Agenda Item 4.iii.i

Single Outcome Agreement
Between the Highland Community Planning Partnership and the Scottish Government
2013/14 – 2017/18

Performance Report
Year 4: FY 2016-17

Economic Regeneration and Recovery Plan

Highland Community Planning Board
4th October 2017

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 3.

SUMMARY of 2016/17

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

	Progress in Year 4 of Plan	Aggregate results to date (4years)	Full 5-year Target (in aggregate)
Indicator	**2016/17**		**2017/18**
HL1: Number of jobs created or sustained through public sector interventions	1,123❶	4,181 (84% of 5yr target)	5,000 (in total)
HL2: Number of Business Gateway volume start up clients who have begun trading	285	1,211	1,250 (in total)
HL3: Number of existing businesses accessing advisory services through Business Gateway	562	2,104	3,000 (in total)
HL4: Number of VAT/PAYE registered enterprises per 10,000 populations	-❷	n/a	Top 4 local authority
HL5: % of working age population (16-64) in employment	77.2	n/a	Top 3 local authority

❶Aggregate of HIE, THC and Business Gateway; ❷Data not available until October 2017

HL1 shows jobs created and retained by HIE and Highland Council. The level of 1,122 is double than on the previous year (Year 3) which saw 557 FTE. This significant increase was due in part to some large R&D projects (LifeScan) and a generally better outlook in new jobs created and jobs retained by businesses account managed by HIE, in spite of the BREXIT referendum results in June 2016.

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 continued to shed posts in the Cromarty Firth from 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 and it is likely (although it is only an estimate) that 1,000+ jobs have been lost in the Cromarty Firth, with the Global Energy Group having to shed around 600 jobs and also not being able to offer work to contractors which, may well account for a further 200 posts.
- Better news has been evident in the future of Rio Tinto's plant at Fort William, which has been acquired by GFG Alliance/Liberty Group promising significant investment in its Lochaber Estate. It is anticipated that a planning application will come forward in October 2017. In the meantime, HIE and other agencies have been taking steps to assist in ensuring that there is sufficient skilled labour available to meet the new owner's needs for its planned expansion which is thought likely to bring in excess of 1000 new jobs.

- The North Coast 500 route continues to show great promise as a visitor attractor with local businesses reporting strong gains in visitor numbers, particularly for accommodation providers. Rapid rise in the popularity of the route is creating challenges for local infrastructure.
- The tourism sector has witnessed even further growth leading to acute pressure on infrastructure in certain locations, particularly on Skye (and the North Coast 500), together with capacity constraints on CalMac ferry services, especially the Mallaig to Armadale route. There been an unprecedented level of media coverage, much of it sensationalistic and negative, leading to concerns that the prospective visitors will be dissuaded from visiting the area. HIE has supported a number of community-led initiatives designed to help alleviate these pressures and have also assisted in establishing a new Destination Management organisation, Skye Connect, which has already won widespread political support.
- More than any other sector, tourism businesses have reported impacts from the Brexit process – whilst on the one hand the weakness of the pound has contributed to the influx of foreign visitors, there are increasing reports of staff shortages, given the sector's reliance on EU workers.
- The other key sector experiencing growth and investment is Food and Drink. The construction of Marine Harvest Scotland's new fish feed factory at Kyleakin on Skye is well underway. This will create 55 new jobs and provide sufficient product to meet the needs of much of the Scottish aquaculture sector with potential export opportunities to Norway and Ireland. MHS is also considering the potential for further expansion on their Skye site, such as a visitor centre. Although not investing in the factory project itself, there are opportunities for HIE in terms of the supply chain and community developments stemming from these projects.
- There continues to be encouraging growth in the timber and forest products industry with exciting technological innovation being undertaken by Albyn Housing in working with an innovative local prefab housing manufacturer, CLDB of Invergordon.
- The Highland Council and with assistance from HIE completed the first project which will transform Inverness Castle from its existing use as the Sherriff Court to a City Centre tourism attraction with the completion 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. The deal has now finally been homologated. A number of key projects including major road improvements in the city and more land reclaimed for business use adjacent to the Longman and the redevelopment of the Castle referred to above are part of the deal as well as a virtual innovation hub for businesses in the Highland Council area and a Health Innovation and Commercialisation programme for UHI and NHS Highland.
- In May 2016 SSE announced the selection of Wick harbour as the base for the operations and maintenance work arising from the Beatrice Offshore Wind Farm. The investment is likely to create up to 90 jobs.
- The Kyle of Sutherland Community Hub opened in the Spring of 2017, this is a £1.8m project with lottery funding to house the provision of much needed local services to this part of Sutherland including a gym, café and rooms for community and youth use.

