

THE HIGHLAND COUNCIL

Thursday 9th May 2013

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| Agenda Item | |
| Report No | |

Caithness and North Sutherland Regeneration Partnership – Annual Report

**Report by Director of Planning and Development
and Corporate Manager**

Summary

This paper reviews the activities and achievements of the Caithness & North Sutherland Regeneration Partnership over the past year, reports on current issues, and sets out recommendations to support the delivery of Partnership priorities in the coming years.

Due to the strategic nature of the work being delivered by the Partnership, it had been previously agreed by Council that an annual report would be presented to Council on the work of the Partnership.

1. Background

The Caithness & North Sutherland Regeneration Partnership (CNSRP) was brought together in late 2007 as a partnership of the main organisations with a remit to address the socio-economic effects of the decommissioning of the Dounreay site. The loss of the highly skilled and well paid jobs at Dounreay was forecast to have a huge impact on the local community as the site accounted for 20% of local economic activity. Since then the partnership has pursued a series of prioritised actions aimed at broadening the area's economic base and reducing the impact of the loss of Dounreay.

CNSRP brings together, at Executive Board level, the Chief Executives of the Highland Council (THC) and Highlands & Islands Enterprise (HIE); the senior regional representatives of the Nuclear Decommissioning Authority (NDA) and Skills Development Scotland (SDS); and a senior civil servant representing the Scottish Government. The Board meets quarterly under the independent chairmanship of Sir Anthony Cleaver, who has had a long and distinguished career in the engineering and nuclear industries. More recently the Managing Director of Dounreay Site Restoration Limited joined the Executive Board.

Stakeholders such as Trade Unions, Association of Caithness Community Councils, Caithness Chamber of Commerce, North Highland College UHI, Sutherland Partnership, SNH and The Crown Estate are brought together as the CNSRP Advisory Board, which meets quarterly under the Chairmanship of the Leader of the Highland Council. The Chairman of the Planning Environment & Development Committee and the Director of Planning & Development also attend this meeting, as well as three nominated local Members representing Caithness and North Sutherland wards (Cllrs Saxon, Ross and Farlow). Minutes of each Advisory Board meeting are submitted to the CNSRP Executive Board and the Planning, Environment & Development (PED) Committee of the Council for information.

Local senior management in the respective partner organisations (including the Chief Executive of Caithness Chamber of Commerce) also meet regularly as the Partnership's Delivery Group.

The Partnership's Programme Manager, Eann Sinclair, works for Highland Council (with financial support from HIE and Dounreay) and is based in Council premises in Thurso. Two members of Highland Council staff are seconded to provide administrative support to the Partnership.

2. Key Achievements

2.1 Pentland Firth Marine Energy

CNSRP was instrumental in the setting up of the Pentland Firth Tidal Energy project in 2007. The development of wave and tidal energy in the Pentland Firth & Orkney waters accelerated following the 2010 announcement of Crown Estate leases, which brought total projected generating capacity to 1600 MW by 2020.

Three leaseholders (Pelamis Wave Power, Scottish Power Renewables and Meygen) have since entered into public consultation on their plans for wave and tidal sites off the coasts of Caithness and north Sutherland. The three companies, together with a fourth, remain competitors for the Scottish Government's £10M Saltire Prize. Of these, Meygen Ltd has since gone on to make application to Marine Scotland to develop a first phase of its 400MW site in the Inner Sound. The Council's North Planning Applications Committee agreed in March 2013 to grant permission to Meygen for the onshore infrastructure required to support the development of its first phase of up to 86 devices. A decision from Marine Scotland is expected during 2013.

Highland Council has successfully led a programme to assess the onshore impact of marine energy in the north, leading to a 10 point Action Plan which was presented to the Planning Environment and Development (PED) Committee meeting in May 2011 and has been the subject of updates to the Caithness & Sutherland Area Committee. This Plan has involved a call for business/ industrial sites in the area and Masterplanning for Scrabster/ Thurso West and Wick Harbour/ Lower Pulteneytown. Two design-led "Charrette" planning events were held for Wick and Thurso in February 2013 as a precursor to the creation of a Local Development Plan for Caithness & Sutherland. Presentations on the work of CNSRP were given at both events as a background to the future opportunities facing the area.

