

Perth And Kinross Council

15 May 2024

UK GOVERNMENT SPRING BUDGET 2024 LEVELLING UP FUND

Report by Strategic Lead – Economy, Development & Planning
(Report No. 24/149)

1. PURPOSE

- 1.1 This report seeks Council approval to submit 3 projects to the UK Government that meet the criteria attached to the award of £5 million for capital investment in the City of Perth. A condition of the award is that an Investment Plan is submitted for the approval of the Department of Levelling Up, Housing & Communities (DLUHC) prior to any expenditure being incurred. This Investment Plan requires to be submitted no later than 3 June 2024 along with assurance from the Council that the submitted projects represent value for money, are deliverable by March 2026 and are a local priority with broad stakeholder support, including from the area's MPs. The submission also needs to demonstrate compliance with the Subsidy Control Act 2022, which limits direct financial support to private operators or businesses.

2. RECOMMENDATIONS

- 2.1 It is recommended that Council:
- **Approves** the 3 projects proposed in this report as forming the basis of the Council's submission to DLUC.
 - **Approves** a 10-day stakeholder engagement period.
 - **Agrees** that following the end of the engagement period the Strategic Lead – Economy, Development & Planning completes and submits the Investment Case prior to the deadline.

3. STRUCTURE OF REPORT

- 3.1 This report is structured over the following sections:

- Section 4: Background
- Section 5: Proposals
- Section 6: Conclusion

4. BACKGROUND

- 4.1 The UK Government's Spring Budget 2024 included a provision to award up to £5 million to Perth & Kinross Council to support culture and regeneration projects within the City of Perth. This is a capital award to be spent on a single projects or multiple projects provided the expenditure is made by 31 March 2026, unless match funding is

in place. The award letter recognises the role culture can play in positively influencing the prosperity of communities and a series of required outputs and anticipated has been provided in order to shape both project selection and delivery.

- 4.2 The award of this funding is welcomed by the Council, however delivery of £5 million of capital investment in under two years is a significant challenge. DLUHC is sympathetic to this challenge and is keen to maintain dialogue with officers to ensure outcomes can be achieved and early agreement reached on the justification for any expenditure extension.
- 4.3 In arriving at the recommended list of projects discussions were held with tourism, culture and place regeneration officers, the Council's Strategic Lead for Property Services, the Chief Executive of Culture Perth & Kinross, and the Director of the Perth & Kinross Heritage Trust. Project selection focussed on fit with the Council's priorities, fit with the output and outcomes framework provided by the DLUHC, and deliverability.
- 4.4 The relevant expected outputs from this Levelling Up investment include:
- Amount of improved and/or new cultural space completed.
 - Number of dilapidated buildings improved.
 - Number of heritage buildings renovated/restored.
 - Amount of floorspace repurposed.
- 4.5 The relevant anticipated outcomes include:
- Audience numbers for cultural events.
 - Number of cultural events.
 - Number of visitors to venues.
 - Percentage of local population engaged with cultural and heritage activities.
 - Number of people using a new/improved facility.
- 4.6 From a practical perspective, for the delivery timescale to be met, selected projects would also require either to have received planning permission and/or listed building consent, or not need it.
- 4.7 The regeneration of Perth and Kinross's town and city centres is a strategic priority; and a key driver of this regeneration is Perth's Cultural Transformation which secured £10 million of UK Government funding through the Tay Cities Regional Deal. The Cultural Transformation programme is work in progress with, for example, a long-term solution for a Collections Store still to be identified thereby potentially freeing up more exhibition space in Perth Art Gallery. Unfortunately, a project of this scale cannot be completed within 2 years and has had to be discounted.
- 4.8 Likewise several of the Council's other priorities such as PH20 and the potential re-purposing of Bell's Sports Centre cannot be completed, or even be substantially completed, within the tight timescale.

5. PROPOSALS

5.1 The following 3 projects have been identified by officers as meeting the criteria of the funding, contributing to the Council's own objectives and deliverable within the timescale. DLUHC civil servants have also offered in principle support subject to scrutinising the Investment Plan following submission by 3 June.

- Lower City Mills - Visitor attraction and lettable office space.
- The Ironworks - Exhibition and UNESCO City of Crafts makers & retail space.
- A Taste of Perth and Kinross - Providing a High Street outlet for micro producers.

5.2 All three of these projects can potentially be operated by third parties therefore minimising any direct revenue cost to the Council.

Lower City Mills

5.3 The Lower City Mills were completed by around 1809 and are one of the few surviving examples of an almost intact urban mill in the UK. The adjacent Upper City Mills was converted into a hotel in the 1970s and the Lower City Mills continued operating until the 1990s. It was Listed (Category A) during the 1960s in recognition of its heritage importance and forms part of the Perth Common Good.