HL2 and HL3

These measures show better progress with a 14% increase in HL2 on the year before and approximately 7%% increase on HL3 on the year before.

HL4 figures for 2015/16 at 490 show another slight modest increase of just over 1% on 2014/15. The results for the year ending March 2017 were not available at the time of writing.

HL5 for 2016/17 was 77.2%, which is a fall on the 2015/16 levels 81.1% of the 16-64 year-olds being economically active. The cause of this decrease is not yet apparent and it remains to be seen whether it is due to out-migration from Brexit.

In conclusion, at the end of Year 4 of a 5 year period for **HL1,** the number of new jobs year on year was approximately more than 100% over the level for the year before and overall with a total for the four years of 4,181 we have moved ahead of on target to achieve 84%, which is helpful given we could, in 2017/18, be in the midst of a period of significant uncertainty that may be prevailing from the Brexit negotiations.

As per the Scottish Government's Economic Strategy, the focus for 17/18 remains around:-

- Working as a partnership to mitigate as far as is possible the effects of the Oil and Gas sector down-turn, and also to maximise the opportunity from the change of ownership of the Lochaber Estate including the aluminium plant at Fort William;
- 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.

The Highland Council is seeking to raise the profile of the Highland Economic Forum as a vehicle to co-ordinate the public sector's activities to support the economy, and in particular the activities supporting the Community Planning Partnerships, namely addressing inequality. Together with HIE and the other forum members it will shortly present revised objectives and a new plan for its modus operandi to achieve them.

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. (4) A fuller table on the High Level Indicators is also set out – the main difference is on benchmark data.

Data is awaited on EI15, EI16, SB2, SB5, CSP5, CSP6, CSP11, CSP13, CSP14 and HL4.

Appendix 1 – Enabling Infrastructure

		Baseline data											Target
Short Term Outcome	**Indicator**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**Year 5**
1. Roll out of next generation broadband across the area	**EI1:** % of addresses which are within the coverage area of superfast broadband networks				0.00%	3.30%	6.60%	29.10%	53.30%	65%	72%	-	90%
	EI2: % of homes with broadband currently not achieving 2Mbit/s speeds				17.20%	16.00%	-	-	-	-	5.23%	-	<5%
2. Ensure that the region has access to 3G, 4G and mobile telephony services fit for the 21st century	**EI3:** % of area with no 2G signal						37.7	-	-	2013 most up-to-date available at present	-	-	<25%
2. Ensure that the region has access to 3G, 4G and mobile telephony services fit for the 21st century	**EI4:** % of area with no 3G signal						69.9	-	-	2013 most up-to-date available at present	-	-	<50%
3. Ensure that the region has appropriate connectivity through road, sea, rail and air links	**EI5:** % roads rated ‘red’												

		Baseline data											Target
Short Term Outcome	**Indicator**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**Year 5**
	· A roads						3	3	3	3	Data Not Yet Available	-	Below Scottish average
	· B roads						8	8	7	6	Data Not Yet Available	-	Below Scottish average
	· C roads						12	12	12	8	Data Not Yet Available	-	Below Scottish average
	· Unclassified						10	10	10	13	Data Not Yet Available	-	Below Scottish average
3. Ensure that the region has appropriate connectivity through road, sea, rail and air links	**EI6:** % roads rated 'amber'												
	· A roads						22	22	22	24	Data Not Yet Available	-	Below Scottish average
	· B roads						28	28	28	29	Data Not Yet Available	-	Below Scottish average
	· C roads						30	30	30	31	Data Not Yet Available	-	Below Scottish average
	· Unclassified						28	28	29	33	Data Not Yet Available	-	Below Scottish average
3. Ensure that the region has appropriate connectivity through road, sea, rail and air links	**EI7:** Number of year-round scheduled cross-border/international routes	10	8	7	7	8	8	7	8	8	9	-	10

