

Agenda Item	9
Report No	EDI/71/19

HIGHLAND COUNCIL

Committee: Environment, Development and Infrastructure

Date: 7 November 2019

Report Title: Inverness and Highland City-Region Deal Update

Report By: Executive Chief Officer Transformation and Economy

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 continues to increase; since the last report the annual report has been produced and reported to Council as per government requirements. The report has been well received by Government Colleagues as has the progress with the deal. Highlights for this period include:

- Kings Course Opening;
- Inverness Castle (Spirit of the Highlands) engagement has commenced
- Mid - Market rent - In the previous quarter 12 new homes have been occupied; 8 in Inverness and 4 in Alness, turf cutting in Avoch; and
- SSA Newton Rooms are fully booked, and have been selected (exclusively in Scotland) to live-stream the Royal Institution Christmas Lecture series – they are the only hosts within Scotland to be selected to be part of this event.

2. Recommendations

2.1 Members are asked to note progress with the City Region Deal during 2018/19; and the positive feedback on 18/19 annual review.

3. Implications

3.1 Resource: There are no resource issues arising because of this report.

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

- 3.3 Community (Equality, Poverty and Rural): there are no community impact implications arising from this report.
- 3.4 Climate Change / Carbon Clever: There are no climate change or Carbon Clever related issues arising from this report.
- 3.5 Risk: No additional risks arise due to the content or the publication of this report.
- 3.6 Gaelic: There are no Gaelic implications arising from 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 £315.1m funding package (Scottish Government £135m, UK Government £53.1m, 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 status of each project. Progress against the projects are reported to this Committee quarterly, regular reporting in a consistent format will facilitate transparency about where progress is good and where remedial action may be necessary. Highlights for the period can be found below:

5.2 West Link

The official opening ceremony for the Kings Course Golf Course took place on Friday 30th August 2019, with special guest Bernard Gallagher. At the same time Phase 2 is progressing at pace.

5.3 Inverness Castle

A Stakeholder Engagement programme for the Inverness Castle – “Spirit of the Highlands” project is now underway. The programme covers a wide range of stakeholders throughout the area, including project partners, young people, business organisations and community groups, providing updates on the project development, as well as opening a dialogue on the castle’s transformation to a visitor attraction for the Highlands.

5.4 Science Skills Academy (SSA)

The Lochaber and Caithness rooms are fully booked from August-November 2019. The SSA hosted a public information session introducing the Dingwall Newton Room which was well attended by various members of the public. As well as Newton Modules, which are curriculum and STEM-career focused, the Newton Rooms are being used to deliver a wider range of STEM activity and the Thurso, Fort William and Inverness rooms have been selected to live-stream the Royal Institution Christmas Lecture series – they are the only hosts within Scotland to be selected to be part of this event.

5.5 Northern Innovation Hub

The majority of the Northern Innovation Hub projects are now up and running, with excellent feedback being received from participants of the various business support programmes.

5.6 Affordable Housing

Good progress is being made on several projects which will be completing in the coming year with 18 expected in the current quarter. In the previous quarter 12 new homes have been occupied: 8 in Inverness and 4 in Alness.

6. Governance

6.1 The projects report to the quarterly City-Region Deal Programme Board, chaired by the Executive Chief Officer Transformation and Economy, and 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. 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 ensuring project delivery; and managing risks and financial commitments.

6.2 Government Reporting

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 regular reports and programme management activities. The table below shows these activities and their status for the period.

Activity	Status
Annual Conversation	Complete
Quarterly Performance Report Qtr. 3	Complete
Grant Claim 2	Complete
Annual Financial Forecast Table	Complete
Financial Forecast – Aug	Complete
Financial Forecast – Sep	Complete

6.3 Other Government Reporting

The last period included the "Annual Conversation meeting"

7 Programme Level Risks

7.1 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. A new risk has been recorded regarding the Life Science Innovation centre project. The

risk associated with the Castle Business Case risk has reduced and the risk on government reporting has now reduced to within the risk tolerance and is therefore not reported.

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 once R100 tendering and planning concluded	15/12/19
CRD 2	12	A	Full Business Case not agreed (Castle)	Ensure all applicable stakeholders are engaged with through the development stage to the business case stage	TBC
CRO 19	12	A	PMO Resources are insufficient to meet information and governance demands	Review resource needs and report	25/01/20
CRO 20	12	G	Transport Scotland - apparent lack of engagement potentially impacting on programme and projects.	Maintain improved communication.	25/01/20
CRO 21	12	R	Life Sciences Innovation Centre project has moved from amber to red because the price for the new build has come in significantly higher than expected. This puts the build and build times at risk.	Change of approach being considered costed and schedule adjusted	TBC

8. Financial Position

8.1 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 reasonably healthy except for Digital and The Life Science Centre

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

QTR.	Profile	Actual
QTR. 1	£932,566	£869,857
QTR. 2	£801,068	£538,896
QTR. 3	£1,872,094	-
QTR. 4	£2,830,981	-

Notes: No digital money will be spent in 2019/20 and Life Science Innovation Centre will be behind the spend profile.

