

Agenda Item	8
Report No	EDI/70/19

HIGHLAND COUNCIL

Committee: Environment, Development and Infrastructure

Date: 7 November 2019

Report Title: Regeneration and Economy Update

Report By: Executive Chief Officer Transformation and Economy

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. The report also provides for Members information, an update on Town Centre Funding project award decisions and seeks Members consideration and determination of three projects that have been assessed as ineligible.

2. Recommendations

2.1 Members are asked to:

- i. note the key developments highlighted during quarter 2 and emerging activity; and
- ii. reject the applications for Town Centre Funding for the three projects at Ardersier, Inverness College UHI and North Kessock/Fortrose/Rosemarkie.

3. Implications

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

3.2 Legal / Risk - When accessing and managing external funding for itself and 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 assessed and any back to back grant award letters with third parties protect Council financial and reputational interests.

3.3 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.

3.4 Climate Change / Carbon Clever – No direct implications

3.5 Gaelic – No direct implications

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

The core outcomes ultimately sought with this work are:

- 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:

- 89 attendees attended start-up workshops (158 ytd);
- 87 new businesses were assisted to commence trading (114 ytd);
- 425 businesses accessed local advisory services (763 ytd); and
- 73 growth business secured specialist support from the Council's ERDF funded Local Growth Accelerator Programme, including 3 businesses who have progressed on to become an HIE Account Managed businesses (4 ytd).

5.2.2 Included within the above figures, the Digital Boost programme has run 10 workshops with 99 attendees accessing digital support services, and in support of the Council's Procurement service, six procurement workshops in Wick, Thurso, Dingwall and Inverness have taken place attended by 122 attendees. Allied to this 36 businesses accessed 1:1 procurement support including those business in Lochaber where there was insufficient numbers for a workshop.

5.2.3 As Members are aware, Business Gateway is now established as a key player in delivering business support across the Highlands, and works closely with other Council Services and a variety of partners including the Scottish Government and Highlands and Islands Enterprise. Following the Enterprise and Skills Review in 2017 which highlighted the opportunity to declutter the public sector landscape and provide a clearer route for businesses to access support, it was proposed that an online Single Entry Point (SEP) be established. The SEP goal is to make all products and services offered by public sector organisations available and visible – through one single place online, supported by an enquiry and referral system.

5.2.4 Business Gateway (national unit and local) is working with partners, including Scottish

Enterprise, Highlands and Islands Enterprise and Skills Development Scotland to develop the SEP. An early prototype, known as the 'alpha' was released for testing directly with customers in May 2019. Some 300 businesses have been engaged in research and have fed back on the Alpha prototype in terms of how easy and user friendly they find it and what they think about the design. Work is ongoing and it is currently anticipated that a launch may take place late 2019 or early 2020.

5.3 Access to Finance

5.3.1 During the quarter, 24 businesses (71ytd) have been supported with direct guidance and help including a number receiving general advice on issues relating to finance, for example, payment systems, credit control, online options etc. This has enabled 9 of these organisations (22 ytd) to successfully access project funding of a total value of £4m (£5.5m ytd). This has resulted in a forecast of 120 jobs (250 ytd) being created or safeguarded in the organisations supported.

5.3.2 Through its own fund, Highland Opportunity (Investment) Limited (HOIL), the Council has continued to support businesses and organisations in the Highlands. A total of 2 businesses (9 ytd) have been directly supported in the quarter with funding approved of £75k (£398k ytd) which is above target with a forecast of 80 jobs (146 ytd) created and retained, as a result of the support provided. Demand for support continues with a regular pipeline of businesses seeking loan investment.

