

Agenda item	<b>9</b>
Report no	<b>EDI 06/17</b>

## **HIGHLAND COUNCIL**

**Committee:** Environment, Development and Infrastructure Committee

**Date:** 8 November 2017

**Report Title:** Economy and Regeneration Update

**Report By:** Director of Development and Infrastructure

### **1 Purpose/Executive Summary**

1.1 This Report outlines for Members the proposal to refocus the existing Economic Forum to act as the Regional Partnership for Highland. The report also identifies for Members information, key developments during the quarter and emerging activity across the work of the Economy and Regeneration section, including Business Gateway

### **2 Recommendations**

2.1 Members are asked to:

- agree to a refocused Economic Forum to act as the Regional Partnership for Highland to drive forward co-ordinated and focused action on common priorities for the Highland economy; and
- note the report and the key developments highlighted during quarter 2 and emerging activity.

### 3. Highland Economic Forum

- 3.1 The Highland Economic Forum is a partnership of public, third sector and private sector organisations. Chaired by the Highland Council, it has usefully provided a mechanism for dialogue and information exchange between partners on the economic needs and opportunities facing the Highland economy. The structure of seven working groups to progress particular projects has proven more difficult to sustain and has in effect being part replaced by other activity including the City Region Deal and Highlands and Islands Skills Investment Plan.
- 3.2 The Phase 2 report on the Scottish Government's Enterprise and Skills Review, whilst primarily focused on the work of Scottish Enterprise, HIE, Skills Development Scotland and the Scottish Funding Council, concluded that evidence demonstrates: *".. that national economies can benefit from an effective regional tier of governance that can tailor policy and delivery to suit an economically diverse nation"*. To this end the Scottish Government wishes to see Regional Partnerships in place which deliver:
- co-ordinated and focused action on common priorities;
  - embrace private sector leadership;
  - strengthen connections between schools, colleges, business and the enterprise and skills system;
  - declutter the landscape of support, integrate service and raise awareness of the full offer of support available;
  - maximise economic benefit of assets and clusters of strength; and
  - align strategic planning and infrastructure.
- 3.3 There is no set view on what a regional partnership will look like, rather the Scottish Government is keen for partnerships to grow organically around local bespoke requirements, for example, where City Deals exist. The Government does, however, expect that a successful partnership will be one that provides leadership across partners with a clear and compelling economic vision and strategy, based on a good understanding of the assets, challenges and constraints faced. The aim is to add value to activity already underway.
- 3.4 In light of this guidance and a desire to review the existing Highland Economic Forum, proposals have been prepared and shared with partners on a refreshed Forum, with three workstreams (see **appendix 1**):
1. Enabling the Economy (infrastructure);
  2. Growing the Economy (business development); and
  3. A Skilled Economy (skills and inclusive growth).
- 3.5 It is proposed that work will now progress with partners to finalise the structure, membership and remit of the Forum and develop the strategy and action plan. A draft strategy and action plan will be presented to a future Committee for consideration and agreement.

### 4. Economy and Regeneration Team

- 4.1 The Economy and Regeneration team undertakes a wide range of local economic development activity. This activity is linked to the delivery of the following priorities:
1. Supporting start-up and growing businesses
  2. Supporting young people and adults to progress towards and into work

3. Creating the conditions for sustainable economic growth
4. Promoting inward investment

4.2 The core outcomes ultimately sought with this work is:

- an increase in business turnover; and
- an increase in the number of jobs in Highland.

## 5. **Business Development**

5.1 Activity under this priority relates to advisory services, access to finance, international trade, procurement advice and supporting business collaboration. Key developments during quarter 2 and emerging activity are detailed below.

5.2 Business Gateway :

5.2.1 During the quarter:

- 96 attendees (145 year to date (YTD)) attended start-up workshops.
- 62 new businesses (114 YTD) were assisted to commence trading.
- 448 businesses (896 YTD) accessed local advisory services.

