

Agenda Item	9
Report No	EDI 05/19

## HIGHLAND COUNCIL

**Committee:** Environment, Development and Infrastructure

**Date:** 31 January 2019

**Report Title:** Economy and Regeneration

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

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

1.1 This Report identifies for Members information, key developments during the quarter and emerging activity across the work of the Economy and Regeneration section.

### **2. Recommendations**

2.1 Members are asked to note the key developments highlighted during Quarter 3 and emerging activity.

### **3. European Policy and Funding**

- 3.1 The Council held its BREXIT Summit on 30th November 2018. A wide variety of business organisations and public sector representatives were invited including all Members with a good cross section of these attending. The programme for the seminar covered the following topics:
- the future of regional policy;
  - Agriculture, Crofting and Land Management implications;
  - key sector implications;
  - workforce implications and planning\*;
  - educational and skills implications;
  - future influence in the EU.
- 3.2 Feedback gained through the event suggested that the Council's work was addressing the main areas of concern to Highland but further reference was also made to infrastructure. The Highland area had been a significant beneficiary of European Funding in previous years with much of this going towards infrastructure improvements such as roads, harbours and communications infrastructure and it was emphasised that efforts were required to ensure that this would continue in future.
- 3.3 As far as funding is concerned, the UK Government has commenced work on the development of a future funding scheme to replace EU structural funds – to be known as the UK Shared Prosperity Fund. A consultation on this was due to have been launched by the end of 2018 but this has been delayed. However, some work is under way in a “pre-consultation” stage which involves the UK Government hosting a series of events across the UK. These are aimed at practitioners who administer the current funds with a view to better understanding some of the issues with the current schemes. Three events were held in central Scotland in late 2018 with a further event now planned for Inverness on 8th February 2019. It is anticipated that the findings from these events will inform the types of questions asked during the subsequent formal consultation.
- 3.4 In October 2018, Audit Scotland published a paper: Withdrawal from the European Union, Key audit issues for the Scottish public sector. This paper presents Audit Scotland's view of the key issues that withdrawal from the EU presents to the public bodies and suggests questions that all public bodies should be asking themselves in the five months to 29 March 2019. The link to the Report is [http://www.audit-scotland.gov.uk/uploads/docs/report/2018/paper\\_181011\\_eu\\_withdrawal.pdf](http://www.audit-scotland.gov.uk/uploads/docs/report/2018/paper_181011_eu_withdrawal.pdf)

### **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; and
  4. Promoting inward investment.

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 the quarter and emerging activity are detailed below.

### 5.2 Business Gateway

5.2.1 During the quarter:

- 102 attendees attended start-up workshops (290 ytd);
- 71 new businesses were assisted to commence trading (215 ytd);
- 474 businesses accessed local advisory services (1352 ytd); including 11 digital workshops (35 ytd) attended by 107 businesses (273 ytd), and
- 20 growth businesses secured specialist support from the Council's ERDF funded Local Growth Accelerator Programme (46 ytd), including one business who has progressed on to become an HIE Account Managed businesses (5 ytd).

5.2.2 The number of Start-ups is on target for the year, with the Service experiencing a steady number of general business related enquiries (similar to levels in 2017/18). The total number of businesses receiving specialist advice through the Local Growth Accelerator Programme is ahead of annual target of 50. This demand for growth support is expanding but currently is constrained by delivery capacity.

5.2.3 In response to the establishment of the Cairngorm Response Group, business adviser sessions took place in Aviemore Community and Leisure Centre, and following feedback gathered, digital appears to be the area where most businesses want to focus their marketing energies. Accordingly the following workshops are scheduled for Badenoch and Strathspey before the financial year end:

- Producing Engaging Online Content;
- Effective e-commerce; and
- Enhance Your Business with Digital.

5.2.4 All economic commentators identify that BREXIT, in whatever form it takes, will adversely impact upon the business community. With this in mind and to aid Business Gateway forward service planning, discussions have been initiated with Highland business representative groups to discuss the anticipated challenges business will experience and the support they may need.

### 5.4 Access to Finance

5.4.1 During the quarter, 27 businesses have been supported with direct guidance and help (87 ytd), along with a number of others receiving general advice on issues relating to finance, for example, payment systems, credit control, online options etc. This has enabled 52 (ytd) of these organisations to successfully access project funding of a total value of £5.9m. This has resulted in a forecast of 288 jobs being created or safeguarded to date.

5.4.2 Through its own fund, Highland Opportunity (Investment) Limited (HOIL) and through local government's Business Loans Scotland (BLS) fund, the Council has continued to support businesses and organisations in the Highlands. A total of 8 businesses have been directly supported in the quarter with funding approved of £357k (£721k ytd to 16 businesses and 1 community organisation).