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 the quarter, through its own and third sector partner, Scottish Government and ESF resources the Council has:

- supported private businesses to employ 1 (targeted) young people;
- provide 14 new Youth Trainee posts across the Council as well as mentor 22 Youth Trainees in post;
- supported 81 new young people with Activity Agreements (81 ytd);
- through its management of ESF, contracted third sector providers to provide all stage employability pipeline support for 24 clients (58 ytd);
- contracted third sector providers to provide 76 new participants with short-term employability support (131 ytd);
- Following the transfer of Family Firm function at end of 2018, the team currently have 72 young people on their caseload and with it responsibility to support Care Experienced Young People to prepare for and secure employment, including 14 accessing the Council's Activity Agreement service; and
- 5 currently benefitting from work placements in the Council's Youth Trainee programme

- 6.4 Alongside this service delivery, the Council is working at both a national and local level to shape a new employability delivery approach with the Scottish Government (referred to as No One Left Behind - NOLB). As agreed at EDI Committee in November 2018, the Council undertook to develop and bring forward a project proposal to design and transition towards a new service offering. A draft project proposal has been prepared and is currently being considered by the Scottish Government, with the aim being to pilot alternative approaches recognising the differing and challenging geographies which urban, rural and remote rural Highland presents.
- 6.5 One element of the emerging NOLB programme is the distribution of ring-fenced funding for a Parental Employability Support programme. This programme will aim to support existing clients (parents) who have already been supported into work, to sustain and progress in work. This is linked to the Scottish Government's wider programme towards tackling child poverty by supporting parents to progress in work and increase their income. While the details of this Programme are currently being finalised, the proposed Project detailed above will help inform how best to identify and target clients to ensure the programme contributes to their progression in work.

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 European Policy and Funding
- 7.2.1 As has been described in earlier reports, the Council continues to gather evidence and produce briefings for Members attending meetings such the Highlands and Islands European Partnership, Convention of the Highlands & Islands, COSLA meetings and in particular the COSLA Leaders Group where Brexit is a standing item on the agenda.
- 7.2.2 However, as the proposed date of the UK's departure neared there was more of a shift in focus towards Brexit preparedness activity rather than future UK policy. As this is more of a resilience planning task this has seen the lead taken by the Council's Emergency Planning team led by the Corporate Communications Manager rather than the Economy and Regeneration team although officers remain involved in the Brexit Officers Group. This activity is reported to the Council's Brexit Working Group and to the full Council.
- 7.3 Regeneration Capital Grant Fund (RCGF)
- 7.3.1 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, co-ordinates and prioritises applications submitted and, once approval is given, it is the Team who manage the funding, ensuring ongoing project compliance and monitoring.
- 7.3.2 The Team is currently managing RCGF grant to five projects:
- redevelopment of the Gairloch Anti Aircraft Operations Room site. Final grant claim to be made - approx. £34k;
 - 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;

- 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. Out to tender Grant to be pulled down once contract commences - £788k;
- 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; and
- Armadale Redevelopment project, which will involve the demolition of the existing shop and the erection of a new enlarged retail offering, community space and SCT offices. Out to tender Grant to be pulled down once contract commences - £311k.

7.3.3 On 11 October 2019, the Council submitted 5 Stage 2 RCGF applications for Round 7. The Stage 2 decision will be known in January 2020. The five are as follows:

1. Inverasdale Community Centre
2. Eigg Community Hub Re-development
3. The Redevelopment of Staffin Slipway and Associated Infrastructure
4. Dornoch Hub
5. John O'Groats Mill: A Power for the Community

7.4 Academy Street, Inverness Townscape Heritage Project

7.4.1 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.

7.4.2 To date, 10 grants totalling £1.5m have been awarded to eligible properties and decision reached (subject to NLHF endorsement) on a further £378k to two additional properties. This in turn will lever in c£2.3m of private sector investment when complete. Six projects are complete and four are nearing completion. The most recent approvals are scheduled to commence imminently, in order to draw down grant before the project ends late next year.

7.4.3 AI Welders and the accompanying restoration of the mosaics project continues to make good progress. It is anticipated that this £2.3m project will be open late November 2019. Blackfriars commenced work on 29 April and is scheduled to open at the end of October 2019.

7.4.4 The Project's suite of complementary heritage engagement activity is near to completion; the agreed 16 heritage talks have exceeded expectation by delivering 17 talks to date and attracting almost 800 people. This has proved to be a very well-received element and has covered a wide range of topics, delivered by expert speakers. The talk on 11 November features the Queen's Own Cameron Highlanders, exploring links with Academy Street and local author Josephine Tey and is anticipated to be the last talk in the Project's series.

7.5 Town Centre Fund

7.5.1 The Town Centre Fund (£2.96m ring fenced capital grant from the Scottish Government for 2019/20) seeks to encourage town and city centres to diversify and flourish, giving new purpose and creating footfall. Its primary function is therefore to

redress the decline of town centres, in particular by bringing empty buildings and unused floorspace back into productive use.