5.4 In the mid-1980s, Perth & Kinross District Council, supported by the Gannochy Trust, undertook significant repairs including window replacement and conversion of the upper floors to offices as well as some rationalisation of the mill machinery. The building was open to visitors until around 20 years ago and with the passage of time, and some faulty workmanship at the time, it is now in poor condition and needs completely renovated including the installation of a fire protection system. The Lower City Mills was added to the Buildings at Risk Register in 2012.

5.5 Following the relocation of VisitScotland information centre to the High Street in 2015, the building remained largely unoccupied until Perth & Kinross Heritage Trust (PKHT) leased it in 2019 and began work on an ambitious plan to fully renovate the building and re-open it as a visitor attraction. An application for Heritage Lottery Funding (HLF) was submitted in 2023 to carry out extensive conservation repair works to the mill's building fabric, including roof works and the removal of cement pointing from all external walls to be replaced with lime mortar. The refurbishment works would reconfigure part of the ground floor to create new café and reception facilities, and an external seating area. A repair and rationalisation programme of the mill's machinery also formed part of the project, aimed at undoing 1980s-era modifications.

5.6 The Heritage Lottery Fund provided £203,000 to develop a project with the principal objectives of Conservation, Access, and Refurbishment. Although a well thought out and comprehensive bid was submitted, supported by detailed cost information and designs, HLF declined to support the project principally

because it did not include the re-powering the Mill by water from the Lade which would have made the attraction Scotland's (and possibly Britain's) only working urban working mill. If this could be achieved, they indicated support for a re-submission, and this is the Council's intention as part of a post 2026 second phase. This second phase may also include the re-instatement of the Lade along the length of Mill Street to create a linear water feature and urban park in the heart of the city.

- 5.7 The excellent work by PKHT is recognised by the Council, and although they have now given notice to exit their lease of the building, it is hoped that the Trust works in partnership with the Council to realise the project.
- 5.8 Officers are of the view that this project satisfies the Levelling Up Fund criteria summarised above and given the detailed work completed by PKHT it can be delivered within the required timeframe assuming there are no delays in confirming the grant. Planning and listed building consents, and a building warrant have already been secured.

Costs

- 5.9 The capital cost of delivering this first phase is estimated to be **£3 million** and the ongoing revenue cost to the Council will be minimised by partnering with a third-party organisation who would lease, operate, and maintain the building. They would be able to offset costs through a combination of admission fees, rental income, training courses, merchandising and, potentially, hydro-electric generation.

Specific Outputs and Outcomes

- 12,000 visitors per annum. If the mill can be re-powered by water this could be significantly higher.
- 375 sq m of lettable space
- 100 sq m of exhibition space
- Traditional skills training opportunities
- Restoration and re-use of an At Risk Category A Listed Building.

6. THE IRONWORKS

- 6.1 The Ironworks is a space directly opposite Perth Museum which was formerly used as a foundry. It is structurally sound and has had some work done, but would be a challenging space for a commercial operator to take on. It has been vacant for some time, with no commercial interest.
- 6.2 The UNESCO City of Craft designation would develop a tourism focussed multi use space focussed on creative industries. This would include an exhibition space, a photography gallery and a commercial space. There is also an area that would be used for creating authentic tourism workshops that help develop the narrative of Perth, such as weaving and glass blowing. The space would include a darkroom and a kiln for hire.

- 6.3 Upstairs there is space for studios and micro businesses. The commercial space would be developed as part of the Perth Museum offer; space in the museum shop is very limited. This new development would allow businesses from Creative Exchange and elsewhere to make and sell in city centre.
- 6.4 There are different operating models including an option to for the space to be staffed by Culture Perth and Kinross as part of their museum staffing rota, therefore not increasing staff costs.
- 6.5 The space would act as a catalyst for neighbouring properties in the street which currently has a high number of vacant units.
- 6.6 The space would be a strong driver for visits from a younger demographic and the evening economy.

Costs

- 6.7 To buy the building will cost approximately £300,000 - £350,000 and fit out of the building will cost approximately £1.2 million. The revenue generated would cover running costs.

Specific Outputs and Outcomes

- Approx. 10,000 visitors per annum.
- A new tourism attraction for the city.
- 210 metres squared ground floor for commercial and exhibition space.
- 150metre squared workshop space.
- Income generation of approx. £250,000 per annum
- Revitalising a street space that is key to the museum but would not be viable for a commercial developer.

The above figures are based on similar projects in Scotland.