## **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 the nature of these employment opportunities.
- 6.2 Activity under this priority therefore relates to support to individuals (who otherwise are unemployed, experiencing poverty but are able to work) to help them prepare for and secure employment and to work with businesses and internally 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 3, through Council, third sector partner, Scottish Government and ESF resources the Council has:
- supported private businesses to employ 3 unemployed people (15 ytd);
  - provided 6 new Youth Trainee posts across the Council as well as mentor 28 Youth Trainees in post (29 ytd);
  - supported 21 new young people with Activity Agreements (85 ytd);
  - through its management of ESF, contracted third sector providers to provide all stage employability pipeline support. At time of writing this report, full activity for Quarter 3 is not available – verbal update to be provided;
  - contracted third sector providers to provide 54 new participants with short-term employability support (175 ytd); and
  - together with Business Gateway Highland, 5 workshops were organised to support the multi- agency PACE initiative for employees affected by the closure of the Edinburgh Salmon Company in Dingwall. These ranged from Starting your Business to Digital Training. 21 employees attended these workshops.
- 6.4 Members will be aware from a separate report to this Committee on Local Employability Model, that there has been a significant recent policy development from the Scottish Government on the introduction of a new Local Employability Model in April 2019. It is intended that this model will evolve and be extended to integrate funding for current national programmes into one funding stream which will then be managed collaboratively between Scottish and Local Government. This offers the means by which services at the local level can be aligned, co-ordinated and delivered to maximise the national investment available and help those Highland citizens overcome the multiple barriers that stop them from securing work. If this opportunity is realised it effectively will deliver on an Inverness and Highland City Region Deal commitment to align and co-ordinate employability services.

## **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. The Scottish Government requires that the Economy and Regeneration Team, on behalf of the Council, coordinates and prioritises applications submitted and, once approval is given, it is the Team who manage the funding, ensuring ongoing project compliance and monitoring.

7.2.2 The Team is currently managing RCGF grant to six projects:

1. Midmills Creative Hub. Project effectively complete and outstanding grant to be pulled down – approx. £500k;
2. Redevelopment of the Gairloch Anti Aircraft Operations Room site. Project on site and outstanding grant to be pulled down - approx. £275k;
3. Strathdearn Community Developments New Hub, a space including a shop, café and changing facilities for the sports facility and events run by the community. Prestart conditions to be met before contract commences and grant pulled down - £500k;
4. Carse Outdoor Hub, which will develop a long-term vacant and derelict site to provide a social, training and outdoor centre. Project funding incomplete, further work required before project commences and pull down of grant - £850k;
5. Morvern Community Business Hub which will re-establish a site in the heart of the Lochaline village for the local community, visitors and for enterprise activity. Grant to be pulled down once contract commences - £788k; and
6. Thomas Telford Corpach Marina, delivering a high quality and sustainable all-year round marina facility at the western gateway to the Caledonian Canal. Grant reprofile agreed with Scot. Govt. and following contract award, grant will be pulled down - £1.465m

7.2.3 Following the submission of thirteen Stage 1 applications for RCGF Round 6 in July 2018, six projects were invited to submit Stage 2 applications by 19 November 2018. The final decision is due February 2019. The projects are:

1. Armadale Redevelopment, project partner Sleat Community Trust, grant requested £220,000;
2. Eigg Community Hub Re-development, project partner Isle of Eigg Heritage Trust, grant requested £900,000;
3. Old Clyne Heritage Centre, project partner Clyne Heritage Society, grant requested £1,200,000;
4. The Redevelopment of Staffin Slipway & Associated Infrastructure, project partner Staffin Community Trust, grant requested £925,000;
5. Inverasdale Community Centre, project partner Wester Loch Ewe Trust, grant requested £287,601; and
6. Birchwood Highland Enterprises Plastics Project, project partner Birchwood Highland Enterprise, Invergordon, grant requested £155,000

## 7.3 **Academy Street, Inverness Townscape Heritage Project**

7.3.1 The Townscape Heritage (TH) project involves funding from the Heritage Lottery Fund (HLF), Inverness City Heritage Trust (ICHT) and the Highland Council, contributing to a project fund, from which grants are given to local property owners, businesses and organisations to allow them to carry out high-quality repairs and historic reinstatement to properties and spaces on Academy Street, Inverness.

- 7.3.2 To date, seven grants totalling £1.5m have been awarded to eligible properties. Four are complete, two are due to commence imminently and AI Welders and the accompanying restoration of the mosaics project is advancing well. It is anticipated that this £2.3m project will be complete by autumn 2019.
- 7.3.3 The TH project also delivers a suite of complementary heritage engagement activity during the lifetime of the project. The 'Activity Plan' is being successfully delivered as per the agreed programme with funders. The most recent engagement event featured a talk on the history of Academy Street's three cinemas and formed part of Eden Court's Film Festival 2018. The talk was attended by 80 people and 30 people attended the accompanying screenings. A programme of further engagement talks are scheduled to take place during 2019 alongside the ongoing practical heritage skills training.

