

Agenda Item	12
Report No	EDI 47/19

HIGHLAND COUNCIL

Committee: Environment, Development and Infrastructure

Date: 15 August 2019

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 committee with an update on the Inverness and Highland City-Region Deal. We are in year three of the programme and the pace of delivery is picking up; since the last report there has been good progress within many of the projects, including:

- the appointment of the architects and creative designer for the Castle project;
- the delivery of STEM sessions in the Caithness and Lochaber Newton Rooms and the identification of the Dingwall Newton Room location;
- the appointment of the Chair of Nano Technology as part of the Centre for the Health Innovation project;
- approval of the food and drink Business Case; and
- the first affordable housing projects have been completed delivering a total of 35 new Mid-Market opportunities.

2. Recommendations

2.1 Members are asked to note the progress and increase in pace being made with the City-Region Deal Programme.

3. Implications

3.1 Resource: There are no resource implications as a consequence of this report.

3.2 Legal: It should be noted that the City-Region Deal is a signed undertaking to deliver specified projects. These can not be changed without the express consent of the UK and Scottish Governments. There are, however, no legal implications as a consequence of this report.

3.3 Community (Equality, Poverty and Rural): There are no equality implications as a consequence of this report.

3.4 Climate Change / Carbon Clever: The West Link project has reduced traffic

congestion and aims to promote active travel, all other projects within the City-Region Deal are expected to pay full regard to climate change and their carbon impact. There are no climate change implications as a consequence of this report.

- 3.5 Risk: While the City-Region Deal programme, like any large endeavour, has risks, these are managed through risk registers for the individual projects and the programme as a whole, further information on this can be found at item 8. There are, however, no additional risks as a consequence of this report.
- 3.6 Gaelic: There are no Gaelic implications as a consequence of this report.

4. Introduction

- 4.1 The Highland Council is the lead body for the Inverness and Highland City-Region Deal which is being implemented by a partnership between the Council, Highlands and Islands Enterprise, The University of the Highlands & Islands (UHI), and Albyn Housing Society Ltd.
- 4.2 Collectively, this £315m funding package (Scottish Government £188m, UK Government £53m, local partners £127m) is provided over a 10 year period, subject to detailed business cases, statutory processes and implementation plans. We are currently in year 3.

5. Project Progress

- 5.1 The projects within the City-Region Deal are shown at **Appendix 1**, which provides a description and an update on the current status of each project. Progress against the projects are reported to this Committee quarterly, and it is hoped that regular reporting in a consistent format will facilitate transparency about where progress is good and where remedial action may be necessary.
- 5.2 **Highlights for the Period**
- 5.2.1 Appointment of the architects and creative designer for the Castle project
These appointments allows the linking of form and function for the first stage of the castle (North and South Towers). The two will work in tandem to ensure what is built matches the vision and purpose for opening and beyond.
- 5.2.2 STEM Delivery
Since the opening of the first two Newton Rooms in Caithness and Lochaber, the SSA STEM Engagement Manager and other core team members, have been delivering taster sessions to primary and secondary schools focusing on 'Robotics and Mathematics' and 'Electricity and Renewables'.
- 5.2.3 Appointment of the Chair of Nano Technology
The City-Region Deal has been instrumental in bringing Professor Alistair Kean to the UHI. The Professor will oversee world-leading research and engagement with businesses in medical nanotechnology as part of the life science theme within the Deal.
- 5.2.4 Food and Drink Centre
The approval of the Food and Drink Centre section of the Northern Innovation Hub business case has now been received. This was the final piece of approved funding for the Northern Innovation Hub.

5.2.5 Affordable Housing

The first projects have been completed delivering a total of 35 new Mid-Market Rent opportunities within Alness, Ardgay, Drumnadrochit, Inverness and Munloch. These projects are important both from the perspective of housing provision, but also provides housing for those who will help us grow the economy.

6. Governance

6.1 The projects report to the quarterly City-Region Deal Programme Board, chaired by the Director of Development and Infrastructure, which is attended by the lead officers for each project, a representative from the Council's Finance Service, representatives from the business community, and both the Scottish and UK Governments.

