

Agenda Item	15
Report No	HC/23/18

HIGHLAND COUNCIL

Committee: The Highland Council

Date: 28 June 2018

Report Title: Inverness and Highland City-Region Deal update

Report By: Director of Development and Infrastructure

1. Purpose/Executive Summary

- 1.1 The purpose of this report is to provide members with an update on the City-Region deal and to set out progress on the individual projects which make up the deal.

2. Recommendations

2.1 Members are asked to:

- note progress to date;
- agree that clarity over the compatibility of the digital project with other Government digital initiatives be undertaken to enable the business case to be finalise; and
- agree that a monitoring and evaluation framework be established to ensure the targets set in the City-Region deal can be scrutinised.

3. Introduction

3.1 The Inverness and Highland City-Region deal was signed by the Council Leader, Cllr Margaret Davidson, Lord Dunlop the Parliamentary Under Secretary of State for Scotland, and Keith Brown Cabinet Secretary for the Economy, Jobs and Fair Work on 30 January 2017. This was the culmination of over two year's work including the signing of a Heads of Terms agreement on 22 March 2016. The Inverness and Highland City-Region deal was the third such deal in Scotland, following City Deals for Glasgow and Aberdeen.

3.2 The City-Region Deal committed the Scottish Government to provide a funding package of up to £135m, the UK Government up to £53m, and local partners, the Highland Council, Highlands and Islands Enterprise, the University of the Highlands and Islands and Albyn Housing Society Limited up to £127m. This £315m funding is to be allocated over a 10 year period commencing from the date of signing of the deal.

3.3 The aim of the deal is to create a 'Region of Digital Opportunity'; to create new, well paid jobs in the private sector that will help retain and attract young people; promote innovation, internationalisation and new partnerships between the region's small businesses; and to facilitate the development of a skilled workforce to meet employer demands. The deal will also improve road infrastructure, open up land for new housing and commercial development and provide capacity to support employment, housing and property growth across the region. The deal also promotes the provision of affordable housing for young people and housing to address fuel poverty and energy efficiency.

3.4 The targets for the deal are ambitious and transformational. Specific targets set out in the deal document are to:

- help to rebalance the population through the aim of attracting and/or retaining an additional 1500 young people in the 18-29 age group;
- create 1,125 direct jobs with a further 2,200 jobs in construction;
- help to upskill the labour market to move to a high wage high skill economy adding an extra £100m pa to the regional economy;
- deliver 6000 homes over a 20 year period of which 1600 will be affordable; and
- deliver private sector investment of £800m over a 20 year period in the region.

3.5 Project governance of the deal was set out in a report to Council in May 2016. **Appendix 1** sets out the structure. A quarterly programme board chaired by the Director of Development and Infrastructure ensures that project leads deliver each project. A Member Scrutiny panel, chaired by the Council Leader receives quarterly updates from the Director and Programme manager. Regular updates are provided to the Environment, Development and Infrastructure committee. In addition, presentations are provided to area committees and to partners.

4. Progress update

4.1 The city-region deal is made up of ten discrete projects each led by one of the partners. Each of the projects involved the submission of an HM Treasury compliant business case to both governments. The submission of the business cases took place after the signing of the deal document and agreement was an iterative process

which in most cases took several months to finalise over the course of 2017. Project delivery therefore began to start in earnest around autumn 2017.

- 4.2 As part of the city-region deal, the UK Government provided an initial tranche of £100k in revenue funding to develop the bid, and £2.9m of capital funding towards Inverness Castle and a city-centre WiFi project. The split of funds was £2.4m for the castle and £500k for the city WiFi.
- 4.3 The funding for Inverness Castle was used for environmental works around the castle, and towards repairs to the fabric of the North Tower, which was opened as a viewpoint in April 2017. Over its first year the viewpoint attracted over 29,000 visitors. Additional design works were undertaken for improvements around the vicinity of the castle such as on Bridge Street and Castle Wynd. Spend to date has totalled £1.225m and there remains a balance of £1.175m.
- 4.4 The city centre WiFi project came in significantly under budget and therefore it was agreed at the EDI committee to extend this project to 14 other towns across the Highlands. This roll out is currently underway. Spend to date has been £313k and there is a balance of £187k remaining.
- 4.5 **Digital**
- 4.5.1 The lead agency for this project is HIE, and the UK Government has allocated £20m to enhance digital connectivity in the region. This project was envisaged prior to the Scottish Government's commitment to 100% superfast coverage by 2021. The Council and HIE are working with DCMS and the Scottish Government to ensure this project is compatible with the R100 programme. There has been no spend to date on the original £20m allocation and its current RAG status is red - further information regarding this can be found at item 5.2 of this report.
- 4.5.2 In order to assist the development of the business case for this project working with HIE the Council has brought together a digital programme board of public sector partners.
- 4.5.3 The Council and HIE have been successful in bidding for £4.2m of Local Full Fibre Network funds from the UK Government. This will bring ultrafast (gigabit) connectivity to Inverness, Fort William, Thurso and Wick. The Highland Council was the only local authority in Scotland to gain this funding in Wave 2 of this bidding process.
- 4.6 **Skills**
- 4.6.1 The Science Skills Academy project is also led by HIE. This pan-Highland project aims to transform the uptake and attainment in Science, Technology, Engineering and Maths (STEM) subjects in Highland schools. This will help to address skills shortages and equip young people with skills which are in high demand in the knowledge economy. The project was allocated £3m from the Scottish Government.
- 4.6.2 The project will develop a hub and network of five 'Newton Rooms' which aim to inspire pupils to take up these subjects. The UHI STEM hub on the Inverness campus and Skills Development Scotland premises in Church Street, Inverness provide a similar environment, however, the first two Newton Rooms are going to be based in North Highland College UHI's Thurso campus and Lochaber at the Caol Community Centre (as an interim). The project has a RAG status of green and spend in 2017/18 was £99k.

