

Agenda Item	7
Report No	ECI/16/2021

HIGHLAND COUNCIL

Committee: **Economy and Infrastructure**

Date: **5 May 2021**

Report Title: **Economic Recovery Strategy Update**

Report By: **Executive Chief Officer Infrastructure and Environment**

1. Purpose/Executive Summary

1.1 The purpose of this report is to update the Committee on work being undertaken to prepare and implement an Economic Recovery Strategy for Highland. As Members are aware, the economic development team has been fully engaged with dealing with the response phase of the pandemic. Since January 2021 alone the team have assessed and disbursed grant to 7994 businesses to the value of £114m. The focus is now switching to building a strong strategy for economic recovery that will support all sectors in Highland build back from the economic shock of the last year. The report provides an update and Members are asked to comment and input to the proposed workstreams.

2. Recommendations

2.1 Members are asked to:

- i. contribute to the ongoing work to prepare the Economic Recovery Strategy; and
- ii. Note the early positive uptake of the Highland Employment Recruitment Offer (HERO) and approve an allocation of up to £1m over financial years 2021/22 and 2022/23 from the Economic Prosperity Fund to continue to enable the grant scheme to support businesses to create new jobs for unemployed adults.

3. Implications

3.1 **Resource** - There will be significant resource implications to the delivery of economic recovery, but these will be regularly reported to the Council, strategic committees and the Recovery Board. Coordination and prioritisation of resources with partners is likely to put us in stronger position to lobby for national funds.

- 3.2 **Legal** – No implications.
- 3.3 **Community (Equality, Poverty and Rural)** - All work streams associated with the economic recovery task should have positive outcomes.
- 3.4 **Climate Change / Carbon Clever** - The Scottish Government has committed to ending Scotland's contribution to climate change by 2045 at the latest, and the public sector is legally required to support this ambition. To support this aim, the Scottish Government has established a Just Transition commission to advise Scottish Ministers on how to apply the Just Transition principles to Scotland. Whilst this work was commissioned and much of it undertaken prior to the outbreak of COVID-19, the principles could directly support economic recovery post-COVID-19 and ensure that Highland takes a lead in moving towards a net zero economic model.
- 3.5 **Risk** - All risk elements will be managed within each workstream.
- 3.6 **Gaelic** - This will be an important part of the culture/tourism element.

4. Recent Activity

- 4.1 The continued social and economic lockdown has had a significant and adverse impact on the economy and the role of the Council in delivering the COVID business grants has been critical and a lifeline service to business. From the start of January 2021 alone, business grants team have disbursed over £114m to some 7994 businesses across 12 different grant streams. In particular the Council's Discretionary Grant Scheme has been able to support 833 Highland businesses who otherwise have fallen through the support schemes offered by the UK and Scottish Governments. **Appendix 1** provides a more detailed update associated with the Discretionary Business Grant scheme and work that is underway to determine how the remaining funds (£3.75m) can be disbursed to best effect. As decisions on the discretionary grant scheme may continue to be made outwith the Committee timeline, it is requested that the delegated decision-making authority given to the Executive Chief Officer – Infrastructure and Environment, in consultation with the Chair and Vice-Chair of the Economy and Infrastructure Committee, in February 2021 is continued.

As the loosening of restrictions and the prospect of opening up of the economy approaches, the pressure on the Council will change with efforts being transferred over to supporting business to survive, to help them respond to new ways of working and for some, to enable them to grow. Key to this will be the integration of business start-up, growth and digital boost grants and loan finance alongside the existing suite of Business Gateway and ERDF funded support services.

A key unknown going forward is the level of unemployment when the furlough scheme ends. As reported to Committee in February 2021 the Council has embarked on twin tracked work:-

1. to drive forward improved client services to ensure those unemployed are able to access the services they require, from whoever or wherever they live in Highland, as they prepare for and access work; and
2. to deliver a range of work placement and job creation opportunities.

The first steps have been taken to reset the Local Employability Partnership with a series of meetings with partners (DWP/JC+; UHI/Colleges; SDS, NHS Highland, Chambers of Commerce/Developing the Young Workforce; Federation of Small Businesses).

Work is ongoing with Council Services to establish across Highland a wide range of Youth Trainee, MA and Graduate Intern placements. To date 62 number have been identified and recruitment is underway.

In February 2021 Committee made a commitment to support (with its own and external funding) up to 150 jobs via its proposed Highland Employment Recruitment Offer (HERO). The grant scheme was launched 15 March, and at the time of writing this report 140 HERO applications have been approved in principle, with 57 recruited/currently getting recruited. This is excellent (above expectations in the timeline) and demonstrates business demand to recruit despite the uncertainties linked to COVID.