6.2 The Board reports to the Environment, Development and infrastructure Committee and undertakes the following roles:

- ensures delivery of business cases and the implementation plan;
- ensures effective co-ordination between partners;
- ensures the ongoing overall alignment of the individual projects within the programme;
- resolving strategic and operational issues between projects; and
- monitoring project status and ensure project delivery; and manage risks and financial commitments.

6.3 Following a report to Audit and Scrutiny, the Government arrangements for the City-Region Deal have been updated as shown below:

- the Annual Report for the Inverness and Highland City-Region Deal is presented to the Full Council;
- a quarterly progress report is presented at each EDI Committee based on the information provided to the Scottish and UK Governments;
- business cases for the Land Remediation, Castle and Digital projects will be presented EDI Committee for approval prior to submission to the Scottish and UK Governments;
- co-ordination on the City-Region Deal Scrutiny Group will managed by Committee Services; and
- membership of the scrutiny group will be widened to include the Chair and Vice-Chair of Audit and Scrutiny, and the Chair and one of the Vice-Chairs of EDI

7. Programme Management Activities

7.1 As would be expected from a programme of the scale of the Inverness and Highland City-Region Deal, accountability to the Scottish and UK Governments, as the major funders, requires a regular reports and programme management activities. The table below shows these activities and their status.

Activity	Status
Benefits Realisation Plan	Completed for current cycle
Implementation Plan	Completed for current cycle
Quarterly Report	Completed for current cycle
Annual Report	Completed for current cycle
Monthly Fin Reporting	Completed for current cycle
Claim 1 for 19/20	Completed for current cycle
Inclusive growth and community Impact processes	Due 15/08/19
Economic Dashboard	Due 15/08/19

8. Programme Level Risks

8.1 All projects within the City-Region Deal are required to maintain individual risk and issue registers, in addition to this an overall programme level risk and issue register is kept by the Programme Manager. The table below contains the risk or issues that have a value of 12 (or the highest level of risk) or above. The value represents the significance of the risk without mitigation, and the RAG represents the confidence in the mitigating actions; as can be seen, the Digital Project is the highest level risk. Although the Local Full Fibre Network (LFFN) funding request was successful, the main CRD Digital project is causing some frustration, and a meeting with DCMS is being held on 31 August to address the issues.

Id No.	Value	RAG	Short Description	Mitigation	Action Date
CRD 1	18	R	Full Business Cases not agreed (Digital)	Propose satisfactory ways of using the digital funding. This may include using this money to go against wider R100 objectives. Proposals to be submitted end of August.	31/08/19
CRD 3	12	A	Full Business Case not Agreed Longman	Early discussions with SEPA and consider support in developing the business case	15/08/19
CRD 4	12	G	Missed PR Comms Activities	1) Ensure all stakeholders are included with regards to possible events 2) Ensure Speedy responses to requests for quotes and inputs for comms if contacted	30/09/19
CRD 19	12	G	PMO Resources are insufficient	Review resource needs and report. This still needs to be reviewed and programme Manager will flag to Director.	01/08/19
CRD 20	12	A	Transport Scotland - lack of engagement potentially impacting on programme and projects.	New Head at Transport Scotland and Programme Manager have discussed issues and meeting being set up by Malcolm MacLeod and other and the Head at Transport Scotland.	15/08/19

9 Financial Position

9.1 The Programme provides a profile for spend across the UK and Scottish Government funding; this is tracked to ensure compliance with Central Government Accounting Practices, and that spend is monitored as a way of assessing progress against project plans. Spend against profile has been improving against the early years, and Qtr 1 figures for 19/20 are healthy.

9.2

Financial Profile for Programme	
Year (s)	Profile
Spend to Date	£6,379,527
19/20	£6,237,620
20/21	£10,152,359
21/22	£22,063,956
22/23	£18,576,206
23/24	£10,298,882
24/25	£4,271,000
25/26	£1,020,450
Total	£79,000,000

19/20 Profiled Spend		
QTR	Profile	Actual
Qtr 1	£932,566	£869,857
Qtr 2	£801,068	
Qtr 3	£1,872,094	
Qtr 4	£2,830,981	

Note: the Q1 spend figure is higher but only spend that is on the ledger is recorded, and an invoice was presented for payment after Q1 close.