7.5.2 Decisions on the use of the fund rest with the Council and can be used on Council or third party (public sector bodies, private sector bodies or individuals) capital expenditure. When offering the Fund to the Council, the Scottish Government indicated that the projects supported must be 'transformational' and be either for re-purposing town centre buildings for new uses, for town centre access improvements or for town centre infrastructure.

7.5.3 At EDI Committee in May 2019 it was agreed that:

- Area Committees to be involved in identifying and recommending which ranked projects are to be awarded Town Centre Funding
- To aid this work, indicative area allocations were identified.

On the whole this approach has proven useful, with Members actively engaging and helping identify what projects are considered locally as priorities and which best fit the TCF eligibility criteria. Individual project assessments have been undertaken and presented to Area Committee Members either formally via a special formal meeting of the Area Committee (Lochaber 25 September 2019) or via informal briefings.

7.5.4 The Cross Party Working Group met on 3 October 2019 and considered and approved the ranked eligible projects put forward by the Area Committees. A decision was also taken to meet again on 30 October 2019 to consider the City of Inverness Area Committee ranked projects and to make a decision on which project(s) would benefit from the residual strategic fund (£113k). The Minute of Meetings of the Cross Party Working Group are included later in the Committee Agenda.

7.5.5 In Ross and Cromarty and in Inverness, local Members considered that three projects, otherwise assessed by officers as ineligible against the criteria set by the Scottish Government, merited support from the Town Centre Fund. The projects involved are:

- The Pavilion, Cromal Hill, Ardersier
Refurbish the sports pavilion including new windows, doors, showers flooring, kitchen units and external refresh. TCF applied for £40k.
- North Kessock, Fortrose and Rosemarkie
Acquire (via Community Asset Transfer) and enhance the Fortrose and Rosemarkie public toilets, and enhance the Kessock layby toilets and provide campervan servicing point and path improvements to village centre. TCF applied for £49k.
- Inverness College UHI
Construct a full-size 3G synthetic Sports Pitch at Inverness Campus. TCF applied for £150k.

7.5.6 When managing external funding it is imperative that the Council meet the terms and conditions including eligibility criteria stipulated by the funding provider – in this case the Scottish Government. To not do so, places the Council at financial risk as the Scottish Government may disagree with the Council's assessment and withhold/reclaim grant. There is also associated reputational risk for the Council and its relationship with the Scottish Government. The issue therefore facing the Council is not to determine whether these three projects merit support – they do, it is to determine whether they meet the eligibility criteria set by the Scottish Government.

7.5.7 It is considered that the three projects fail the eligibility criteria for the following reasons:

- The Pavilion, Cromal Hill, Ardersier
Does not meet the town centre criteria to either re-purpose buildings for new use, to provide/improve town centre access or town centre infrastructure and the Pavilion is on edge of settlement removed from village shops.
- North Kessock, Fortrose and Rosemarkie
The North Kessock project is located outwith the settlement and thus does not meet locational criteria.
Rosemarkie is not an eligible settlement (as used by Scottish Government when disbursing TCF across Scotland and agreed by EDI Committee in May 2019).
- Inverness College UHI
The campus is not located within a town centre and thus does not meet locational criteria. In addition, sports facilities are not considered as town centre infrastructure.

Accordingly, and in particular due to the financial and reputational risks evident, it is considered that the Council is not in a position to approve these projects for TCF support.

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 2 and emerging activity are detailed below.

8.2 Inward Investment Activities

8.2.1 The Council, through the Highland Economic Forum and ongoing discussion with HIE, is working to move forward with a talent attraction and retention strategy for Highland. Work has been ongoing to identify both the push and pull factors that affect the movement of talent to and from Highland and how it is possible to actively manage the targeting of key workers and demographics through a variety of online methods including traditional web platforms and more innovative approaches utilising social media. Work with stakeholders is ongoing to ensure that activity complements and not duplicates existing activity.

