

**Single Outcome Agreement  
Between the Highland Community Planning Partnership and the Scottish Government  
2013/14 – 2018/19**

**Performance Report  
Year 3: FY 2015-16**

**Economic Regeneration and Recovery Plan**

**Highland Community Planning Board  
7<sup>th</sup> October 2016**

## Introduction

Following the work of Glasgow University's Training and Research Unit (TERU) for HIE on CPP reporting, this report follows the same reporting format as Year 2.

## SUMMARY of 2015/16

The High Level (HL) Indicators are summarised below:-

	Progress in Year 3 of Plan	Aggregate results to date (3 years)	Full 5-year Target (in aggregate)
Indicator	2015/16		2018/19
<b>HL1:</b> Number of jobs created or sustained through public sector interventions	557.75 <sup>①</sup>	3059.05 (61% of 5yr target)	5,000 (in total)
<b>HL2:</b> Number of Business Gateway volume start up clients who have begun trading	252	926 (74% of 5yr target)	1,250 (in total)
<b>HL3:</b> Number of existing businesses accessing advisory services through Business Gateway	526	1,542 (51.4% of target)	3,000 (in total)
<b>HL4:</b> Number of VAT/PAYE registered enterprises per 10,000 populations	March 2016 figures due for release Autumn 2016	n/a	Top 4 local authority
<b>HL5:</b> % of working age population (16-64) in employment	81.1	n/a	Top 3 local authority

①Aggregate of HIE, THC and Business Gateway

**HL1** shows jobs created and retained by HIE and Highland Council. The level of 557.75 is substantially down on the previous year (Year 2) which saw 708 FTE. This continued fall was in part due to fewer very large projects coming forward that year and challenging times in certain sectors and in key industries, and the continued effects related to this a change in State Aids (in June'14), which limits the assistance to larger companies. Indications are that 2016/17 levels will be closer to the norm for HIE of between 600 -700 jobs created per year.

HIE's focus continues to be on those businesses of growth potential, and to work with partners to mitigate the effects of the economic cycle in key sectors:-

- The energy sector started to show signs in the Cromarty Firth of the impact of the fall in oil prices at the start of 2014. In Scotland it is estimated that around 65,000 jobs have been lost in Oil and Gas since the start of 2014. Most of this impact has occurred outside the Highlands but the slow-down is now affecting communities in the Highland Council. However, there is continued pressure on all business in the Oil and Gas Sector and possibly over 300 further jobs could be lost by the end of March 2017. In September this year it was reported that almost 300 staff were warned of possibly losing their jobs at the Global Energy Group.
- In January 2106 Rio Tinto Alcan announced they were undertaking a Strategic Review of the Fort William smelter operation and that a range of options would be

examined prior to any final decision being made the summer of 2016. The worst case scenario would be closure with the loss of over 150 well-paid jobs directly and as many again in terms of contractors and supply chain activity. CPP partners, supported by Scottish Government, are working closely with RTA, to explore all possible outcomes; this may include attracting a new operator, introduction of new products and processes, redevelopment of site, community acquisition of the wider estate, (which at over 100 acres would be the largest community purchase to date), expansion of the hydroelectric system and other initiatives still in early stages of development.

- Marine Harvest Scotland has also unveiled future plans. In the short term they have shed 80 jobs across the West Highlands and Islands, as part of a business restructure. However, they have also announced that they will invest £80million in a new fish feed factory at Kyleakin on Skye creating 55 new jobs, and an expanded hatchery at Invergarry. They are looking to expand further in the medium term which will require investment in new processing facilities.
- Lochaber Chamber of Commerce and West Highland College have been successful in attracting approx. £480,000 in Scottish Government funding to develop a Developing Young Workforce programme covering the Lochaber Skye and Wester Ross area. This programme has significant private sector input which will help to influence the future skills agenda for the young people of the area over the next 3 years.
- The announcement of the final investment decision by SSE on behalf of the Beatrice Offshore Wind Limited will mean significant opportunity for local companies in and around Nigg for the construction phase and for Wick for the operations and maintenance phase. It is likely that this will mean a significant number of jobs coming to both of these areas with a real opportunity for local supply chain companies to benefit from this work.
- A significant development by the aquaculture company, Loch Duart Limited will continue to ensure excellent employment opportunities for the west coast of Sutherland. The company is developing its tailored methods for animal husbandry from its base in Scourie in North West Sutherland. They employ around 70 local people in this area.
- £675,000 was approved towards NSL establishing a contact centre in Dingwall, which will strengthen the finance and business services sector.
- HIE and the Highland Council assisted the University of the Highlands and Islands towards a £6.5m research, knowledge exchange and STEM promotion facility on the Inverness Campus, which was matched by approximately £2.4m of EU funds and creating up to 35 new jobs.
- There continues to be encouraging growth in the timber and forest products industry with HIE supporting a £1.2m investment by Munro Sawmills and value-added timber use by CLDB Ltd developing modular and pre-built housing.
- The Highland Council and HIE supported the first project which will transform Inverness Castle from its existing use as the Sheriff Court to a City Centre tourism attraction with the development of a viewing platform on the North Tower.
- In March 2016 the Heads of Terms for the City Region Deal were agreed between the Highland Council and its partners and the UK and Scottish Governments. This will herald an additional £315m of funds over the next 10 years in a number of key projects which will transform the economy of the City Region.