Designation: Director of Development and Infrastructure

Date: 29 July 2019

Author: John Robertson, City-Region Deal Programme Manager

Project Updates

APPENDIX 1

SCIENCE SKILLS ACADEMY STEM

The project aims to redress the shortage of skills that are related to Science, Technology, Engineering, Mathematics and Digital (STEMD) disciplines. The Science Skills Academy (SSA) is a long term, innovative and ambitious programme. It will help to raise attainment in these disciplines, and increase the proportion of indigenous young people who are able to take advantage of the growing opportunities in life sciences, renewable energy and digital technologies.

RAG	LAST RAG	Progress has picked up and with the completion of the recruitment the project will be back on track. SSA STEM engagement Manager, along with the other core team members, has been delivering taster sessions to primary and secondary schools focusing on 'Robotics & Mathematics' and 'Electricity & Renewables'. These have taken place in both the Thurso and Fort William Newton Rooms.		
G	G			
Lead Organisation	Highlands and Islands Enterprise	Project Lead	Emma Robertson	
Business Case	Full Case Approved			
Benefits Commenced	YES			
Next key Milestones	Task	Comment	Date	
	Recruitment	STEM Engagement Officers Caithness and Lochaber	25/09/19	
	Dingwall Newton Room Opens	Including securing a venue kit out and putting in place the supporting processes.	30/10/19	
	4 th Newton Room Opens	As Including securing a venue kit out and putting in place the supporting processes.	01/04/20	

INVERNESS CASTLE

The Scottish Government has confirmed funding of a new Justice centre in Inverness providing an opportunity to create a must-see centre that innovatively celebrates the spirit of the Highlands: its creativity, culture, heritage and landscape. The centre will attract new and repeat visitors to the area, will be embraced by the people of the Highlands and will inspire all to visit other parts of the Highlands

RAG	LAST RAG	As planned, an announcement in May confirmed that the contract for architect services for the next stage of the project had been awarded to LDN Architects, and the contract for creative design for the project to Creative Services (Scotland). The project team continues to work with Scottish Futures Trust, LDN Architects, Creative Services and others to progress to the stage of firming up on what will be delivered through the project, as well as the likely timescales involved. This will include options for use of the castle from 2020 onwards. The Creative Director has begun a programme of meetings with organisations and individuals concerned with the content of the north and south towers of the Castle. Discussions are ongoing with the owners of an exhibition that may potentially be housed in the castle as the first major exhibition after opening.		
G	G			
Lead Organisation	Highlife Highland	Project Lead	Fiona Hampton	
Business Case	Part Business Case approved			
Benefits Commenced	NO			
Next key milestones	Task	Comment	Date	
	Preparation and brief.	For North and South towers at this point	29/03/19	
	Concept Design	Will run through the site development as a whole but will apply to the North and South	30/08/19	
	Design Development	Towners in the Fist Instance	17/01/20	

AFFORDABLE HOUSING

To offer young people attractive, affordable housing in the Highlands to enable them to stay in the region, retaining a young, vibrant workforce for the Highlands. To deliver high quality housing for.

RAG	LAST RAG	At present progress against timescales is good. This project is ragged as amber because of the risk of unavailability of affordable land for the project particularly in Inverness. Work to identify suitable land continues and is a risk to total numbers.		
A	A			
Lead Organisation	Highland Council	Project Lead	Allan Maguire	
Business Case	Full Case Approved			
Benefits Commenced	YES			
Next key Milestones	Task	Comment	Date	
	Lochyside	Site Completed and allocated	30/9/19	
	Ullapool	Site Completed and allocated	31/10/19	
	Balvonie	Site Completed and allocated	31/12/19	

INNOVATIVE ASSISTED LIVING (FIT HOUSE)

The project will create cost-effective design-led homes. It will include technology including innovative software that may prevent hospital admissions, predict health events and monitor the physiology of tenants. We will build robust innovative response systems to react to data produced from this technology.

