

Agenda Item	12
Report No	EDI/48/18

HIGHLAND COUNCIL

Committee: Environment, Development and Infrastructure

Date: 16 August 2018

Report Title: Caithness and North Sutherland Regeneration Partnership

Report By: Director of Development and Infrastructure

1. Purpose/Executive Summary

- 1.1 The purpose of this report is to provide Committee Members with an update on the activities being taken forward through the Caithness and North Sutherland Regeneration Partnership (CNSRP).

2. Recommendations

2.1 Members are asked to:

- i. note progress to date;
- ii. welcome news of funding for the proposed Sutherland spaceport; and
- iii. agree to support efforts designed to improve flight connectivity at Wick John O'Groats airport.

3. Introduction

- 3.1 Caithness and North Sutherland Regeneration Partnership was set up in late 2007 as an informal partnership of the main bodies with an economic and socio-economic remit in the Caithness and North Sutherland area. Its aim is to coordinate and lead the response to the socio-economic impacts associated with the decommissioning of the Dounreay nuclear site. The partners are The Highland Council, Highlands and Islands Enterprise, Skills Development Scotland, Caithness Chamber of Commerce, The Scottish Government, Cavendish Dounreay Partnership and The Nuclear Decommissioning Authority.
- 3.2 There are two levels of governance, an advisory board, consisting of local agencies and community representatives, and an executive group of Chief Executives and Senior Officials, including the Scottish Government. The latter was chaired, until recently, by Sir Anthony Cleaver, and will be chaired for the next 3 years by former Councillor, Iain Ross.
- 3.3 The contract to manage the closure of the Dounreay site was awarded in 2012 to a private sector consortium (the Cavendish Dounreay Partnership), and the current estimate is that the site will reach its "interim end-state" by 2030-2033. CNSRP partners work together to prioritise resources in support of projects that will bring employment opportunities to the area. Since 2008 it is estimated that over 1,300 full-time equivalent jobs in a range of sectors have been created or retained in the area.
- 3.4 CNSRP partners target opportunities for 2017-2020 are UK Vertical Launch; Offshore Wind; Tidal energy; Oil & Gas; Business and Nuclear Services; and the North Coast 500. In addition a range of enabling activities have been identified, including harbour developments; Berriedale Braes; skills infrastructure; and digital infrastructure. To continue to maintain the economic transition of the area partners estimate that a further 1,400 full-time jobs would be possible.

4. CNSRP Programme, 2017-2020

4.1 Offshore Wind

- 4.1.1 CNSRP partners have been active in supporting the attraction of offshore wind opportunities to the north. The Beatrice Offshore Windfarm, which reached financial closure in May 2016, is a Joint Venture between SSE (40%), Copenhagen Infrastructure Partners (35%), and Red Rock Power Ltd (25%). CNSRP partner Cavendish Dounreay Partnership seconded a member of staff to work with Wick Harbour Authority to support negotiations that led to Wick Harbour being chosen as the Operations and Maintenance (O&M) port for the project, creating around 90 long-term jobs.
- 4.1.2 Offshore construction has progressed very well, with all turbine foundations and jackets now complete, and (as of July 2018) the first of the 84 turbines now commissioned and producing power. This impressive milestone has involved over 100 workers leaving Wick harbour daily on crew transfer vessels, and up to 20 vessels working offshore.
- 4.1.3 Onshore construction is also progressing. The £10M restoration and construction of the O&M base on the historic Wick harbour-front will house 90 full-time staff, and is on schedule to be operational in early 2019. Works to the harbour-front have allowed construction of dedicated pontoons for the crew transfer vessels that will use the port during the lifetime of the project.

- 4.1.4 Wider recruitment has also begun, with turbine manufacturer Siemens Gamesa and crew transfer vessel supplier Seacat Services all undertaking local recruitment. It is anticipated that supply chain recruitment will increase as the project moves from construction to operational phases.
- 4.1.5 The second offshore windfarm being developed in the Moray Firth is the Moray Offshore Windfarm. Its Moray East project has identified Fraserburgh as preferred O&M base.
- 4.2 **Tidal energy**
- 4.2.1 Following its failure to attract Contract for Difference (CfD) support from the UK Government in Autumn 2017, the owners of the MeyGen tidal energy project have been working to secure support to allow the project to progress beyond the current 4 turbine array in the Inner Sound of the Pentland Firth. This array has been producing consistent power since its deployment in December 2016. Project owner Atlantis Resources Ltd is now Simec Atlantis Energy, part of the Gupta Family Group (GFG) Alliance. This is the company who have also invested in Lochaber through Liberty British Aluminium.
- 4.2.2 CNSRP partners continue to support Atlantis in establishing the MeyGen project, and investigating further routes to market for this world leading tidal energy project in the Pentland Firth.
- 4.3 **UK Vertical Launch - Sutherland**
- 4.3.1 Following almost three years of investigation work led by CNSRP partner Highlands and Islands Enterprise (HIE), the UK Space Agency (UKSA) announced funding support to establish a launch facility (“spaceport”) for small-scale satellites in July 2018. The proposed site is on land which is part of the Melness Crofters’ Estate, and Directors/ shareholders have been involved in discussions to date.
- 4.3.2 The £17m project focuses on the small-scale satellite market, which is growing significantly, and north Sutherland offers good access into Polar and Sun-synchronous orbits. Key industry partners in the project are Lockheed Martin and Orbex, each of whom have also been awarded funding by the UKSA.
- 4.3.3 There is significant potential to attract site-based employment around launches, but also to attract supply chain jobs. HIE estimates are that up to 400 jobs could be possible over the first ten years of operation.
- 4.3.4 HIE, as project developer, expects to apply for planning consent in 2019.
- 4.4 **Oil and Gas – West of Shetland**
- 4.4.1 Whilst North Sea oil and gas interests have experienced significant uncertainty over the last five years, development in the west of Shetland area is projected to remain buoyant over the next 10-15 year period. CNSRP partners believe that the north mainland, and particularly the area around Thurso/ Scrabster, has the ability to become a more important economic player in future. The construction of the Jubilee Quay at Scrabster harbour has coincided with four record years for oil and gas traffic at the port, which is the closest mainland point for marine traffic.
- 4.4.2 Scrabster Harbour Trust will lead discussions with key industry players, and CNSRP partners will continue to offer support.