## **HL2**

HL2 is progressing well and ahead of target as regards business starts

### **HL3**

If the next two years have similar levels the target will reach approximately 80% of target for businesses accessing Business Gateway Services.

**HL4** figures for 2015/16 are not published yet. The results for the year ending March 2015, which were not available at the time of writing the last SQA report showed the number of VAT registered enterprises as 484.4 per 10,000 of population, which was slightly up on 2013/14 levels, which were 481.5 per 10,000 of population.

**HL5** shows a continuing improvement with 81.1% of the 16-64 year-olds being economically active against a result for 2014/15 of 77.2%.

In conclusion, at the end of Year 3 of a 5 year period **HL1** and **HL2** are likely to reach and exceed the target respectively and **HL3** is likely to achieve around 80% of target.

As per the Scottish Government's Economic Strategy, the focus for 16/17 remains around:-

- Working as a partnership to mitigate as far as is possible the effects of the Oil and Gas sector down-turn;
- Making as rapid progress as possible to progress the projects funded by the City Region Deal;
- Internationalisation; both seeking to attract Foreign Direct Investment into Highland area, and encouraging and supporting businesses within Highland to pursue international trade;
- Innovation; seeking to support and encourage Highland businesses to undertake and commercialise research and development;
- Investment; both directly supporting businesses of growth potential with finance, and encouraging and supporting Highland businesses to be pursuing and attractive for external finance to support continued growth; and
- Inclusive Growth; seeking to ensure that every part of Highland can benefit from economic growth.

For completeness, the appendices below set out the detail of sub-headings within the Highland CPP SOA Economic Growth and Recovery strand. The Appendices are: (1) Enabling Infrastructure; (2) Support for Business; and (3) Creating Successful Places. The fuller table on the High Level Indicators is also set out – the main difference is on benchmark data.

Some of this data remains incomplete due to lack of availability at the time of writing.

Appendix 1 – Enabling Infrastructure

Short Term Outcome	Indicator	Baseline data						Progress in Year 1 of Plan			Target
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2018/19
1. Roll out of next generation broadband across the area	<b>E11:</b> % of addresses which are within the coverage area of superfast broadband networks				0.00%	3.30%	3.60%	Not yet available	Awaiting data	Awaiting data	90%
	<b>E12:</b> % of homes with broadband currently not achieving 2Mbit/s speeds				17.20%	16.00%	14.60%	Not yet available	4.54%	Awaiting data	<5%
2. Ensure that the region has access to 3G, 4G and mobile telephony services fit for the 21st century	<b>E13:</b> % of area with no 2G signal						37.7			2013 the most up-to-date available	<25%
2. Ensure that the region has access to 3G, 4G and mobile telephony services fit for the 21st century	<b>E14:</b> % of area with no 3G signal						69.9			2013 the most up-to-date available	<50%
3. Ensure that the region has appropriate connectivity through road, sea, rail and air links	<b>E15:</b> % roads rated 'red'										
	<ul style="list-style-type: none"> <li>A roads</li> </ul>						3	-	-	-	Below Scottish average

		Baseline data					Progress in Year 1 of Plan				Target
	• B roads						8	-	-	-	Below Scottish average
	• C roads						12	-	-	-	Below Scottish average
	• Unclassified						10	-	-	-	Below Scottish average
3. Ensure that the region has appropriate connectivity through road, sea, rail and air links	<b>E16:</b> % roads rated 'amber'										
	• A roads						22	-	-	-	Below Scottish average
	• B roads						28	-	-	-	Below Scottish average
	• C roads						30	-	-	-	Below Scottish average
	• Unclassified						28	-	-	-	Below Scottish average
3. Ensure that the region has appropriate connectivity through road, sea, rail and air links	<b>E17:</b> Number of year-round scheduled cross-border/international routes	10	8	7	7	8	8	7	8	8	10
3. Ensure that the region has appropriate connectivity through road, sea, rail and air	<b>E18:</b> Weekly frequency of scheduled air services to London	33	33	33	33	33	33	21	22	29	33