RAG	LAST RAG	Reason for RAG and response Action	Plan has been updated and improvements made to the project management arrangements for this project. The project is behind schedule but progress is being made	
A	A			
Lead Organisation	Albyn Housing Society limited.	Project Lead	Graeme Hamilton	
Business Case	Full Case Approved			
Benefits Commenced	YES			
Next key Milestones	Task	Comment	Date	
	Build Phase Nairn Consents Obtained	Statutory consents obtained, triggering start of procurement process.	31/12/19	
	Build Phase 2 Site Purchase (Milton of Leys)	Potential mix on site and valuation agreed with site owner. Contract of purchase concluded.	31/07/19	
	Build Phase 3 Site Agreed	Agreement between key stakeholders on next site for new build development.	31/03/19	

LONGMAN JUNCTION

Improvements to Longman Roundabout will provide a new grade separated junction to replace the existing roundabout at the junction. This new grade separated junction will unlock significant areas of land which, once remediated (see below), will provide much needed capacity for industrial office and retail developments.

No RAG	No Rag	Updates have not been included in time for report, discussions have taken place re reporting and the situation is expected to improve.		
Lead Organisation	Transport Scotland	Project Lead	Amy Phillips (New in Post)	
Business Case	N/A			
Benefits Commenced	NO			
Finance	N/A			

EAST LINK

Transport investment is needed to promote growth and improve connectivity. The Inverness and Highland City-Region Deal will support the development of the A9/A96 Inshes to Smithton Link Road (East Link) which will encourage more active use of the road network hierarchy, and thereby improve the operation of the network for longer distance and local journeys, providing relief to the A96 and the Raigmore Interchange.

No RAG	No Rag	Updates have not been included in time for report, discussions have taken place re reporting and the situation is expected to improve.		
Lead Organisation	Transport Scotland	Project Lead	Amy Phillips (New in Post)	
Business Case	N/A			
Benefits Commenced	NO			
Finance	N/A			

WEST LINK

This West Link Project will allow the peripheral growth of Inverness and reduce traffic congestion in Inverness City centre. It will also reduce existing canal bridge delays and waiting times. The associated developments enabled by the West Link will expand the active travel network removing bottlenecks and barriers to cycling and walking and will release land for development identified in the local plan

RAG G	LAST RAG G	No Major Issues Work Progressing as would be expected		
Lead Organisation	Highland Council	Project Lead	Bryan Stout	
Business Case	Full Case Approved			
Benefits Commenced	YES			
Finance	N/A			
Next Key Milestones	Task	Comment		Date
	Demolition of existing golf clubhouse,	Including removal and recycling of resulting materials/		12/08/19
	Construction of General Booth Road	Including utility diversions, kerbing and realignment		31/12/19
	Works in canal	Bridge foundations/wharf/service crossings		31/03/19

UHI CENTRE FOR HEALTH INNOVATION

The investment will establish in one custom built facility, with the academic, clinical and commercialisation capacity to deliver a pipeline of commercialisable projects in life sciences, and to take these projects to the point of exploitation and uptake, either in new products, new services, start-ups and licensing deals, or in clinical delivery quality improvements and new models of delivery. The facility will be co-located with a new NHS elective care and primary care centre on the new multi-disciplinary Inverness Campus.

RAG A	LAST RAG G	This project has moved from green to amber because the price for the new build has come in significantly higher than expected. This puts the build at risk and in turn the wider campus project with NHH and HIE. Work is underway to reduce the costs to provide approvals for the build. The life science business support element of the project continue to progress well		
Lead Organisation		UHI	Project Lead	Ian Megson
Business Case		Full Case Approved		
Benefits Commenced		YES		
Next key Milestones		Task	Comment	Date
		First phase legal agreements complete	Initial pre-contractual partnership agreements signed to allow design and procurement to proceed.	28/06/19
		Final outcome of design stage	Costed-out technical design delivered (RIBA 4). Final agreements with fixed prices between UHI and the developer and the contractor signed.	30/11/18
		Site work commences	On-site works start, including clearing land, layout and on site logistics.	15/10/18

LAND RECLAMATION

To ensure that there is sufficient land supply to enable Inverness and the Highlands to expand its economic activity and productivity by bringing into use large brownfield contaminated sites. To carry out remediation and site servicing works to release a strategic site to the market to meet the needs of both small and medium size businesses and the needs of larger inward investment companies.

