

The Highland Council

3 September, 2015

Agenda Item	11
Report No	HC/34/15

City/Region Deal

Report by Director of Development and Infrastructure

Summary

The purpose of this report is to provide members with an update on progress with the development of a City/Region Deal and to approve the vision, themes and the individual projects listed in appendix 1 as the basis of the Council's initial requests to the Scottish and UK Governments.

1. Background

- 1.1 Ensuring that the City of Inverness and the wider Highlands contributes to developing and growing the Scottish and UK economy is important for the future of the Highlands. If the area is to contribute to improving the economy of the country, there is a requirement for investment in skilling, growing and enabling the economy, so as to improve the productivity and competitiveness of the region.
- 1.2 Through a partnership with the Scottish Cities Alliance and the Scottish Futures Trust, Ernst and Young were engaged to explore potential opportunities for the Council to adopt innovative public sector funding models, which could deliver the required investment to develop and grow the economy.
- 1.3 Those funding models were based on investment by the public sector to accelerate or unlock development opportunities by calculating future revenues which would be capitalised and used to finance the infrastructure investment, with the capital investment being repaid from the increased tax revenues secured over a period of time.
- 1.4 Consideration on how this investment could be delivered through different funding methods has now focused on the development of a City/Region deal for Inverness and the Highlands.
- 1.5 Initial discussions with both the Scottish and UK Governments at both political and officer level indicated a willingness to explore the Council's ambition for a City/Region Deal.
- 1.6 The work to develop a City/Region Deal for Inverness and the Highlands has continued and has been reported to the Council and the City of Inverness Area Committee. The UK Government has appointed an account manager to work with the Council, and the Scottish Government has done likewise. Dialogue with both Governments has continued with a view to developing the thinking around what such a deal would look like.

2. Initial Projects

- 2.1 Following these initial discussions the UK Government advised that £100,000 would be available to support the development of a City/Region Deal and that an initial allocation of £3m would be available to spend in 2015/16 on city centre projects.
- 2.2 Two projects were identified which were approved by the City of Inverness Area Committee on 2 June, 2015. The first project related to upgrading the Castle grounds and its access to enhance the experience for visitors to the Castle, which is linked to a separate project to create a public viewing platform at the North Tower. The second project was to create a free public access Wi-Fi scheme for the City to increase digital connectivity, progress the “smart cities” initiative and enhance the visitor economy.
- 2.3 Approval of both business cases was announced by the Secretary of State for Scotland during his visit to Inverness on Tuesday 25 August, 2015.

3. Development of the City/Region Deal

- 3.1 A key aspect of the development of a City/Region Deal is to demonstrate how it will assist in growing the economy and improving the productivity of both the City and the Highlands, as well as how it contributes to growing the wider Scottish and UK economies.
- 3.2 In considering a City Deal, it was recognised from the beginning that any such deal had to include a strong regional dimension. A key objective of any such deal was to use the city as a catalyst to grow the economy of the Highlands overall and ensure the whole region benefits. The Council has therefore developed the unique concept of a City/Region Deal which recognises the importance of the region to such a deal.
- 3.3 The vision that has been developed for the City/Region Deal is based on having a skilled region that is attractive to young people, which grows existing businesses and attracts new businesses, generates increased investment, all of which contributes to the economic output of the region.

4. Themes of the City/Region Deal

- 4.1 This led to three overarching themes being developed which underpin the City/Region Deal:
 - A skilled economy
 - A growing and sustainable economy
 - An enabled economy

Within each of these themes a number of projects have been identified which could be included in the City/Region Deal.

- 4.2 A skilled economy (£35m) – projects under this heading are focused on facilitating a highly skilled workforce, attracting graduates, promoting greater uptake in science, technology, engineering and mathematics, expanding construction skills initiatives and seeking the devolution of skills and employability programmes to enable Highland to design its own programmes to meet local needs and circumstances.
- 4.3 A growing and sustainable economy (£87m) – these projects are focused on sectoral development and include life sciences and health through support for the University of the Highlands and Islands School of Health, tourism through development of Inverness Castle, promotion of adventure tourism and enhancement of the Scottish Scenic Routes in Highland. It also seeks to promote renewables through control over seabed rentals, leases and planning permissions for offshore renewables as well as support for renewable supply chain development.
- 4.4 An enabled economy (£288m) - these projects relate to connectivity which includes a range of infrastructural projects such as road development (Eastlink & Longman Interchange) and air and rail capacity development (Inverness Railway Station & air route development). It also includes projects to accelerate provision of effective broadband and mobile coverage across the whole region, enhanced Wi-Fi availability and provision of training/mentoring to small businesses.