		Baseline data											Target
Short Term Outcome	**Indicator**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**Year 5**
3. Ensure that the region has appropriate connectivity through road, sea, rail and air links	**EI8:** Weekly frequency of scheduled air services to London	33	33	33	33	33	33	21	22	29	37	-	33
3. Ensure that the region has appropriate connectivity through road, sea, rail and air links	**EI9:** Weekly frequency of scheduled air services to Manchester	13	13	13	13	13	13	13	20	19	25	-	15
3. Ensure that the region has appropriate connectivity through road, sea, rail and air links	**EI10:** Weekly frequency of scheduled air services to Amsterdam	0	0	0	0	7	7	7	7	7	7	-	14
3. Ensure that the region has appropriate connectivity through road, sea, rail and air links	**EI11:** Business Connectivity Index	-	526	522	522	585	585	465	577	636	776	-	662
3. Ensure that the region has appropriate connectivity through road, sea, rail and air links	**EI12:** Hub Connectivity Index	-	92	92	92	162	162	138	189	193	277	-	236
4. Ensure that the supply of business/industrial land meets anticipated future demand levels	**EI13:** % of adopted Local Development Plans up to date (less than 5 years old)						100%	100%	100%	100%	100%	-	100%

		Baseline data											Target
Short Term Outcome	**Indicator**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**Year 5**
5. Ensure that the electricity grid infrastructure is fit for purpose to support ambitions for renewable power	**<u>EI14:</u>** Number of electricity grid upgrade projects completed								3	1	5	-	8 projects to be complet ed by 2018/19
6. Ensure that the regions ports can play an appropriate role in the Energy sector	**<u>EI15:</u>** Number of port upgrade projects completed												5 projects to be complet ed by 2018/19
7. Ensure that there is sufficient housing stock to support the region's growth ambitions	**<u>EI16:</u>** Number of new homes completed	1,845	1,568	1,119	1,199	1,053	832	891	971	835	779	3476 to-date	5,000 new homes by 2017
	· Social housing (Council houses and other non-council) social housing)	375	403	368	526	304	214	182	178	251	136	747 to-date	688 new homes by 2017
	· Private sector housing	1,470	1,065	831	673	749	577	662	803	632	Data not yet available		

Appendix 2 – Support for Business

		Baseline data						Progress in Year 1 of Plan					Target
	Indicator	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**Progress to-date**	**Year 5**
1. Attraction of new inward investment into the region	**SB1:** Number of inward investment projects (new)						4	11	8	2	2	To-date 23	20 (cumulative)
1. Attraction of new inward investment into the region	**SB2:** Value (£) of inward investments (new)						N/A	N/A	£15.3 million - Net GIA	£635K – Net GIA	Awaiting data	-	No target – but track
1. Attraction of new inward investment into the region	**SB3:** Number of jobs supported FTEs in inward investors (both new and existing)						226 new jobs	158 new jobs	439 new jobs	10 new jobs	51 (707 both new & existing)	658 new (cumulative)	750 (cumulative)
2. Implementation of sector route maps for key sectors	**SB4:** 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	87.5		
	• Energy					160	50	1,401	25	38.5	83.25		
	– Renewables					11	1	15	1	17.5	32.25		
	– Non-renewables					149	49	1386	24	21	51		
	• Financial and Business Services					500	5	5	238	22	0		
	• Food and Drink					243	60	66	63.5	62	132.5		
	• Life Sciences					7		48	27	95	413		

	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	2016/17	Progress to-date	Year 5
	• Sustainable Tourism					10	40	28	61.5	65	23.25		
	• Universities					0	0	0	0	0	0		
2. Implementation of sector route maps for key sectors	**SB5:** Value of tourism sector							£1.007bn	£.117bn	£1.91bn	Data available Summer 2018	-	Increase value by 4% per annum and to exceed Scottish growth rate
2. Implementation of sector route maps for key sectors	**SB6:** Installed capacity of renewable energy		819	930	1,297	1,330	1,471	5,080	4,756	Not currently available	5.979		2,908 by 2017 3,272 by 2018 3,626 by 2019
2. Implementation of sector route maps for key sectors	**SB7:** Wave and tidal projects implemented		0	0	0	0	0	0	0	0	1		3 projects to be fully implemented by 2017
3. Ensure suitable support to area's social enterprises	**SB8:** Number of social enterprises supported by HIE					47	35	50	50	62	37		55
3. Ensure suitable support to area's social enterprises	**SB9:** Number of jobs supported FTEs in supported social enterprises					29	14	24	25	46	12	107	100 (cumulative)