RAG A	Last RAG G	Reason for RAG and response Action	This project is reliant on the Longman Interchange project and close liaison will be required. Although in the terms of the overall CRD programme the delays are manageable the general lack of progress has moved this project to amber.		
Lead Organisation	Highland Council	Project Lead	Allan Maguire		
Business Case	Part Business Case approved				
Benefits Commenced	NO				
Next Key Milestones	Task	Comment	Date		
	End of initial Investigations	A further stage will be required	TBC		
	SEPA In principle approval	Self Explanatory	31/05/19		
	Further Site investigations	For full business case	31/05/19		

NORTHERN INNOVATION HUB

The Northern Innovation Hub will be delivered by Highlands & Islands Enterprise (HIE) in partnership with The Highland Council. It is designed to catalyse and transform levels of business innovation across the region, through a series of carefully targeted initiatives which combine to form a powerful driver of change.

RAG	LAST RAG	Project is progressing reasonably well but there have been some slight delays. The project manager and another member of the team have left . Work has been covered by HIE colleagues but recruitment has been slow and attention to progress needs to be shown. Revised dates for actions are needed, to ensure programme catches up.		
G	G			
Lead Organisation	Highland Council	Project Lead	Steven Hutcheon	
Business Case	Full Case Approved			
Benefits Commenced	NO			
Next Key Milestones	Task	Comment	Date	
	Adventure Tourism contract awarded	Procurement complete for the Adventure tourism accelerator and contract awarded	TBC	
	Contract awarded for Food and Drink Technology Centre	Technology centre capital project contract awarded	TBC	
	Food and Drink Network contract	Contract awarded for the Highland Food and Drink Network – focussed on innovation and technology	TBC	

JOINT DIGITAL ACTION PLAN

To deliver a digitally capable region and stimulate economic growth.

RAG	LAST RAG	The project is hampered by the massive overlap between the initial aspiration of the City Region Deal and the R100 programme. The Council and partners have been successful in securing LFFN funding and are seeking to do more of this with CRD funds. Options for spend continue to be developed and discussed with both Governments. A decision on the successful tender for R100 and therefore areas not covered in Highland is expected late autumn.		
R	R			
Lead Organisation	Highlands and Islands Enterprise	Project Lead	Stuart Robertson	
Business Case	NO			
Benefits Commenced	NO			
Next Key Milestones	Task	Comment	Date	
	Determine the CRD interventions areas	This is the areas where delivery will be accelerated of provision increased	TBD	
	Options for alternative spend	Will be developed in conjunction with R100 team	TBD	
	Full business case.	As per procurement rules	TBD	

AIR ACCESS

Air connectivity of the region should recognise direct destination links with the region but is also a capacity, frequency and onward connections at destination airports; whilst reducing entry barriers for new routes.

RAG	Last Rag	This project has largely been overtaking by events. A watching brief and broad policy objective of sustaining air access and routes remains		
G	G			
Lead Organisation	Hitrans	Project Lead	Ranald Robertson	
Business Case	N/A			
Benefits Commenced	NO			
Finance	N/A			
Next key milestone	Task	Comment	Date	
	Skye Routes	The development of best value options for the re-introduction of air services to Ashaig Aerodrome on the Isle of Skye	Ongoing	
	Highlands and Islands Exemption	Developing the case for the Highlands and Islands exemption to be built into and expanded on in any new Air	Ongoing	
	Departure Tax	Arrangements developed through the Scotland Act powers.	Ongoing	

EMPLOYABILITY AND SKILLS

The Inverness and Highland Region City Region Deal committed the Council together with the UK and Scottish Governments, to bring forward pilot initiatives and new approaches to the delivery of skills and training.

RAG	LAST RAG	Work has progressed at national and local levels, with Council represented/active on the national Alignment Group with Scot Gov. and meeting regularly with local Job Centres and SDS colleagues to undertake complementary local actions. The new approach will be rolled out over the coming years, with Year 1 actions (2019/20) directed to Activity Agreement and SERI funding schemes and early efforts focused on shaping new grant award and activity plans.		
A	A			
Lead Organisation	Highland Council	Project Lead	Andy McCann	
Business Case	N/A			
Benefits Commenced	NO			
Next Key Milestones	Task	Comment		Date
	ESF Funding secured	Secure ESF extension funding for Council and Third Sector employability activity		tbc
	Employability Framework providers appointed	Procurement exercise completed for employability service providers		30/08/19
	2019/20 Offer Letter and Activity Template	Highland Employability Service (new Local Employability Model collaboration) requires year 1 grant offer to be received and resultant activity plan to be completed.		15/08/19