This section also seeks to develop the city and regional hubs through the development of a regional sports facility, enhancing the old town centre of Inverness, a new waterfront development at Muirtown and South Kessock, implementation of action plans in larger settlements across Highland and through a housing infrastructure loan fund.

- 4.5 The Highland Council's contribution to the City/Region Deal primarily relates to the funding of the West Link, the costs of which are included in the overall total for an enabled economy.
- 4.6 An indicative overall cost of the projects being considered for inclusion in the City/Region Deal would be around £410m over a 10 year timeframe. A full list of the proposed projects is attached at appendix 1 which summarises each project.

5. Progressing the City/Region Deal

- 5.1 Once the Council has agreed a list of projects that it would like to include in the City/Region Deal, then this would form the basis for dialogue and discussion with both the Scottish and UK Governments, as the Council negotiates an agreement.
- 5.2 During this tripartite negotiating process, there will be a requirement to undertake further detailed work to refine the costs and economic benefits of those projects that are to be taken forward.

- 5.3 To assist in this process, the Council in partnership with Highland and Islands Enterprise have appointed a team led by Mr Steve Westbrook, Economist to help develop a bid document.
- 5.4 This will set out business cases for each of the projects, including the economic benefit to the Highlands as well as to the wider Scottish and UK economy. This document would then be submitted to the respective Governments.
- 5.5 While there is no formal deadline for completing negotiations, there is a desire among all parties to maintain momentum and to work constructively to deliver a City/Region Deal. It is anticipated that this process could be concluded in the first half of 2016.

6. Engagement

- 6.1 Engagement has taken place with a range of business organisations such as the Inverness Chamber of Commerce, Scottish Council for Development & Industry and the Federation of Small Businesses. A number of workshops have also been held with Highland Economic Forum, Highland Works and the Chambers of Commerce.
- 6.2 Colleagues in the Community Planning Partnership have been updated on progress and have agreed to contribute to the overall governance of this project. The possibility of wider public engagement through social media on the City/Region Deal is also being considered.

7. Implications

- 7.1 Resource – It is likely that there will be resource implications, but at this stage it is difficult to confirm precisely what they will be.
- 7.2 Legal, Equality, Climate Change/Carbon Clever, Rural, Gaelic – Many of the proposed projects will have Highland wide implication which will strengthen the rural economy.

Recommendations

Members are asked to note the update and to approve the vision, themes and the individual projects listed in appendix 1 as the basis of the Council's initial requests to the Scottish and UK Governments.

Designation: Director of Development and Infrastructure

Date: 20 August, 2015

Author: Gordon Morrison, Parliamentary Officer

Appendix 1

Proposed Projects for Inclusion in the City/Region Deal

A Skilled Economy

Nos	Project
1.	Transitions Skills Programme (Highland) <ul style="list-style-type: none">• Attracting graduates to stay, return or move to Highland with the aim of providing 150-200 placements and shared placements in small/medium enterprises per annum with mentoring.
2.	Science Skills Academy (Highland) <ul style="list-style-type: none">• Development of a virtual Academy to bring the world of work and education closer together, promoting greater uptake in science, technology, engineering and mathematics so that Highland young people can successfully compete in a global market.• Development of a new Centre for Science & Technology in Fort William and a number of Newton Rooms across the Region.
3.	Construction and Low Carbon Skills Programme (Highland) <ul style="list-style-type: none">• Expand construction skills programme including apprenticeships and retraining opportunities to deliver significant infrastructure projects. Needs to focus on upskilling, low carbon technologies and off-site construction.
4.	Skills and Employability (Highland) <ul style="list-style-type: none">• Devolve Department of Work and Pensions and Skills Development Scotland programmes as well as developing partner arrangements with the Scottish Funding Council to enable Highland to design and deliver its own skills and employability services responding to local needs and circumstances, particularly in relation to the long term unemployed and hard to reach groups.• Funding to develop new partnerships between SMEs as employers, intermediary organisations and schools and colleges.