CNSRP has worked hard to market the area as a key centre for marine energy. Scottish Government announced that a Scrabster Harbour Trust site near Scrabster harbour would be one of 14 Enterprise Areas across Scotland, and in July 2012 the UK Government launched the Pentland Firth area as Scotland's first - and the UK's second - Marine Energy Park. Both of these initiatives will significantly enhance the profile of the Pentland Firth for potential inward investment and job creation, and Council officials are working with Scrabster Harbour Trust and CNSRP partners to ensure that the site is developed in preparation for client use. The Harbour Trust's £20M phase 1 pier development has significantly increased available quayside and laydown space, and is attracting strong interest from companies in the energy sector.

Progress is also being made in enhancing the transmission networks in the north so that power generated from renewables can be transmitted south. SSE estimates that grid work in the north Highlands alone over the next seven years could cost hundreds of millions of pounds, with works triggered by connection applications from developers.

2.2 Skills & Education Infrastructure

Engineering, Technology & Energy Centre: Funding of almost £9M from Highland Council, NDA, ERDF, and Scottish Government via the Scottish Funding Council led to the creation of state-of-the-art training and learning facilities at North Highland College UHI's Thurso campus. The Centre was designed and built with input from local engineering companies, and has already led to significant interest from a range of companies such as Global Energy. The first engineering apprentices to make use of the facilities started their courses in September 2012.

Centre for Energy & The Environment: Funding of around £7M from HIE, ERDF, Scottish Funding Council and the University of the Highlands and Islands led to the development of this research-led Centre at North Highland College UHI in Thurso. The building's design has achieved the highest environmental standards and hosts the "Marine Renewable Energy and the Environment" (MarEE) programme of research into the impacts of marine energy devices. The Centre also carries out international-standard research into carbon capture/ storage, focussed on the Peatlands of Caithness and Sutherland, with a major conference on the subject held in Thurso in October 2012.

Make The Right Connections: Caithness Chamber of Commerce led the creation of this £2.3M programme. Funded by NDA, DSRL, ESF and Skills Development Scotland, it supports the transition of the skills of the area's workforce into new and emerging areas such as marine renewables, oil and gas, tourism and food and drink. The project has a target of 800 beneficiaries, and this on course to be met by the project's end in June 2014.

Employability: Highland Council, Skills Development Scotland, Jobcentre Plus, Caithness Chamber of Commerce and others have formed a Caithness Employability Partnership to look at how best to ensure people are equipped to find work, and to look in particular at the key challenge of youth employment. The Employability Partnership members have also advised on the distribution of the Council's Deprived Area Fund for Wick (total £104,000) and in the development of national training programmes in the area. In February 2013 the partners staged a major "Jobs and How To Get Them" event, which brought together around 40 businesses and support organisations together under one roof to offer school & college leavers, the unemployed and the employed the chance to access a "one-stop-shop" for advice and support. Over 320 members of the public attended the event.

Wick schools programme: A major multi-million pound building programme to deliver a new High School and two new primary schools in Wick is being led by Highland Council, with funding support from Scottish Government. The new Wick High School (c.£30m) and two replacement primary schools (c.£10m each) are

expected to be open by 2015. A “meet the buyer” event to promote contract opportunities for local companies, was held in Caithness in March 2013.