4.5 **Business and Nuclear Services**

- 4.5.1 The opening of the Nucleus building in Wick has brought the UK's Civil Nuclear Archive and the Caithness Archive under one roof. This £20m project (led by CNSRP partner the NDA in association with High Life Highland) now provides nearly 30 long-term jobs, and its commercial management by services company ReStore UK has brought increased attention on opportunities to provide remote services from the area.
- 4.5.2 Recent interest in business services has come from Sykes at Home, a global company with a presence in Edinburgh. They have commenced a recruitment campaign to attract up to 100 homeworkers in Caithness and Sutherland by November 2018. HIE continues to focus on business services opportunities that play to the area's strengths.
- 4.5.3 Partners also continue to engage with nuclear services companies at both Dounreay and neighbouring Vulcan to establish business models that will allow nuclear focused work to be carried out from a Caithness base even beyond site decommissioning.

4.6 **North Coast 500**

The marketing-led impact of the North Coast 500 route has been internationally significant. Its impact has been felt along the length of the route in 2018, with increased levels of business, but also increased pressure on infrastructure. CNSRP partners are working together with the North Coast 500 Working Group to understand and agree where public sector interventions can best lever economic benefit.

4.7 **Skills Investment Plan**

CNSRP partner Skills Development Scotland (SDS) commissioned a Skills Investment Plan for Caithness and North Sutherland, recognising the need for all our economic opportunities to have the best skills support possible. Caithness Chamber of Commerce will complete an element of this work, bringing together an Action plan that will identify clear aims and responsibilities.

4.8 **Enabling activities**

- 4.8.1 Partners have identified and supported a range of enabling activities over the last 10 years of CNSRP activity. These have included skills infrastructure at North Highland College UHI (the Engineering, Technology & Energy Centre, the Environmental Research Institute, the Newton Room); skills infrastructure in Wick (through the Wick Schools programme); local road connectivity (the B876 enhancement at Killimster Moss); Trunk Road connectivity (road enhancement at Berriedale Braes); digital connectivity (superfast broadband rollout) and harbour infrastructure at both Scrabster and Wick.
- 4.8.2 Future enabling activities are likely to focus on continued harbour infrastructure enhancements at Scrabster and Wick; skills infrastructure at North Highland College UHI's Thurso campus (including commissioning and opening the UK's first Newton Room for STEM learning and developing final business case for a redesigned College Campus); digital infrastructure (through Full-Fibre Broadband rollout); and flight connectivity at Wick John O' Groats airport.
- 4.8.3 The latter activity is becoming more important as changes in flight connections to and from Wick John O' Groats airport are seen as commercially fragile. Caithness Transport Forum and Wick JOG Airport Consultative Committee are each pressing

to have investigation work carried out on the potential for a Public Service Obligation (PSO) to be created on one of the routes.

5. Evaluating progress

- 5.1 In 2006 HIE and Dounreay Site Restoration Ltd (DSRL) commissioned a Baseline report on the socio-economic impact of Dounreay Decommissioning. Many of the recommendations in that report led to the creation of CNSRP as an informal partnership.
- 5.2 In 2011 and 2016 further independent studies were undertaken on the socio-economic impact of Dounreay decommissioning. It has become clear over the 10 year period of these studies that positive indicators of diversification are present (including strong business start-up rates.). Both studies also included an assessment of the impact of CNSRP activities, and have suggested that CNSRP has “successfully led” a change process, and that the Partnership provides “value for money”. A further independent study will be commissioned in 2020.
- 5.3 The CNSRP Programme Manager has monitored local employment projections, which suggest that over 200 companies have committed to creating over 1,300 full-time equivalent jobs since 2008. These jobs are in a range of sectors, providing further evidence that the area economy’s dependence on Dounreay work is decreasing.

6. Implications

- 6.1 Resource - The Council currently provides two part-time clerical posts in support of CNSRP 2017-2020 Programme of work, funded through the Corporate Resources Service.
- 6.2 Legal - None.
- 6.3 Community (Equality, Poverty and Rural) - CNSRP activity integrates with the Community Planning Partnerships in Caithness and Sutherland.
- 6.4 Climate Change / Carbon Clever - While the Council is committed to a Low Carbon Highlands by 2025 we also recognise the importance of the Oil and Gas industry to the future economy of the Highlands. Support for marine renewable projects in the Pentland Firth and in the Inner Moray Firth will, to a certain extent offset the implications for the Council’s continued support for Scrabster as a major Oil and Gas Hub for developments West of Shetland.
- 6.5 Risk - None.
- 6.6 Gaelic - None.

Designation: Director of Development and Infrastructure

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