		Baseline data						Progress in Year 1 of Plan					Target
	Indicator	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	Progress to-date	Year 5
4. Ensure that strategy and action plan to support business start up in the area is current and fit for purpose	**SB10:** Number of Business Gateway volume start up clients who have begun trading			167	243	244	215	250	424	252	285	1,211	1,250 (cumulati ve)
5. Enhance access to finance for Highland businesses	**SB11:** 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	£6.487 million	-	No target – but track
5. Enhance access to finance for Highland businesses	**SB12:** Number of Highland Opportunities loans issued						18	25	17	21	14		100
5. Enhance access to finance for Highland businesses	**SB13:** Value of Highland Opportunities loans issued						£326,400	£524,000	£511,785	£769,000	430,000		No target – but track
5. Enhance access to finance for Highland businesses	**SB14:** % of Highland Council procurement spend with Highland businesses	53.2%	46.7%	42.7%	46.9%	41.3%	45.4%	45.7%	37.9%	38.3%	35.5%		Increase spend by 5% by 2017
5. Enhance access to finance for Highland businesses	**SB15:** % of Highland Council procurement spend with Highland SMEs	42.8%	39.9%	36.0%	36.8%	33.3%	29.8%	31.2%	28.2%	24.5%	29.1%		Increase spend by 5% by 2017
6a. Create and support initiatives to strengthen status and profile of Gaelic within economic development	**SB16:** Up-to-date (less than 5 years old) Gaelic Language Plan in place (including 'economic						Yes	Yes	Yes	Yes	Yes		Strategy to be in place

		Baseline data						Progress in Year 1 of Plan					Target
	Indicator	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	Progress to-date	Year 5
6b. Develop strategies for Gaelic related employment	development' theme)												

Appendix 3 – Creating Successful Places

		Baseline data						Progress in Year 1 of Plan					Target
	Indicator	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	Progress to-date	2018/19
1. Inverness and the wider region realise the benefits of the 'Seven Cities' strategy	**CSP1:** Number of projects completed								No data	Projects under development	5	5	6 projects to be on site and/or completed
1. Inverness and the wider region realise the benefits of the 'Seven Cities' strategy	**CSP2:** Working age population (16-64)					44,824	44,653	44,538	44,507	44,915	44,773	-	Growth of 5%
2. Existence of the right environment for Highlands towns, industrial and rural areas to prosper	**CSP3:** Working age population (16-64)												
	· Dingwall					4,385	4,336	4,300	4,251	4,313	4,311	-	Growth of 3%
	· Fort William					6,582	6,514	6,502	6,437	6,447	6,421	-	Growth of 3%
	· Invergordon/Alness					7,034	6,948	6,847	6,753	6,703	6,689	-	Growth of 3%
	· Inverness					44,824	44,653	44,538	44,507	44,915	44,773	-	Growth of 5%
	· Nairn					7,005	7,025	6,976	6,963	6,995	7,012	-	Growth of 5%
	· Portree					1,504	1,552	1,547	1,557	1,559	1,511	-	Growth of 5%