4.7 **Inverness Castle**

- 4.7.1 The Inverness Castle project aims to transform the castle into a world class visitor attraction. The Scottish Government has pledged £15m to this project which is led by the council. A delivery group for the project is jointly chaired by Provost and Leader of Inverness and Area, Cllr Helen Carmichael and Fergus Ewing MSP, Cabinet Secretary for the Rural Economy and Connectivity.
- 4.7.2 The castle project is working with partners to create an attraction which will highlight the range of tourism opportunities across the Highlands thereby supporting the wider rural economy. The castle is also viewed as a catalyst for the wider regeneration of Inverness city centre as evidenced by the Council's purchase of the buildings at Bridge Street. This purchase is being funded by £1.5m from the Scottish Government and Council borrowing supported by rental income from the existing retail and office lets. The project has a RAG status of green and spend in 2017/18 was £221k.

4.8 **Affordable Housing**

Affordable housing aimed at young people is a further project being led by the Council. This pan-Highland project is building mid-market rental properties and is backed by £5m of Scottish Government funding. The first 10 units are nearing completion at Raining's Stairs, Inverness, whilst two further sites are being built at Glendoe Terrace, Inverness and in Drumnadrochit. EDI committee recently approved further sites at Alness, Aviemore, Inverness (Balloan Road, Balvonie, Ness-side and Stratton), Fort William, Grantown-on-Spey, Newtonmore and Ullapool. The project has a RAG status of amber due to concerns about land availability to deliver the programme. Spend during 2017/18 was £312k.

4.9 **Innovative Assisted living – Fit Homes**

This pan-Highland project aims to construct 48 technology-enabled homes to provide independent living for elderly residents and military veterans who might otherwise have to remain in hospital or enter care homes. The project is led by Albyn Housing Society Limited and has Scottish Government funding of £3m. This innovative project is viewed as helping to address some of the challenges around care of the elderly faced by the NHS with potential for wide application. The first homes to be equipped with this technology have been built at Dalmore, Alness. The project has a RAG status of amber due to delays with site agreements at Milton of Leys, Inverness. NHS Highland has also requested further time to implement a cluster of Fit homes for Nairn. An external project review has been commissioned by Albyn to bring the project back on track. Spend during 17/18 was £197k.

4.10 **East link and Longman Interchange**

- 4.10.1 These two major roads projects are being delivered by Transport Scotland and have a funding commitment from Scottish Government of £109m.
- 4.10.2 The East link provides a new route from the A96 at Smithton roundabout to the A9 at Inshes. It is an important route to relieve pressure on the Raigmore Interchange and also to open up land at East Inverness for housing and commercial development. Public exhibitions illustrating the preferred route were held in Inverness earlier in May. Ground investigation works were also undertaken in the spring.
- 4.10.3 The Longman Interchange will provide a grade separated junction at the current roundabout at the south side of the Kessock Bridge. This will help to improve the capacity of the junction, which will benefit users of the A9 and improve the situation for pedestrians and cyclists in this area. An exhibition of the five shortlisted options

took place in Inverness on 29 and 30 May. It is expected that options will take a further 15-18 months to complete. The RAG status of these projects is Green.

4.11 **UHI Centre for Health and Life Sciences**

This project will improve the commercialisation of life science across the Highlands based at a new multi-disciplinary centre to be built as part of the new elective hospital on the Inverness campus. The project has £9m of UK Government funding and is led by UHI. It is seen as a key element of strengthening the partnership between UHI, NHS Highland and HIE to create a centre of excellence and innovation in health care delivery. It will also lead to the creation of new high value jobs in health care related companies and new research posts at UHI. NHS Highland has recently begun the design development of the new hospital. The project has a RAG status of green and spend during 17/18 was £163k.

4.12 **Longman Land Remediation**

This project is led by the Council and aims to carry out land remediation at the former Longman landfill site adjacent to the A9 to provide land for commercial development. The project is complimentary to the Longman junction improvements and has £10m of UK Government funding. Test drilling of the site has taken place and discussions are being held with SEPA to enable the partial release of the waste licence for the site. The project status is green and spend in 17/18 was £116k.