2.3 Caithness Chamber of Commerce

NDA and HIE invested in the relaunch of Caithness Chamber of Commerce in 2008, and since then the Chamber has grown to become in 2011 the fastest-growing Chamber in the Scottish Chambers of Commerce network. In addition to providing a strong, coherent business voice the Chamber also delivers key projects supporting CNSRP’s overall programme:

- Invest Caithness (supported by HIE and NDA) provides an online portal for information relevant to potential inward investors, and also publishes directories such as Oil & Gas, Renewables and Tourism that showcase the area’s capabilities in key sectors. The Invest Caithness brand is also taken to key conferences and exhibitions.
- Innovation Challenge (supported by NDA and Babcock Dounreay Partnership) was a competition to initiate and grow a new business product or idea, won by Rachel Skene.
- Town centres: (supported by Highland Council-run LEADER programme and NDA) aimed to encourage greater business into the town centres of Wick and Thurso, and has included a successful local loyalty card (“Spend It Here”) scheme. Traders groups in each town are currently evaluating how best to take forward lessons from the programme.

Wick Office Project: Town Centre development in Wick has also received a boost following Council’s decision to build a new office complex at the existing Market Square site to rationalise existing Council office space in the area. This £8.5M project is expected to be completed in 2014. This ensures the retention of 120 fte jobs in the town centre with significant benefits for the local business community. The procurement of the contract to build the new offices has also included socio-economic opportunities.

2.4 Business Growth

CNSRP partners HIE, Highland Council and NDA work to ensure that existing businesses and new business start-ups in the area can benefit from support. HIE targets high-growth companies and social enterprises; Highland Council – through its Business Gateway service – targets a wide range of existing businesses and both Business Gateway and the NDA-supported North Highland Regeneration Fund assist new business starts.

Despite the ongoing wider economic conditions, during 2012/13 almost 50 local businesses have committed to creating or retaining around 127 jobs in the area’s economy, with over 50% of those in the Partnership’s key priority areas of energy or business services.

2.5 Inward Investment

HIE has led a series of research studies into areas of economic potential in its two key priority sectors of energy and business services (such as marine energy

supply chain, oil & gas, home-working). The studies identified companies to be approached regarding the benefits of being located in Caithness or North Sutherland, and Babcock seconded a member of staff for 2011/12 to support the approaches to companies. Babcock agreed to continue this support, seconding a staff member on a part-time basis for 2012/13 and 2013/14.

HIE has also established a “Caithness Ambassadors” programme. This identifies senior business people with Caithness connections and asks them to support the inward investment effort by identifying potential contacts through their business networks. The programme has progressed well, with a number of contacts being identified for follow-up. CNSRP partners, including Highland Council, HIE and Babcock, have worked with the Scottish Council for Development & Industry (SCDI) to organise an event in London in May for senior influential figures in the business community, to promote the value of doing business in Caithness and North Sutherland.

In 2012 multi-national AON Hewitt purchased the Pensions Administration Office from Babcock, securing the jobs of the Caithness-based personnel and offering opportunity for further growth in this key sector.

In April 2013 Scrabster Harbour Trust announced an agreement with major Norwegian oil & gas service company NorSea Group, which it is hoped will bring major investment and new employment to the area economy.

2.6 Tourism

John O’ Groats: Highland Council has agreed a lease arrangement with Natural Retreats and Heritage GB to support the development of public areas around its new development at John O’ Groats. The £6M first phase was supported by HIE, and has resulted in the construction of 16 luxury apartments and 23 lodges at the site. Phase 1 (lodges) was completed by the end of summer 2012, with the apartments completed for the 2013 tourist season. Natural Retreats has secured significant UK and international publicity for the development, and booking numbers are at encouraging levels.

National Nuclear Archive: The NDA undertook an estate-wide review of its information management requirements during financial year 2011/12. The results of this confirmed the need for a national archive for the civil nuclear industry in the UK. The NDA has confirmed its commitment to building the National Nuclear Archive in Wick. The project, which will also ensure a long term home for the Highland Council’s North Highland Archive, will be operated for the NDA by a specialist partner. NDA plans to appoint a suitable commercial partner by mid 2013, and to have the facility operational by 2016, with an estimated 20 FTE jobs.