		Baseline data					Progress in Year 1 of Plan			Target	
links											
3. Ensure that the region has appropriate connectivity through road, sea, rail and air links	<b>E19:</b> Weekly frequency of scheduled air services to Manchester	13	13	13	13	13	13	13	20	19	15
3. Ensure that the region has appropriate connectivity through road, sea, rail and air links	<b>E110:</b> Weekly frequency of scheduled air services to Amsterdam	0	0	0	0	7	7	7	7	7	14
3. Ensure that the region has appropriate connectivity through road, sea, rail and air links	<b>E111:</b> Business Connectivity Index	-	526	522	522	585	585	465	577	636	662
3. Ensure that the region has appropriate connectivity through road, sea, rail and air links	<b>E112:</b> Hub Connectivity Index	-	92	92	92	162	162	138	189	193	236
4. Ensure that the supply of business/industrial land meets anticipated future demand levels	<b>E113:</b> % of adopted Local Development Plans up to date (less than 5 years old)						100%	100%	100%	100%	100%
5. Ensure that the electricity grid infrastructure is fit for purpose to support ambitions for	<b>E114:</b> Number of electricity grid upgrade projects completed								3	Awaiting data from SSE	8 projects to be completed by 2018/19

		Baseline data					Progress in Year 1 of Plan				Target
renewable power											
6. Ensure that the regions ports can play an appropriate role in the Energy sector	<b>E115:</b> Number of port upgrade projects completed										5 projects to be completed by 2018/19
7. Ensure that there is sufficient housing stock to support the region's growth ambitions	<b>E116:</b> Number of new homes completed	1,845	1,568	1,119	1,199	1,053	832	891	971	835	5,000 new homes by 2017
	<ul style="list-style-type: none"> <li>Social housing (Council houses and other non-council) social housing)</li> </ul>	375	403	368	526	304	214	182	178	251	688 new homes by 2017
	<ul style="list-style-type: none"> <li>Private sector housing</li> </ul>	1,470	1,065	831	673	749	577	662	803	Data not yet available	



Appendix 2 – Support for Business

	Indicator	Baseline data						Progress in Year 1 of Plan	2014/15	2015/16	Target
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14			2018/19
1. Attraction of new inward investment into the region	<b>SB1:</b> Number of inward investment projects (new)						4	11	8	2	20 (cumulative)
1. Attraction of new inward investment into the region	<b>SB2:</b> Value (£) of inward investments (new)						N/A	N/A	£15.3 million - Net GIA	£635K – Net GIA	No target – but track
1. Attraction of new inward investment into the region	<b>SB3:</b> Number of jobs supported FTEs in inward investors (both new and existing)						226 new jobs	158 new jobs	439 new jobs	10 new jobs	750 (cumulative)
2. Implementation of sector route maps for key sectors	<b>SB4:</b> Number of jobs supported FTEs in HIE supported businesses by GES growth sector										No target – but track
	• Creative Industries					0	5	16	1	19.75	
	• Energy					160	50	1,401	25	38.5	
□	– Renewables					11	1	15	1	17.5	
□	– Non-renewables					149	49	1386	24	21	
	• Financial and Business Services					500	5	5	238	22	
	• Food and Drink					243	60	66	63.5	62	
	• Life Sciences					7		48	27	95	
	• Sustainable Tourism					10	40	28	61.5	65	
	• Universities					0	0	0	0	0	

		Baseline data						Progress in Year 1 of Plan			Target
2. Implementation of sector route maps for key sectors	<b>SB5:</b> Value of tourism sector							First data will be for 2014	£1000.91 million – Economic Impact		Increase value by 4% per annum and to exceed Scottish growth rate
2. Implementation of sector route maps for key sectors	<b>SB6:</b> Installed capacity of renewable energy		819	930	1,297	1,330	1,471	5,080	4,756	Not currently available	1,471
2. Implementation of sector route maps for key sectors	<b>SB7:</b> Wave and tidal projects implemented		0	0	0	0	0	0	0	0	3 projects to be fully implemented by 2017
3. Ensure suitable support to area's social enterprises	<b>SB8:</b> Number of social enterprises supported by HIE					47	35	50	50	62	55
3. Ensure suitable support to area's social enterprises	<b>SB9:</b> Number of jobs supported FTEs in supported social enterprises					29	14	24	25	46	100 (cumulative)
4. Ensure that strategy and action plan to support business start-up in the area is current and fit for purpose	<b>SB10:</b> Number of Business Gateway volume start up clients who have begun trading			167	243	244	215	250	424	252	1,250 (cumulative)
5. Enhance access to finance for Highland businesses	<b>SB11:</b> Total value (£) of financial support provided by HIE to businesses					£6.8 million	£4.9 million	£17.4 million	£27.3 million	£6.046 million	No target – but track
5. Enhance access to finance for Highland businesses	<b>SB12:</b> Number of Highland Opportunities loans issued						18	25	17	21	100



