to the Council. To avoid this loss, officers have reviewed eligible council capital spend in 2021/22 on other projects that the PBIF could have been used for. The Staycation Ready Project, which was approved at Committee on the 12th May 2021 (paragraph 18 of the minute refers), and for which the council agreed to include £255,000 in the Capital Plan at the special budget setting meeting of Moray Council on 3 March, 2021 (paragraph 5 of the minute refers), was identified as the only suitable option, Officers sought approval from the Chief Executive, Council Leader and Committee Chair in accordance with the Financial Regulations for the reallocation of the underspend to avoid any loss in funding to the Council.
- 4.3 As part of the Staycation Ready Project, Council approved submission of a partnership application to the Rural Tourism Infrastructure Fund (RTIF) for Phase 4 of the project. The application was approved in September 2021 but due to current market pressures, the tendering process has returned a significant increase in construction costs and there is now an urgent need to fund the shortfall or reduce the scope of the project. See **Appendix 1** for detail on revised project costs.
- 4.4 RTIF has indicated there is potential to increase their contribution to the maximum award of £375,000 providing other match funding is also increased. Reallocation of the released capital funds would bring Council contribution to £367,751 (including £15,000 in kind for project management) and Highlands and Islands Enterprise (HIE) is also willing to consider increasing their contribution to £60,000 on this basis. A total budget of £802,751 would enable the project to proceed with minimum changes to the original project scope and meet the RTIF completion deadline of March 2023.

5. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

The proposal will contribute to achieve the corporate plan priority to promote economic development and growth, also the LOIP priority of a growing and sustainable economy. The Staycation Ready project will increase the economic impact of tourism in Moray.

(b) Policy and Legal

The Council considers support for economic development issues on their merits, against the objective to facilitate sustainable economic growth and the desired outcomes of the Ten Year Plan and Corporate Plan.

The proposal meets the terms of the PBIF programme as the Staycation Ready project is a place based initiative that will create a strategic network of facilities across Moray that will contribute to tourism and relieve pressure on local beauty spots. The project is a Moray-wide partnership between Council, Moray Speyside Tourism BID, HIE and various community trusts and associations.

(c) Financial implications

The PBIF 2021-22 underspend of £93,500 has been reallocated to Phase 2 of the Staycation Ready project to avoid an underspend which would have resulted in the 2022-23 allocation being reduced by the same amount, presenting a significant loss to Council.

Reallocation will release Moray Capital Plan funding spent on Phase 2. It is proposed that this is used to enable the shortfall in Phase 4 of the project to be met and will secure further match funding from project partners.

The Moray Council contribution includes £138,192 from the Coastal Community Fund 2020/2021 and £121,059 from the 2021/2022 allocation (less than anticipated). Subject to committee approval, the £93,500 from the Capital budget will bring the Moray Council contribution to £352,751 plus £15,000 in kind for project management fees towards a total project cost of £802,751 with match funding of £375,000 from RTIF and £60,000 from HIE.

(d) Risk Implications

There is a risk that Phase 4 will not proceed if the Electric Vehicle charge points are completely removed since this is a key criteria of the RTIF funding. There is also a risk that if Council contribution is not increased that the shortfall will significantly reduce the scope of the project and possibly result in withdrawal of funding. A contingency has been retained to mitigate any further financial risk.

(e) Staffing Implications

The overall project management of Phase 4 will be undertaken by Senior Engineers from the Consultancy section. Staff from the Economic Growth and Regeneration section will provide support for liaising with Funders, interim and final claims.

(f) Property

The works in Phase 4 will create new and upgrade or extend some of the parking areas to deal with some of the visitor pressure points and provide additional infrastructure at the various sites.

(g) Equalities/Socio Economic Impact

The fund will bring economic investment into Moray's coastal and country areas of which some are characterised by low wages, low rates of full-time employment, wealth deprivation and child poverty.

(h) Climate Change and Biodiversity Impacts

The Staycation Ready project includes a 'repair over replace' approach to current infrastructure where possible, helping to conserve embodied energy and reduce resources. Provision of electric car/bike charging points will ensure that Moray is equipped for and welcomes more sustainable forms of travel.

The design of the new/improved/extended parking areas will take account of the rural locations and present an environmentally friendly space, which sits well within the existing landscape.

(i) Consultations

Consultation has taken place with the Depute Chief Executive (Economy, Environment and Finance), the Head of Economic Growth and Development, the Head of Legal and Democratic Services, the Equal Opportunities Officer and Tracey Sutherland, Committee Services Officer have been consulted and comments received have been incorporated into the report.