Wick Harbour: Wick Harbour Authority has also capitalised on its geographic position by developing a major marina with support from the NDA, Crown Estate and HIE. The Marina is part of the “Sail North Scotland” marketing initiative with marinas in Inverness, Orkney and Shetland. In June 2012 the Diamond Jubilee HarbourFest attracted almost 5,000 visitors to Wick harbour.

2.7 Transport

Roads: Highland Council has led the campaign to identify solutions on the A9 Trunk Road at Berriedale Braes. In 2012 Highland Council, HITRANS and NDA approved contributions totalling £220,000 to the final “detailed design” stage of a project to realign the hairpin bend at Berriedale. Transport Scotland appointed a project designer in March 2013. Once this stage is completed the project will be at “shovel ready” stage, for when project funding became available.

Highland Council, with funding from HITRANS, undertook an assessment of road links within Caithness. The aim of this work was to assess the likely issues affecting the development of the area as a marine energy fabrication/ assembly/ operation & maintenance centre. The results of the study have informed the Council’s Onshore Vision programme.

Rail: Following the decision to transport spent fuels by rail from Dounreay to Sellafield a new rail-freight terminal has been constructed at Georgemas Junction in Caithness. The terminal is operated by Direct Rail Services and will open up opportunities for wider use of commercial freight on the north rail line.

Air: Wick John O’Groats Airport has seen significantly increased passenger and flight numbers following close working between HIAL and Far North Aviation which led to the securing of temporary oil & gas traffic to two North Sea fields operated by Chevron. CNSRP partners are working with Highlands and Islands Airports to support future business opportunities at the airport.

2.8 Digital Connectivity

An increasingly vital element of economic and social cohesion is the quality and speed of an area’s digital connections. CNSRP recognised this at an early stage, and the enhancement of broadband has been a key enabling priority. In March 2013 HIE concluded the procurement of a £146mil contract with BT to deliver Next Generation (“superfast”) Broadband for the Highlands & Islands. This will provide a significant boost for existing businesses, and will help attract new businesses to locate in the area. High speed broadband is also part of the package of support for the Scrabster enterprise area.

3. Measuring progress

3.1 The Socio-economic Impacts of Dounreay Decommissioning

In 2006 a group led by John Thurso MP produced “A Strategy for Caithness & North Sutherland”. Many of the recommendations in the report related to the need for a clear forward strategy for the area, and for a joined-up approach from key agencies to tackling the issue of a sustainable post-Dounreay economy in the north. The formation of the CNSRP was a direct response to that challenge.

A “baseline” report on the socio-economic impact of Dounreay decommissioning was also carried out in 2006, and a follow-up report was published in 2012 (www.cnsrp.org.uk/wp-content/uploads/Socio-economic-Impacts-of-Dounreay-Decommissioning-Final-Report.pdf). It is now possible to analyse changes from 2006-2011 and to highlight the extent to which Dounreay still dominates the area’s economy. A key additional feature of the 2011 report was an independent review of the Partnership’s activities.

Based on analysis of published economic statistics, Dounreay and contractor staff surveys and supply-chain company surveys, the report found evidence to suggest that the area's economy was moving away from its dependence on Dounreay work, towards a more diverse economic base. It suggests that in 2006 around 15% of employment in Caithness & Sutherland was attributable to Dounreay, compared to around 10% in 2011.

Almost 80% of supply chain companies surveyed had increased their turnover since 2006, and almost half of these same companies had also seen the proportion of turnover from Dounreay contracts reduce over the period.

Almost 25% more Dounreay staff than in 2006 would consider staying in the area and working beyond their Dounreay employment, and around twice as many staff as in 2006 would consider staying to set up their own business. Both are seen as indicators of confidence in the area. Indeed the area's business start up rate has grown since 2006.

The report highlights the key role played by CNSRP in this process:

“Prior to the Partnership little sustained collective action took place. Plenty of individual steps were taken but few with real strategic or collaborative effort. There exists now a much stronger, shared sense of opportunities and challenges and of the means of tackling these. Above all, perhaps, consultees identify that some of the barriers to change have come down.”