8.2.2 The Council inward investment website is currently undergoing a revamp and can be found at www.enterprisinghighland.com

8.3 Film

Highland continues to be a popular area for the film and television industry to use for productions. During the first two quarters, 103 enquiries were handled by the Council's Film Unit compared with 112 in 2018/19. While interest in areas such as Lochaber and Skye continues to dominate enquiries it is encouraging to see more productions willing to consider other areas. Of particular note this quarter was the filming of "The Crown" in Caithness which has probably been the largest ever production to have filmed in that area.

8.4 Tourism

- 8.4.1 As was described in previous reports, recent years have been good ones for the tourism industry generating well over £1bn per annum for the Highland economy. Early indications from visitor attractions (which are generally the most immediate figures available) suggest an increase in business levels for the year to August 2019 when compared with 2018. However, it is likely that the mixed weather with frequent rainy spells in the peak months may have encouraged an increase in visits to indoor attractions while anecdotal feedback from businesses suggest overall visitor numbers to Highland are likely to have remained similar to 2018.
- 8.4.2 As Members will be aware, the increased visitor numbers and related pressures have meant much of the team's activity has been focussed on preparing applications to the Scottish Government's Rural Tourism Infrastructure Fund (RTIF) and managing the approved funding. **Appendix 1** gives an update on approved RTIF projects.
- 8.4.3 As was agreed at the meeting of the Highland Council on 13 December 2018, the Council has been undertaking a public consultation on the subject of a transient visitor levy. The open consultation which is designed mainly to capture the views of Highland residents and the tourism industry commenced in August and ran through to 20 October 2019. To complement this, an independent contractor – the Moffat Centre at Glasgow Caledonian University undertook some dedicated survey work with visitors.
- 8.4.4 Between the two surveys a total of 6612 responses were received (5662 responses to the online survey and 950 from the face to face visitor surveys). A further 21 written responses were submitted – mainly from community councils, other public bodies and business organisations who had been invited to respond in this way as the survey design was less appropriate to them. These are now being collated and analysed to allow a final report to be presented to the Council on 12th December 2019.

Designation: Executive Chief Officer Transformation and Economy

Date: 22 October 2019

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**APPENDIX 1:
Rural Tourism Infrastructure Fund**

Round 1

Project Location	Description	Status
Bealach Na Ba, Scenic Viewpoints	Six Scenic Viewpoints on the Bealach na Ba	Work in Progress
Blabheinn, Skye, Visitor Facilities	Compositing Toilets and Car Parking redesign to allow 30 vehicles	90% complete only interpretation to be installed
Old Man of Storr Visitor Facilities	Toilets and Motorhome Facilities at the Old Man of Storr	At Tender Stage
Glenfinnan Viaduct Car Park	100 Space Car Park and 10 Motorhome spaces at the viaduct	At Tender Stage
Lochinver Campervan Facilities	Motorhome Chemical Waste Facilities at Assynt Leisure Centre	Awaiting Scottish Water Confirmation and prepping for Tender Stage
Mallaig Tourism Facilities / Traigh Beach Toilets	New Toilet build at Mallaig with added Motorhome Facilities and two Composting Toilets at Traigh Beach	Mallaig – Concluding Tender Traigh – Awaiting Building Warrant

Round 2

Project Name	Description	Status
Isle of Eigg Visitor Facilities	Creating new Toilets and Showers, Interpretation and Signage at An Laimhrig	Completing Planning conditions and starting Tender Stage
Glen Nevis Visitor Facilities	Installing Public Transport Access Facilities, Parking, Signage, Paths and Toilet Facilities at Lower Falls Car Park	Tying up lease conditions before tender stage
Portree Parking	Expansion of the Bayfield Car Park and provision of Motorhome Facilities for waste and water.	Awaiting Planning Decision and Lease Agreement
Cromarty Campervan Facilities and Slipways	Campervan Facilities including Hardstanding, Waste Disposal and Toilets, along with improved Slipways for the Cromarty-Nigg Ferry.	Campervan Facilities – Progressing to Planning Slipways – Project currently on hold.
Storr, Footpath Improvements	Creating an enhanced visitor access while protecting iconic landscapes and internationally important habitats	Finalising Path Access Agreement and prepping for Tender Stage
Glenfinnan Bridge	New Bridge to join the new car park to the Viaduct, preventing people walking on the A830 Trunk Road.	Awaiting Match Funding Confirmation