5.2.2 The delivery of the Local Growth Accelerator Programme (LGAP) is now well under way. This EU supported programme provides growth businesses with access to a range of services aimed at helping them to grow.

- 21 companies (43 YTD) have been supported through the LGAP service.

5.2.3 The Digital Boost programme is delivered and managed by Business Gateway and is currently being rolled out across the Highlands. This programme, aimed at encouraging businesses to utilise digital technologies, commenced at the beginning of September, 3 workshops have been held attended by 11 businesses.

5.2.4 At the half year stage performance is mixed with good progress (ahead of target) in supporting businesses to grow, demand is strong for local advisory services but the number of start-up businesses supported has reduced by 10%. Given the reduction in staffing experienced, overall performance is to be commended.

5.3 Access to Finance

5.3.1 During the recent quarter, 20 businesses have been supported with direct guidance, along with a number of others receiving general advice on issues relating to finance e.g. credit control, online options etc. Overall the service has supported 38 businesses (YTD) to successfully access project funding of a total value of £3.27m.

5.3.2 Despite a noticeable improvement in most banks' attitude to smaller businesses, the Council's own loan fund managed by Highland Opportunity Investment Fund (HOIL) has continued to support businesses and organisations in the Highlands. A total of 5 businesses have been directly supported in the year to date with funding of £111,500 against project value of £255,500. A current pipeline of 22 cases, conservatively estimated at lending value of over £600k from HOIL is being taken forward.

5.3.3 At its meeting on 11 October 2017, the HOIL Board considered a draft Strategic Plan for the period 2018-2022. The Plan reaffirmed the core purpose of HOIL to provide loan investment to support Highland businesses to grow. A number of immediate and longer term actions have been identified to enable it to realise its full potential, to ensure it is self-financing and can continue to contribute further to the Highland economy. The draft Plan will be finalised in December and reported, together with

2015/16 annual accounts to Committee at its next meeting.

## **6. Employment**

- 6.1 Inclusive growth is seen as the means by which economic growth benefits everyone. If such inclusive growth is to be achieved, it requires efforts to be in place that better enable people to compete for and secure the employment opportunities being created, as well as efforts to influence and shape these opportunities.
- 6.2 Activity under this priority therefore relates to support to individuals to help them prepare for and secure employment and to work with businesses and with Council Services to create jobs. The Council as an anchor organisation and large employer locally across Highland has a key role to play in this work.
- 6.3 During quarter 2, through Council, third sector partner and ESF resources the Council has:
- supported businesses to employ 10 unemployed people (18 YTD);
  - provided 13 Youth Trainee posts across the Council (22 YTD);
  - supported 55 young people with Activity Agreements (88 YTD);
  - through its management of ESF, has contracted third sector providers to provide all stage employability pipeline support to 73 new participants. (£400k in total, supporting 160 participants YTD); and
  - contracted third sector providers to provide 80 participants with short-term employability support (£43k in total, supporting 104 participants).
- 6.4 As reported to Committee in August 2017, 2017/18 has seen a new approach to the delivery of employment related services. The knowledge and experience gained to date, allied to the Council's Programme commitment to reduce poverty and drive forward economic growth, indicates that the teams efforts to secure inclusive growth will be best achieved if a further focus is directed to:
- young people who are disadvantaged and disengaged in positive activity upon leaving school. Work is needed to further improve pathways to engage young people and support them into further education/training or work;
  - adults who are unemployed and for whom the Council has other duties and responsibilities, i.e. homelessness, criminal justice, mental health. Further work is required to better identify and align Council and partner support for clients who face multiple challenges;
  - working with employers, including Council services, to create work placement and employment opportunities for those targeted young people and unemployed adults; and
  - when doing so, sustain a focus on those areas where unemployment is greatest and persistent.
- 6.5 During 2018 it is anticipated that opportunities will arise for the Council itself, and on behalf of third sector providers, to apply for and secure EU funding until end December 2021. A report on this matter will be brought to a future Committee.