Appendix 3 – Creating Successful Places

	Indicator	Baseline data						Progress in Year 1 of Plan	2014/15	2015/16	Target
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14			2018/19
1. Inverness and the wider region realise the benefits of the 'Seven Cities' strategy	<b>CSP1:</b> Number of projects completed								No data	Projects under development	6 projects to be on site and/or completed
1. Inverness and the wider region realise the benefits of the 'Seven Cities' strategy	<b>CSP2:</b> Working age population (16-64)					44,824	44,653	44,538	44,507	44,915	Growth of 5%
2. Existence of the right environment for Highlands towns, industrial and rural areas to prosper	<b>CSP3:</b> Working age population (16-64)										
	• Dingwall					4,385	4,336	4,300	4,251	4,313	Growth of 3%
	• Fort William					6,582	6,514	6,502	6,437	6,447	Growth of 3%
	• Invergordon/Alness					7,034	6,948	6,847	6,753	6,703	Growth of 3%
	• Inverness					44,824	44,653	44,538	44,507	44,915	Growth of 5%
	• Nairn					7,005	7,025	6,976	6,963	6,995	Growth of 5%
	• Portree					1,504	1,552	1,547	1,557	1,559	Growth of 5%



		Baseline data						Progress in Year 1 of Plan			Target
4. Communities can participate in and benefit from the development of renewable energy across the Highlands	<b>CSP5:</b> Number of developments in Highland that pay community benefits from renewables							23	25	23	30
4. Communities can participate in and benefit from the development of renewable energy across the Highlands	<b>CSP6:</b> Number of communities receiving community benefits from renewables							34	36	37	40
5. Targeting regeneration and fragile areas	<b>CSP7:</b> Total population in the 34 data zones defined as 'fragile' by HIE					24,564	24,456	24,505	24,464	24,437	(a) Overall population stable and (b) Increase in population in at least 20 data zones, stable in at least 10
5. Targeting regeneration and fragile areas	<b>CSP8:</b> Number of data zones in worst 15% nationally (SIMD)				16 (SIMD 2009 Update)	-	17 (SIMD 2012)	-	-	20 (SIMD 2016)	12
6. Ensure Caithness and North Sutherland reap maximum social and community benefits from decommissioning	<b>CSP9:</b> Number of new jobs created in Caithness and North Sutherland		50.5	142	281.5	153.5	133.5	140.25	176.5	110.5	500 (100 per annum)

		Baseline data						Progress in Year 1 of Plan			Target
7. An attractive region for young people	<b>CSP10:</b> Population aged 16-24					22,253	22,198	22,053	22,011	22,278	Growth of 5%
7. An attractive region for young people	<b>CSP11:</b> % of school leavers moving into a positive destination			86.7% (19)	89.4% (=13)	90.7% (13)	93.1% (11)	92.7 (16)	93.7 (15)	Data available December 2016	Top 8 local authority
7. An attractive region for young people	<b>CSP12:</b> % of young people (aged 16-24) claiming JSA	2.1	2.7	3.7	3.8	3.8	3.5	2.4	2.0	1.0	Return to pre-recession rates (i.e. 2007/08)
8. Highland as an international study destination	No indicator available										
9a. Improved access to further and higher education within Highland communities for young people	<b>CSP13:</b> Number of students from Highlands and Islands studying at UHI and Stirling University campuses in Highland						Awaiting figures	Awaiting figures	Awaiting data	Awaiting data	Increase in places to 3,500
9a. Improved access to further and higher education within Highland communities for young people	<b>CSP14:</b> % of total students at UHI and Stirling University campuses in Highland from Highlands and Islands						80.60%	Awaiting figures	Awaiting data	Awaiting data	No target - but track

		Baseline data					Progress in Year 1 of Plan			Target
9b. Improved access to further and higher education within Highland communities for mature students	No indicator available									



Appendix 4 – High Level Indicators

Indicator	Baseline data						Progress in Year 1 of Plan			Target
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2018/19
<b>HL1:</b> Number of jobs created or sustained through public sector interventions					1,010	387	1,793.30	708 - 544 (from HIE) and 164 (from HC/HOL)	557.75 - 281.75 (from HIE) and 276 (HC).	5,000
<b>HL2:</b> Number of Business Gateway volume start up clients who have begun trading						215	250	424	252	1,250
<b>HL3:</b> Number of existing businesses accessing advisory services through Business Gateway						548	498	518	526	3,000
<b>HL4:</b> Number of VAT/PAYE registered enterprises per 10,000 populations			467.1	459.6	471.9	471.1	481.5	484.4	March 2016 figures due for release Autumn 2016	Top 4 local authority
<b>HL5:</b> % of working age population (16-64) in employment	80.8	79.2	80.9	77.8	79.9	75.4	74.2	77.2	81.1	Top 3 local authority