“CNSRP has helped develop an agenda for the area and articulated this policy to others. The resulting closer alignment with policy issues at a strategic and operational level forms part of what many see as the process of creating cultural change. Here, the Partnership's contribution has been decisive.”

“The review of CNSRP suggests it has influenced the nature, scale, timing and quality of projects that have been supported.”

3.2 Jobs Targets

The Partnership's Delivery Plan 2011-14 sets out some key targets for supporting between 200-410 jobs in the area's economy by March 2014. These are set out below (projections to date in brackets):

- Create or retain 100-185 full-time jobs in the energy sector (105.5 to date)
- Create or retain 40-90 full-time jobs in the business services sector (37 to date)
- Create or retain 25-55 full-time jobs in the tourism sector (24.5 to date)
- Create or retain 5-20 full-time jobs in the food & drink sector (18 to date)
- Create or retain 30-60 full-time jobs in other sectors (99 to date)

3.3 Communications

The partners took a pro-active approach to press communications during 2012/13, and this led to an increase in local press coverage, as well as coverage in key

sector-specific supplements (e.g. Scottish Provincial Press “Energy North” supplement, Dounreay site’s monthly magazine). This approach continues to produce coverage of Partnership-related activities.

In addition to providing written progress reports to the Partnership’s Executive Board, Advisory Board and the Dounreay Stakeholder Group the CNSRP Programme Manager also issues a weekly email bulletin to over 220 local regional and national contacts, as well as a weekly “blog” on the Partnership’s website. The Partnership’s Facebook page is also a source of information. The Programme Manager also attends regular meetings with groupings such as the Thurso & Wick Trades Council, and delivers presentations to local and regional groups.

During 2012/13 the area received visits from a number of Scottish and UK Government Ministers.

4. Forward plan

4.1 Key priority projects 2013/14

Much has been achieved over the last 5 years in terms of strategic alignment of partner activities, and targeting of investment towards key projects. A number of important enabling projects have now been delivered. The Partnership’s focus for 2011-14 has been on utilising those key investments to support the creation of more employment opportunities, particularly in the key sectors of energy (marine and offshore renewables, oil & gas) and business services. During 2013/14 existing businesses will continue to be supported to grow, and new businesses will be attracted into the area via the ongoing inward investment campaign.

CNSRP partners have identified key projects that will require particular support in 2013/14. They are:

Scrabster Business/ Industrial Park: Appropriate business infrastructure is key to securing onshore economic benefits from marine renewable energy. CNSRP partners NDA, HIE and Scottish Government invested in the £20M Scrabster Harbour Trust pier development. This development has already attracted significant private sector interest from both the renewables and oil & gas sectors. Highland Council and HIE will work closely with Scrabster Harbour Trust to develop and service the Enterprise Area site above the harbour to attract new business to the harbour.

Wick Harbour offshore wind service base: The progress in developing offshore wind sites in the Moray Firth offers significant economic potential for Wick in particular as an operations and maintenance base, and this forms one of the Partnership’s key priority projects in 2013/14. Wick Harbour Authority is working closely with Highland Council, HIE and NDA to support its aspirations, and is also attracting significant interest from private sector companies. There is also potential for ports in East Sutherland such as Helmsdale to benefit from activity in the Moray Firth. Decisions on the applications by Beatrice Offshore Windfarm Ltd and Moray Offshore Renewables Ltd to develop major sites are expected during 2013.

Wick John O'Groats Airport hangar infrastructure: CNSRP partners will work closely with Highlands & Islands Airports Ltd and potential investors to support the development of hangar infrastructure appropriate to future opportunities at Wick.

Inward investors in the energy sector: To support the development of the wave & tidal industry HIE is working with Scrabster Harbour Trust and potential inward investors to develop an engineering facility at Scrabster harbour.