## **7. Conditions for Economic Growth**

- 7.1 Activity under this priority relates to infrastructure investment, land and buildings regeneration, the informing and influencing of economic related policy, skills, and industrial development. Key developments during quarter 2 and emerging activity are detailed below:

## 7.2 Regeneration Capital Grant Fund (RCGF)

- 7.2.1 The RCGF is a Scottish Government challenge fund which supports locally developed regeneration projects that involve local communities, helping to support and create jobs and build sustainable communities. Applications to the Fund and the subsequent financial management of any grant received is managed by the Council.
- 7.2.2 The Council is currently managing RCGF grant to three projects:
1. Lady Ross, Ardgay, redevelopment. Grant approved - £530k
  2. Midmills Creative Hub. Grant approved - £1.2m
  3. Redevelopment of the Gairloch AAOR site. Grant approved £350k
- 7.2.3 The Council received confirmation from the Scottish Government on the 13 October, 2017, that five of its nine applications to the 2018/19 RCGF had received a Stage 1 pass.
1. Thomas Telford Corpach Marina (Grant Request : £1,465,000)
  2. Kyle of Lochalsh Breakwater and Marina (Grant Request : £1,060,000)
  3. Strathdearn Community Developments New Hub (Grant Request : £500,000)
  4. Morvern Community Business Hub (Grant Request : £788,000)
  5. South Kessock/Muirtown Basin Outdoor Social Hub (Grant Request : £850,000)
- 7.2.4 As the Fund was oversubscribed (80 applications seeking £79m and only £25m available), a key factor was that these projects demonstrated they could spend grant within the one year timeframe. These projects have now been invited to submit detailed stage 2 applications by 8 December 2017, with a formal announcement of funding expected week beginning 19 February 2018.

## 8. Inward Investment

- 8.1 Activity relates to the raising of Highland's profile as an investment location, film, major events, tourism, twinning and site investment opportunities. Key developments during quarter 2 and emerging activity are detailed below.
- 8.2 Investment Opportunities
- 8.2.1 In light of the increased engagement with Augsburg via the Inverness – Augsburg economic twinning, and with the recent signing of an undertaking between the Scottish and Bavarian Government's to work together to develop economic links, the Council, as part of the Scottish Cities Alliance attended Exporeal in Munich Oct 2017. This is an international property development conference held annually in Munich. In support of this attendance a newsletter was produced highlighting a range of business related opportunities and news stories across the Highlands.  
<http://mailchi.mp/ab682845822d/invest-in-the-highlands-of-scotland-newsletter-october-2017?e=b24ea95c4d>  
Initial reaction was extremely positive with a number of German hotel chains expressing an interest in looking at the potential for expansion in Inverness and in the Highlands.
- 8.2.2 Demand for additional hotel rooms in Inverness has been highlighted by recent announcements of new hotel developments. These have been spurred on by high occupancy rates and rising average daily rates in the city. Recent research by Colliers International places Inverness at the top of its inaugural Scottish Hotel Index. There is also evidence of increasing interest in other areas such as in Lochaber and

along the North Coast 500 route.