		Baseline data						Progress in Year 1 of Plan					Target
	Indicator	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	Progress to-date	2018/19
	· Thurso					5,728	5,609	5,536	5,468	5,467	5,437	-	Growth of 3%
	· Wick					5,300	5,264	5,197	5,064	5,007	5,018	-	Growth of 3%
2. Existence of the right environment for Highlands towns, industrial and rural areas to prosper	**CSP4:** % of working age population claiming Jobseekers Allowance												Return to pre-recession rates (i.e. 2007/08)
	· Dingwall	1.6	1.6	3.2	3.5	3.4	3.3	2.6	1.5	1.1	0.9	-	1.6
	· Fort William	1.7	1.7	2.7	2.8	3.3	3.4	2.9	1.7	1.2	1	-	1.7
	· Invergordon/Alness	3	3.2	4.8	5.2	4.8	4.7	4	2.9	2.5	2.3	-	3
	· Inverness	1.5	1.6	3	3	3.1	3.1	2.6	1.3	0.8	0.7	-	1.5
	· Nairn	1.4	1.7	2.8	2.9	2.9	2.7	2.2	1.1	0.7	0.7	-	1.4
	· Portree	2.3	2.7	3.6	3.4	4	4.5	4.3	2.0	1.2	1.2	-	2.3
	· Thurso	2.4	2.3	3.2	3.9	4.3	3.8	3.4	2.8	2.0	1.5	-	2.4
	· Wick	3.6	3.4	4.8	5.3	5.7	5.3	5.2	3.4	2.5	1.9	-	3.6

		Baseline data						Progress in Year 1 of Plan					Target
	Indicator	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**Progress to-date**	**2018/19**
3. Support large-scale employment growth opportunities	No indicator available												
4. Communities can participate in and benefit from the development of renewable energy across the Highlands	**CSP5:** Number of developments in Highland that pay community benefits from renewables							23	25	23	Data not yet available	-	30
4. Communities can participate in and benefit from the development of renewable energy across the Highlands	**CSP6:** Number of communities receiving community benefits from renewables							34	36	37	Data not yet available	-	40
5. Targeting regeneration and fragile areas	**CSP7:** Total population in the 34 data zones defined as 'fragile' by HIE					24,564	24,456	24,505	24,446	24,437	24,378	-	(a) Overall population stable and (b) Increase in population in at least 20 data zones, stable in at least 10

		Baseline data						Progress in Year 1 of Plan					Target
	Indicator	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**Progress to-date**	**2018/19**
5. Targeting regeneration and fragile areas	**CSP8:** Number of data zones in worst 15% nationally (SIMD)				16 (SIMD 2009 Update)	-	17 (SIMD 2012)	-	-	20 (SIMD 2016).	2016 SIMD is latest available	-	12
6. Ensure Caithness and North Sutherland reap maximum social and community benefits from decommissioning	**CSP9:** 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	180.25	-	500 (100 per annum)
7. An attractive region for young people	**CSP10:** Population aged 16-24					22,253	22,198	22,053	22,011	22,278	22,033	-	Growth of 5%
7. An attractive region for young people	**CSP11:** % of school leavers moving into a positive destination			85.7%	90.30%	91.70%	92.80%	94.60%	94.00%	93.5%	Data available June 2018	-	Top 8 local authority
7. An attractive region for young people	**CSP12:** % 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	0.6	-	Return to pre-recession rates (i.e. 2007/08)
8. Highland as an international study destination	No indicator available												

		Baseline data						Progress in Year 1 of Plan					Target
	Indicator	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**Progress to-date**	**2018/19**
9a. Improved access to further and higher education within Highland communities for young people	**CSP13:** Number of students from Highlands and Islands studying at UHI and Stirling University campuses in Highland						Awaiting figures	Awaiting figures	Awaiting data	Awaiting data	Awaiting data	-	Increase in places to 3,500
9a. Improved access to further and higher education within Highland communities for young people	**CSP14:** % of total students at UHI and Stirling University campuses in Highland from Highlands and Islands						80.60%	Awaiting figures	Awaiting data	Awaiting data	Awaiting data	-	No target - but track
9b. Improved access to further and higher education within Highland communities for mature students	No indicator available												

Appendix 4 – High Level Indicators

	Baseline data						Progress in Year 1 of Plan					Target
Indicator	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**Progress to-date**	**2018/19**
HL1: 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 from HC).	1,122.5 – (972.5 from HIE and 150 from HC)	4,181.55	5,000
HL2: Number of Business Gateway volume start up clients who have begun trading						215	250	424	252	285	1,211	1,250
HL3: Number of existing businesses accessing advisory services through Business Gateway						548	498	518	526	562	2,104	3,000
HL4: Number of VAT/PAYE registered enterprises per 10,000 populations			467.1	459.6	471.9	471.1	481.5	484.4	490.6	Data not available till Nov 2017	-	Top 4 local authority
HL5: % 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	77.2	-	Top 3 local authority