## **8. Inward Investment**

- 8.1 Activity relates to the raising of Highland's profile as an investment location, film location, major events, tourism, twinning and site investment opportunities. Key developments during quarter 3 and emerging activity are detailed below.

### **8.2 Inward Investment Activities**

- 8.2.1 The service is continuing to work at developing economic links with Inverness' twin city of Augsburg. During the coming quarter, efforts will be made to investigate further the potential for the development of trading links, including the facilitation of a trade mission to Augsburg and to Bavaria. The recent announcement of the development of a vertical launch facility in Sutherland has been received with interest in Bavaria. There is significant space related industry in Augsburg and in Bavaria in general, and together with HIE, efforts are underway to examine the potential for promoting the Highlands for space related investment from Bavaria.

### **8.3 Film**

- 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. During the quarter, 22 enquiries were handled (135 ytd) by the Council's Film Unit. Whilst this is a drop of 16 on the same period in 2017/18 (a record year), it remains positive.
- 8.3.2 While big budget dramas or movies filmed in Highland are often 'in the limelight', the majority of activity relates to commercial shoots. An example of this is the recent filming of a new commercial for the Mitsubishi Motors L200 Series 5 pickup, filmed in Lochaber and Badenoch and Strathspey.

### **8.4 Tourism**

- 8.4.1 As was described in previous reports, 2017 was a record year for the tourism industry generating £1.2bn for the Highland economy and initial evidence has suggested that 2018 was also a very busy year. The most immediate data available tends to come from visitor attractions which show a year on year increase of 10.7% in visits to visitor attractions for the period to the end of November - well ahead of the national rate of increase of 2.4% for the same period.

8.4.2 As Members will be aware, the increased visitor numbers in recent years has led to capacity issues at some sites and, in response to this, much of the team's activity has been focussed on preparing applications to the Scottish Government's Rural Tourism Infrastructure Fund (RTIF) to support improvements. Following approval of 7 Highland projects in RTIF 1st Round, the team have been working with 6 of the 7 project leads (Cairngorms National Park Authority leading on one project) to ensure all projects can meet their pre-start conditions before they commence. For Members reference the projects are:

1. Bealach Na Ba, Applecross: enhanced laybys to provide parking, scenic viewpoints and improved passing opportunities;
2. Composting Toilets and additional car parking at Blabheinn, Skye;
3. Visitor Facilities including toilets, and motorhome facilities at The Storr car park Skye;
4. Glenfinnan, 100 space car park with 10 motorhome spaces;
5. Lochinver car park redesign and motorhome waste facilities;
6. Mallaig / Traigh Beach - New toilets and motorhome facilities at Mallaig and two composting toilets at Traigh Beach; and
7. Glenmore, paths linking car parks, visitor attractions and accommodation

8.4.3 Allied to this RTIF 2<sup>nd</sup> Round is underway, with 20 of the 21 Expressions of Interest submitted on 31 October 2018 approved to progress to the next stage (full applications to be submitted by the 31 January deadline). While some projects are directly Council led, others are led by community groups and there are some of these facing challenges with elements such as land acquisition or match funding approval. With this in mind it is anticipated that not all 20 applications will necessarily proceed but a verbal update can be given to the Committee.

8.4.4 As agreed at Council on 13 December 2018, the Council will undertake a public consultation on the subject of a Transient Visitor Levy. Work has commenced on developing the process and questions for this with a view to the consultation taking place between late January and spring 2019. In parallel with this the Council has also been represented at a round table event organised by the Scottish Government as part of its 'national discussion on tourism taxes' and has submitted a written response to the Scottish Government. This response outlines the Council view that a solution is needed to allow greater Council investment in tourism infrastructure and services but avoids giving any views on the merits of particular aspects that might be seen as pre-judging the outcome of the Council's own consultation.

## **9. Implications**

9.1 Resource – The Economy and Regeneration team seeks to identify and secure external funding to support its work.

9.2 Legal/Risk – When accessing external funding on behalf of others, the associated grant terms and associated legal and financial obligations ultimately rest with the Council. It is therefore imperative that the risks to the Council are accessed and any back to back grant award letters with third parties protect Council financial and reputational interests.

- 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, and with the transfer of the Family Firm function, a greater focus on Looked After Children.
- 9.4 Climate Change/Carbon Clever – No implications
- 9.5 Gaelic – No implications

Designation: Director of Development and Infrastructure

Date: 16 January 2019

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