- 8.2.3 Working alongside Highlands and Islands Enterprise, Scottish Development International and private sector partners the Council utilised the newly established Scottish Government Hub (Scotland House) in London to promote a number of potential hotel development opportunities to a national and international audience. These included locations in Inverness, and at the Inverness Airport Business Park.
- 8.3 Film update
- 8.3.1 Highland continues to be a popular area for the film and television industry to use for productions from commercials through to high end television documentaries or drama and big budget movies. Recent productions of note include King Arthur, Legend of the Sword, Edie, ITV's 'The Loch' and Outlander. New platforms such as Netflix, social media and gaming have also led to an increasing interest in productions for online use. The Council's small film unit (1.6 fte) plays an active role in both attracting interest in Highland locations and supporting productions that come to Highland. The last financial year saw a total of 196 enquiries handled by the film office (the highest total to date). Enquiries for the first two quarters of the current financial year are 30% ahead of last year.
- 8.3.2 The time taken from an initial enquiry to production along with the confidential nature of many enquiries makes it difficult to quantify precisely the benefits but joint work with Creative Scotland would suggest direct expenditure in Highland by productions of around £2m in the last year. Most of this benefit accrues to more rural areas of Highland, most notably Lochaber, Skye and the North West. The featuring of these areas on screen also acts as a significant factor in attracting visitors with research by VisitScotland showing that 19% of UK consumers were inspired to visit or consider visiting Scotland by a film they have watched.
- 8.4 Tourism
- 8.4.1 Summer 2017 has been one of the busiest tourism seasons in recent years While full statistics are not yet available early indications are available from the Visitor Attraction Monitor which shows visits to attractions were up 9.8% for the year to the end of August compared with an increase of 4.7% for Scotland.
- 8.4.2 This success has however, caused capacity issues both with Council managed and externally managed attractions at a number of locations. Along with tourism industry partners, the Council has been pushing for Scottish Government support to help address these. While the First Minister's recent announcement of a fund with £6m over two years to support rural tourism infrastructure improvements is welcome, the detail of how this will be implemented has yet to be made available.

## **9. Implications**

- 9.1 Resource\_– It is expected by the Scottish Government that the establishment of the Economic Forum (Regional Partnership) will be a local priority and thus will be resourced locally. The Council is seen as the lead partner but locally efforts will be made with partners to share the resource challenges.
- 9.2 Legal – No implications
- 9.3 Community (Equality, Poverty and Rural) – The work of the Employment team in particular to secure inclusive growth seeks to achieve positive outcomes for

individuals across all parts of Highland but with a focus on areas of high and persistent unemployment.

9.4 Climate Change/Carbon Clever – No implications

9.5 Risk – No implications

9.6 Gaelic – No implications

Designation: Director of Development and Infrastructure

Date: 31 October 2017

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## Highland Economic Forum (The Regional Partnership for the Highlands)

- Remit:**
- Develop a vision to drive action and rally support
  - Prepare a plan based on deep understanding of assets, challenges and constraints
  - Add value to activity already underway
  - Track progress
- Chair:** Cllr. Allan Henderson, The Highland Council
- Membership:** SCDI, FSB, Chambers of Commerce; HITRANS; NHS Highland; DWP; SDS, Colleges/UHI, VisitScotland, CNPA
- Support:** Highland Council, HIE, UHI Economic Intelligence Unit

### Enabling the Economy

- Remit:**
- To contribute to the Vision and Plan on infrastructure needs and opportunities
  - To identify and drive forward key infrastructure projects arising from Plan

**Lead:**  
Highland Council

- Membership:**
- HITRANS
  - HIE
  - Transport Scotland
  - Digital Scotland
  - Scottish Cities Alliance
  - Scottish Government

- Likely Projects/ Initiatives:**
- City Region Deal projects
  - Superfast Broadband R100 rollout
  - A82 Improvement Plan

### Growing the Economy

- Remit:**
- To contribute to the Vision and Plan on the needs and opportunities associated with the growth sectors, improvement in business productivity, business start-up and growth, and inward investment
  - To identify and drive forward projects and initiatives arising from Plan

**Lead:**  
SCDI

- Membership:**
- Highland Council
  - HIE
  - FSB
  - VisitScotland
  - Chambers of Commerce

- Likely Projects/ Initiatives:**
- Business innovation
  - Growth sector support alignment

### A Skilled Economy

- Remit:**
- To contribute to the Vision and Plan on the skills and inclusive growth challenges facing Highland
  - To identify and drive forward projects and initiatives arising from Plan

**Lead:**  
Highland Council

- Membership:**
- SDS
  - Colleges/UHI
  - HIE
  - SCDI
  - Chambers of Commerce
  - FSB
  - DWP
  - NHS Highland

- Likely Projects/ Initiatives:**
- Local Skills Investment Plans
  - Targeted employment pathways
  - MA Expansion Plan