A Growing and Sustainable Economy - Sectoral Developments

Nos	Project
5.	Life Sciences and Health (Highland) <ul style="list-style-type: none">• Develop new ways of providing health and care across the region through the University of the Highlands and Islands and in partnership with NHS Highland through the School of Health Initiative. This aims to create a centre of excellence in how rural health care can be delivered.• Innovative assisted living pilot project, with 5 clusters of 8 homes developed across the region.

6.	Tourism <ul style="list-style-type: none"> • Development of Inverness Castle as a key tourist destination and cultural hub with enhanced museum/gallery provision. • Enhancement of access to Inverness Castle and its grounds. • Market and product development of Highland as a place for Adventure Tourism including the development of outdoor centres. • Enhancement of Scottish Scenic Routes in Highland.
7.	Renewables (Highland) <ul style="list-style-type: none"> • Control over seabed rentals for offshore renewables • Control of seabed leases and offshore planning permissions up to the 12mile limit. • Key Infrastructural and small/medium enterprises support for renewables supply chain development and new R&D facilities for offshore wind.
8.	Creative Industries <ul style="list-style-type: none"> • Development of former college at Midmills into a creative industries and social enterprises hub.
9.	Highland Innovation Programme <ul style="list-style-type: none"> • Support and facilities for SME internationalisation, social enterprise of scale development, new partnerships between businesses, and maximisation of benefits from improved broadband. • Low carbon initiatives such as Smart City Energy Management. • Establishment of a University of the Highlands and Islands Low Carbon Institute.

Enabling the Economy - Improving Connectivity

Nos	Project
10.	East Link <ul style="list-style-type: none"> • Investment in a major strategic link road and transport improvements unlocking development opportunities to the East of Inverness including 3,000 homes (of which 750 would be affordable) plus commercial sites, with enhanced cycle and park and ride facilities.
11.	Longman Interchange <ul style="list-style-type: none"> • Investment in transport improvements to unlock major industrial development at Longman East and improve access over the Kessock Bridge to the North and West Highlands.
12.	West Link <ul style="list-style-type: none"> • Major strategic link that will unlock development opportunities for 2,600 new homes plus commercial sites.

13.	Broadband, Mobile & Public access Wi-Fi (Highland) <ul style="list-style-type: none"> • Accelerate provision and business take-up of effective broadband, and of mobile coverage across whole region. • Provide enhanced public access to Wi-Fi in both the City and Region. • Increase and improve remote access to University of the Highlands and Islands course material.
14.	Inverness Air Access <ul style="list-style-type: none"> • Establish a budget to develop new air routes and enhance existing services from Inverness Airport. • Secure Public Service Obligation for access to London and Amsterdam Hub

Enabling the Economy - Developing the City and Sub Regional Hubs

Nos	Project
15.	Regional Sports Facility (Highland) <ul style="list-style-type: none"> • State of the art regional sports facility attracting key sporting events and also able to host international exhibitions and events.
16.	Enhancing the Old Town Centre of Inverness <ul style="list-style-type: none"> • Including a range of projects in Academy Street, the Victorian Market and the Railway Station.
17.	Implementation of Action Plans (Highland) <ul style="list-style-type: none"> • Focused on the larger settlements, building on comprehensive public consultation.
18.	Housing Infrastructure Loan Fund (Highland) <ul style="list-style-type: none"> • To open up strategic sites for housing throughout Highland as identified through the local plans process. This will accelerate the provision of 1,000 new homes, including 500 affordable homes.
19.	Rent to Buy Programmes (Highland) <ul style="list-style-type: none"> • Expand “rent to buy” programmes to help young people stay in the Highlands.
20.	Muirtown & South Kessock <ul style="list-style-type: none"> • New waterfront development with tourism & recreational facilities.
21.	Sabhal mor Ostaig University of the Highlands and Islands/Kilbeg <ul style="list-style-type: none"> • Conference centre, sports facilities and accommodation (related to the new Kilbeg village development).