6. CONCLUSION

6.1 Homologation is sought to reallocate the PBIF 2021-22 underspend to Phase 2 of the Staycation Ready project in order to avoid return of the funds at significant loss to the Council.

6.2 Approval is sought to then release capital spent in 2021-22 on Phase 2 of the Staycation Ready project to increase Council contribution towards Phase 4, thereby securing additional partnership funding to meet the shortfall due to current market pressures and enabling the project to proceed.

Author of Report: Will Burnish, Senior Engineer;
Kirsty Conti, Economic Growth and Regeneration Manager

Background Papers: Documents on file in Economic Growth and Regeneration section

Ref:

APPENDIX 1

Project Finance Update

Background

In September 2021 Moray council submitted a bid to the Rural Tourism Fund. The Coast to Country project aim is to provide an improved visitor experience whilst reducing the negative impacts local communities have been experiencing, in particular from growth in the motorhome sector, which has been accelerated due to the COVID 19 pandemic. The project plan included:

- New motorhome overnight facility in Cullen
- Motorhome parking at Ballindalloch & Craigellachie
- Upgrade & reopening of 2 toilet blocks in Findhorn & 1 new toilet block in Ballindalloch
- New carpark with upgraded footpath to the iconic Bow Fiddle Rock, Portknockie
- Carpark enhancements at Ben Rinnes, Ballindalloch & Craigellachie
- Electric vehicle charging points at Craigellachie, Cullen, Bow Fiddle Rock & Ballindalloch
- Signage & counters at all sites

In February 2022 a revised submission was made. This submission removed Hopeman car park upgrades following the rejection at planning committee for the project.

Current Position

Since then the project team has been working on getting the works out to tender. During the tendering process the cost of the project has significantly increased. Below are the changes in the construction project cost. This does not include other project elements which are still within the original plan budgets.

Project	Bid Value	Tender return
CULLEN	£38,226.20	£181,574.93
BOW FIDDLE	£39,115.42	£168,864.90
BEN RINNES	£40,244.25	£89,971.55
FIDDICH PARK	£46,014.48	£153,923.01
Risk	£61,375.95	£0.00
Total	£224,976.30	£594,334.39

The reasons for this are a combination of the following:-

- Risk Allowance was not enough for the scheme
- Cost increase in material elements
- Cost increase in staffing

The team has looked at ways of de-scoping the projects to reduce costs. The key areas of de-scoping are:-

- Removal of EV Charging point at Cullen since already 3 in place, install bike charging points at Ben Rinnes instead of vehicle charge points.
- Project manager time revised to in kind and funded via council capital
- Project scope reduction:
 - Cullen, Removal of 1 Parking Bay. Port Long Road repairs removed, this still needs to be done but look to source funding elsewhere, but affects lease. Removal of electrical hook up ducting (there were no plans for hook up's to be installed as part of RTIF)
 - Ben Rinnes, reduction of parking by 6 spaces
 - Bow Fiddle, changes to the surfacing from tarmac to stone
 - Fiddich Park, reduce scope of surfacing and bollard replacement

Revised Bid

The project team is proposing that the bid be amended to meet the changes highlighted above. The EV charging points were added at request of the RTIF funder however more exploratory work is needed and if not possible to install vehicle points, bike charging points will be installed instead, at a lower cost. There are already 3 EV charging points in Cullen so this one has been removed. By undertaking the changes our revised bid would be:-

PROJECT EXPENSES	ORIGINAL BID PROJECT COSTS £	PROPOSED CHANGES £
Project Management Costs	£15,500	£0
Design	£5,000	£5,000
Planning Fees	£10,000	£10,000
Construction	£357,076	£594,146
EV Charging points	£160,000	£113,510
Signposting	£12,000	£12,000
Data collection / counters	£30,000	£30,000
Contingencies %	£61,376	£36,095
Other (Please Specify) Evaluation	£2,000	£2,000
TOTAL EXPENDITURE	£652,952	£802,751

At the same time as working on the de-scoping the wider team have worked with the RTIF funder to secure extra funding. The funder is willing to consider increasing their contribution by £28,935 bringing the total support to £375,000 providing that other match funding is also increased. Moray Council contribution is proposed to include an extra £93,500 as per the report and HIE will also consider increasing their contribution to £60,000. Below is the revised funding proposal.

NAME OF ORGANISATION PROVIDING MATCH FUNDING	FINANCIAL SUPPORT £	IN KIND FUNDING £	TOTAL FUNDING AMOUNT £
Moray Council	£352,751	£15,000	£367,751

HIE	£60,000		£60,000
RTIF Intervention Rate Req			54%
RTIF Support Requested			£375,000
TOTAL FUNDING	£412,751	£15,000	£802,751