In April 2012 management of the decommissioning programme at Dounreay was taken over by Babcock Dounreay Partnership following a two-year competition process. Roger Hardy, BDP's first Managing Director of Dounreay Site Restoration Ltd (DSRL), joined the Partnership's Executive Board in 2012. Mr. Hardy left his role as DSRL's Managing Director in April 2013, but will remain on the CNSRP Executive Board to help support socio-economic opportunities for the area. CNSRP's Programme Manager has worked closely with DSRL to understand its proposed staffing profile in the coming years and to identify ways in which the corporate strengths of Babcock, CH2MHILL and URS might support the delivery of future employment opportunities.

4.2 CNSRP post-2014

As CNSRP continues to make progress with its programme of activities, DSRL published its revised lifetime plan for the decommissioning of the Dounreay site, together with the likely staffing profile of direct employees. The staffing profile shows that direct staff numbers will remain between 900-1000 until financial year 2019/20, with major staffing reductions taking place over this and the following three financial years. It is anticipated that the site's "interim end state" will be reached between 2022-25, when no staff will remain. It is estimated that there are around 1,100 in the Dounreay supply chain workforce, and it is likely that the number of supply-chain staff required at Dounreay will decrease at the same rate as for direct DSRL staff.

The period between 2014 and 2020 will therefore be crucial in securing further local company growth; in attracting inward investments likely to support employment opportunities; and in delivering key infrastructure required to ensure the area is able to offer sustainable employment. CNSRP's role will, therefore continue to be of crucial importance to the identification and prioritisation of activity.

A Partnership staffing resource is likely to be required in order to ensure coordination of activity, and to retain focus on key areas of employment potential. The Partnership's Programme Manager and two administrative staff are funded until March 2014, but decisions on potential funding for CNSRP beyond that point will need to be taken by December 2013 at the latest. The Programme Manager post is funded by HIE and DSRL, so early discussions with partners will be important if this resource is to continue.

5. Legal

There are no legal implications.

6. Financial

Partnership funding is required to support the CNSRP. This includes two administrative posts and office costs which are supported by Highland Council at an overall cost of £40k per annum. The Council also provides office accommodation for the Programme Manager and administration staff. Clearly it is important that the Partnership's activity continues beyond 2014, given the significant challenge of replacing the jobs at Dounreay. The high profile activity is supported by the Chief Executive and Director of Planning & Development given its strategic importance to the Highlands as a whole.

7. Equality

There are no equality implications

8. Climate Change

There are no climate change implications

Recommendation

Members are invited to consider this report and agree:

1. that an options paper for administration and office support beyond April 2014 be presented to the relevant Council committee by September 2013;
2. that discussions with partners takes place on future resource funding for the Programme Manager post by September 2013;
3. the need for the Partnership's continued existence, and the value of producing an updated Plan to look beyond 2014;
4. that the Council will continue to work with:
 - I) HIE and other partners to ensure the successful delivery of the Business & Industrial Park at Scrabster harbour;
 - II) CNSRP partners to ensure support for Wick Harbour Authority's ambitious plans to capture the employment potential from the operation and maintenance of offshore wind sites in the Moray Firth;
 - III) HIAL and CNSRP partners to ensure that the energy and tourism related opportunities at Wick John O'Groats Airport are supported by development of appropriate hangar facilities;
 - IV) the Nuclear Decommissioning Authority and the Babcock Dounreay Partnership (BDP) to maximise the impact of their respective socio-economic activities in Caithness & North Sutherland, including the early development of the NDA's National Nuclear Archive project for Wick and inward investment opportunities through BDP's corporate partners;
5. that the partnership continues to work with HIE to ensure that the area's important business potential is recognised through settlements in Caithness and North Sutherland being priorities for early connection to superfast broadband through the HIE-led Next Generation Access (NGA) project.

Designation: Director of Planning & Development/Corporate Manager

Date: 29th April 2013

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