Designation: Executive Chief Officer Transformation and Economy

Date: 28 October 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 (STEM) 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, continue to deliver taster sessions to primary and secondary schools. 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
	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
	5 th Newton Room Opens	Including securing a venue kit out and putting in place the supporting processes.	01/10/20

INVERNESS CASTLE

The Scottish Government has confirmed funding of a new Justice centre in Inverness providing an opportunity to create a must-see attraction that innovatively celebrates the spirit of the Highlands: its creativity, culture, heritage and landscape. The attraction 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	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. A Stakeholder Engagement programme for the <i>Inverness Castle</i> – “Spirit of the Highlands” project is now underway. The programme covers a wide range of stakeholders throughout the area, including project partners, young people, business organisations and community groups, providing updates on the project development, as well as opening a dialogue on the castle’s transformation to a visitor attraction for the Highlands.		
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	
	Concept Design	Will run through the site development but will apply to the North and South Towers	09/09/19	
	Design Development	Will run through the site development but will apply to the North and South Towers	10/04/20	
	Business Case Submission	To release Funding	31/01/20	

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 G	LAST RAG A	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.		
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	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	
	Nairn planning permission	Planning decision deferred to 29 October 19 to enable site visit.	29/10/2019	
	Inverness: site acquisition	Exploring sites on Stratton Farm and in Dalneigh.	31/03/2020	
	Tongue: site acquisition	Exploring options with Wildland.	31/10/2020	

LONGMAN JUNCTION and A9/A96 INSHES TO SMITHTON LINK ROAD

As part of the Scottish Government's commitment within the Inverness and Highland City-Region Deal, Transport Scotland is taking forward plans for a single carriageway road connecting Inshes and Smithton and grade separation of the A9/A82 Longman Roundabout and a single carriageway road connecting Inshes and Smithton and grade separation of the A9/A82 Longman Roundabout. 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. 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.

No RAG	No RAG	Work is needed to build on improved communications and joint working to identify SMART objectives for the transport [projects and ensure alignment with City-Region Deal programme.		
Lead Organisation		Transport Scotland	Project Lead	Amy Phillips (New in Post)
Business Case		N/A		
Benefits Commenced		NO		
Next key Milestones		Task	Comment	Date
		A9/A96 Consultation conclusion	A9/A96 A formal consultation period ends – response will dictate following timetable	25/10/19
		Longman ground investigations	Longman interchange ground investigation work is programmed to start in early October.	15/12/19
		Longman Draft orders	Longman interchange draft orders published	2020 (tbc)
		Scheme Approval	Approval and following timetable	tbc

WEST LINK

The 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	LAST RAG	No major issues, work is progressing as would be expected		
G	G			
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	
	Construction of General Booth Road	Including utility diversions, kerbing and realignment	31/12/19	
	Works in canal	Bridge foundations/wharf/service crossings	31/03/20	
	Bridge Construction	On site construction	31/05/20	

UHI LIFE SCIENCES INNOVATION CENTRE

The investment will establish, a 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 R	LAST RAG A	This project has moved from amber to red because the price for the new build has come in significantly higher than expected. Work is underway to reduce the costs to provide approvals for the build. This will inevitably add delays, and these are still being estimated. 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		30/11/2019
	Outcome of design stage	Fully costed-out technical design delivered (RIBA 4). Final agreements with fixed prices between UHI and the developer and the contractor signed.		TBC
	Site work commences	On site work starts, including clearing land, layout and on-site logistics.		TBC

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 A	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	30/03/20		

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	Most of the Northern Innovation Hub projects are now up and running, with excellent feedback being received from participants of the various business support programmes. A new Adventure Tourism Accelerator and a Highland Food and Drink Innovation Network are due to launch in early 2020.		
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	24/12/19	
	Contract awarded for Food and Drink Technology Centre	Technology centre capital project contract awarded	30/06/20	
	Next Generation Programme & second phase of Network	Contract awarded for Food and Drink Next Generation Programme & second phase of Network	30/08/21	

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 local full fibre network 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		TBC
	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.		TBC