7. A TASTE OF PERTH AND KINROSS

- 7.1 In March 2024, Visit Scotland announced that they would be closing all ICentres (information centres) across Scotland. Perth and Kinross Council own the building on the High Street of Perth which houses the ICentre so there is a need to find a new use for the space. At the same time, we want to recognise and support producers in Perth and Kinross to be able to provide their food and drink produce to the public, even if they only produce a small amount of goods. The Taste of Perth and Kinross space would be a space for selling packaged food and drink to the consumer and would also have space for tastings and demonstrations by producers.
- 7.2 The Taste Of Perth and Kinross would provide a tourism link between the museum and art gallery, selling Perthshire products direct on the High Street, allowing small and developing food brands a high degree of visibility at lower cost. This fits with a core tourism aim of promoting our strong food and drink offer to visitors.

- 7.3 We would retain some visitor information services at this key location, essential as we develop the Perth tourism offer, and work with Perthshire Box Office on providing physical sales of tickets to visitor attractions across the whole region.
- 7.4 Food and drink events could be held in the space, encouraging evening activity on the high street.
- 7.5 There are a number of ways of managing the space including a potential external partner who would support the producers and makers to bring their produce to the shelves.
- 7.6 There is upstairs space which would be used for storage but is not accessible and therefore not useful for public space.

Cost

- 7.7 Approx £500,000: the space is currently developed to a high spec, so would need a refit.

Specific Outputs and Outcomes

- Income generating, so no need for ongoing revenue
- Support for food and drink producers across Perth and Kinross.
- Adding to evening economy offer

8. NEXT STEPS

- 8.1 Following Council consideration officers will have approximately 2 weeks to undertake targeted consultation, including with the business community and complete an Investment Case to DLUHC. This is an extraordinarily short timeframe. Some consultation has had to take place already and, for example, both the area's MPs have been contacted and a meeting has taken place with one already who has provided written support for the 3 recommended projects, subject to Council approval.

9. CONCLUSION

- 9.1 The award of £5 million is an unexpected bonus following previous unsuccessful bids to the Levelling Up Fund. It has however, been challenging to identify and assess projects that can be delivered within a very tight timescale, and which also deliver real benefit to Perth and Kinross. In celebrating the area's heritage, its crafts tradition and its world-class food and drink producers, officers believe the selected projects will make a significant contribution to Perth's ongoing regeneration, and the area's economic prosperity.

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes
Local Outcomes Improvement Plan	Yes
Corporate Plan	Yes
Resource Implications	
Financial	No
Workforce	Yes
Asset Management (land, property, IST)	Yes
Assessments	
Equality Impact Assessment	None
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	None
Risk	Yes
Consultation	
Internal	Yes
External	Yes
Communication	
Communications Plan	Yes

1. Strategic Implications

Local Outcomes Improvement Plan

- 1.1 This Review impacts on the following aspects of the Local Outcomes Improvement Plan.

Corporate Plan

- 1.2 This Review impacts on the following priorities within the Council's Corporate Plan.

2. Resource Implications

Financial

- 2.1 There is no financial implication to this report.

Workforce

- 2.2 Staff time will be needed to manage and complete the projects.

Asset Management (land, property, IT)

2.3 The asset management implications are contained within the report.

3. Assessments

3.1 The report has been considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:

- (i) Assessed as **not relevant** for the purposes of EqIA. Equalities Impact Assessments will be prepared for any consolidation/disinvestment recommendations if approved.

Strategic Environmental Assessment

3.2 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.

3.3 The report has been considered under the Act and, no action is required as the Act does not apply to the matters presented in this report. This is because the Committee are requested to note the contents of the report only and the Committee are not being requested to approve, adopt or agree to an action or to set the framework for future decisions.

Sustainability

3.4 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. Under the Climate Change (Scotland) Act 2009 the Council also has a duty relating to climate change and, in exercising its functions must act:

- in the way best calculated to delivery of the Act's emissions reduction targets;
- in the way best calculated to deliver any statutory adaptation programmes; and
- in a way that it considers most sustainable.

3.5 If approved the recommendations from this report will support the Council's discharging of its duties in relation to the Act.

Legal and Governance

3.6 There are no immediate legal and governance implications to this report.

Risk

3.7 A separate risk report will be prepared for each project if approved.

4. Consultation

Internal

- 4.1 The Strategic Lead, Property Services and Strategic Lead, Economy, Development and Planning have been consulted in the preparation of this report. The Director, Economy Place & Learning and Senior Leadership Team have also been consulted.

External

- 4.2 External consultation has included MPs, MSPs, local relevant groups have been consulted in the preparation of this report. Further consultation is underway.

5. Communication

- 5.1 A Communications Plan will be prepared to support implementation of the recommendations if approved.

2. BACKGROUND PAPERS

- 2.1 Appendices: Leveling Up Funding slide deck