4.13 **Northern Innovation Hub**

4.13.1 This project is led by HIE and has £11m of funding from the UK Government. This is a pan-Highland project to provide tailored support for high growth small and medium-sized enterprises in key sectors such as tourism, food and drink, life sciences and creative industries.

4.13.2 The project will also provide young people under the age of 30 placements in local high growth companies; support creative industries and adventure tourism; provide physical space on Inverness Campus for businesses, clinicians and international partners to collaborate; and create a technology centre attracting food and drink innovators in the region to develop and commercialise products and services. The project has a RAG status of green and spent £68k in 17/18.

4.14 **Skills and Employability**

This is a non-funded pan-Highland project which aims to develop innovative ways to support young people, and people furthest away from the labour market into sustainable employment. It is led by the Council, and is focussed on improving the integration between the different support mechanisms across agencies involved in employability. The project has a RAG status of amber and meetings are being held with Scottish and UK Government officials to bring this back onto target.

4.15 **Air Access**

This is a non-funded project being led by HITRANS to improve the access the region has to hub airports such as Heathrow. At the time the project was first considered there were no daily flights to Heathrow from Inverness, however there are now 10 per week. The aims of the project are to improve regional connectivity, reduce barriers to entry for new routes, partner with airlines on route development and stimulate demand for services. The project is also considering state aid issues affecting air services. A project group has been established including Highlands and Islands Airports Ltd. The project will feed into the UK Aviation strategy and has a RAG status of green.

4.16 Inverness Westlink and Inshes Junction improvements

- 4.16.1 The Council's contribution to the City-Region deal includes the delivery of these two projects.
- 4.16.2 Phase 1 of the Inverness Westlink is complete and was opened to traffic in December 2017. The route is already showing reduced traffic congestion benefits on key routes in the city centre as well as being attractive for cyclists and pedestrians as a new way of accessing the sports facilities at the Bught Park. The enhanced sports provision at the Canal Parks was officially opened by HRH Princess Anne, Patron of the Scottish Rugby Union in March 2018. Construction of the golf course is on target for a Spring 2019 opening, and Phase 2 of the road will commence later that year with completion scheduled for late 2020.
- 4.16.3 In advance of the opening of the East Link the Council has embarked on a project to increase the capacity of the Inshes bridge to take three lanes of traffic. This project is currently on site.
- 4.16.4 Both of these projects have a RAG status of green.

5. Summary and next steps

- 5.1 Over the course of 2017/18, the business cases of all but one of the City-Region Deal projects were finalised and agreed. This meant detailed work was carried out by the project partners so that delivery of projects is now starting to happen on the ground. The total spend in 2017/18 of the main UK and Scottish Government funded projects was £1.2m and, whilst this is a modest sum, most of this spending took place in the last quarter of the financial year. It is expected that spending will increase significantly in 2018/19 and subsequent years.
- 5.2 The one remaining area of concern is digital and, whilst this project is closely linked to the R100 project, matters should become clearer over the late summer/early autumn. In the meantime, the Council has gained £4.2m of Local Full Fibre Network (LFFN) support from the Department for Culture, Media and Sport. The Council has also proposed that a proportion of the City Region Deal £20m allocation could be used to provide full fibre networks to a further eight settlements. (Portree, Golspie, Tain, Invergordon, Alness, Dingwall, Aviemore and Nairn).
- 5.3 As part of the LFFN programme there are also vouchers which can be accessed by businesses and households to connect directly to fibre where this is available and these will shortly be promoted by HIE. The local WiFi roll out has also commenced to Inverness and 14 other towns across the Highlands.
- 5.4 Work is also required to develop a monitoring and evaluation framework so that the impacts of the City-Region Deal are captured and available for scrutiny. This is a significant task, and one where assistance needs to be provided by local partners such as UHI and HIE, and both Governments. The two Governments are due to hold an annual scrutiny meeting later in the autumn with the Council's Chief Executive, and further work on the monitoring and evaluation framework will take place before this meeting.

6. Implications

- 6.1 Resource – match-funding of projects is a requirement of the programme, and partners are also accessing additional sources of funding such as the Big Lottery

and ERDF.

- 6.2 Legal – the formal signing of the deal document commits partners to deliver the projects outlined.
- 6.3 Community (Equality, Poverty and Rural) – projects are designed to support the regional economy and to address social inclusion.
- 6.4 Climate Change / Carbon Clever – low carbon energy efficient homes are part of the programme along with active travel for the transport projects.
- 6.5 Risk – parties have committed to deliver the deal within a 10 year time horizon.
- 6.6 Gaelic – no implications

Designation: Director of Development and Infrastructure

Date: 31 May 2018

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Background Papers:

Inverness and Highland City-Region Deal – Local Governance Arrangements (The Highland Council 12 May 2016 HC/18/16)

City/Region Deal (The Highland Council 3 September 2015 HC/34/15)

Inverness and Highland City Region Deal Project Governance Structure