This has been achieved by the funding flexibility afforded with the Council's Economic Prosperity Fund commitment. It has allowed the Council to offer to business the one scheme but, behind the scenes, to fund it from different sources depending on who is recruited into the post. It has also enabled the Council to redirect a some of its secured (£23k) ESF resources to its Youth Trainee scheme as the associated ESF grant commitments would otherwise have complicated the HERO grant scheme (offer and claims process).

While the actual details of the recruit is only known once appointed, at the current time the split is 67% adult (over age 25) and 33% young person (under age 25). This strong demand for adult support is also one being experienced elsewhere in Scotland. Of the current £724k committed to in principle, £485k is required for adults and £239k for young people.

The funding for young people will be sourced from Scottish Government's Young Person Guarantee (YPG) funding stream, and another 50 posts can be applied for before the current funds are fully committed. The final outturn number may be lower depending if posts are full-time or part-time, as grant levels vary accordingly. Once the 2021/22 YPG grant allocation is known, it is hoped that we will be able to increase the number of young people HERO grant awards.

The funding for adults is more complex and is split between Council and Scottish Government (No One Left Behind funding stream). If it was not for the Council's Economic Prosperity Fund commitment the Council would not have been able to deliver such a scheme. It is estimated that some £485k is required for adults, of which £400k is required to be sourced from the Economic Prosperity Fund. If it is Committee's desire that the HERO grant scheme for adults is to meet demand and continue, then extra funding (in addition to the £400k) from the Economic Prosperity Fund needs to be allocated.

While ambitious given the uncertainty associated with the economy and whether recruitment demand will be sustained, a total £1m allocation from the Economic Prosperity Fund for the HERO job creation grant scheme is proposed. Given the phased payment model associated with job creation grants, the funding required will be pulled down over 2021/22 and 2022/23. While the number of jobs supported will ultimately be determined by the contracted hours worked and pt/ft status, it is estimated that an additional £600k will allow the Council to increase its HERO target to over 300.

- 4.2 Business Engagement - Weekly meetings continue to be held with business groups to share information on impacts and to work together on initiatives to support recovery. The Economic Prosperity Fund agreed by Council on 4 March 2021 will be a significant tool to support recovery and work is underway to ensure that the £6m funding available is put to work to support Council and partner activity. A cross-service workshop was held on 24 March 2021, and it is intended that this will be supplemented by further engagement with Members as soon as possible.
- 4.3 Discussions have been held with HIE and the business sector on the restart of the Highland Economic Recovery Partnership, driven by the needs of the private sector.
- 4.4 Members will also be aware of the reports being presented to the 25 March Council meeting related to the development of the hydrogen economy and the STEP reactor opportunity. Work is also underway with local and national partners in respect of the development of the Wick Airport Public Service Obligation.
- 4.5 In terms of continuing to ensure that investment is being directed towards projects that will drive economic recovery, the team has also been fully occupied with distributing the Crown Estates Revenue funding, through the Area Committees. These investments will have significant local impact and are reported elsewhere on this agenda.
- 4.6 The Council was also successful in bidding for two revenue recovery project funding streams from the Scottish Government. The Regional recovery revenue fund where the council obtained funding for the preparation of a Caithness Place Plan and the City Centre Recovery Fund where the council obtained £120,000 for projects aimed at kickstarting the economic recovery of Inverness city centre, including marketing campaigns and city recovery and transport strategies. Bids were invited in mid-February with projects having to be legally committed by the end of March. Along with a range of other initiatives, the preparation of a city centre recovery masterplan is now underway and will be reported through the City of Inverness Area Committee.
- 4.7 The UK Government has announced funding through Levelling Up Fund and the Community Renewal Fund, which will act as the precursor to the Shared Prosperity Fund. Potential bids are being considered, and this will form the basis of a report to the May and June highland Council meetings.
- 4.8 The investment of Council funding in respect of the Economic Prosperity Fund and the Visitor Management Plan funding will also have a significant economic benefit, and these funds will continue to be the subject of future reports to this Committee and to the Council.

5. Economic Recovery Strategy

- 5.1 A draft Economic Recovery Strategy is being prepared which seeks to identify the key programmes of work that will be brought forward to ensure that the Highland economy is strengthened and supported over the coming months and years. Whilst it was anticipated that full draft document would be presented to this Committee, it has not proved possible given the pressures on the economic development team to complete the grant distribution work.
- 5.2 However, a number of officer workshops have been held to guide the work. The most recent identified some of the key guiding principles of the strategy and these are shared below for Member input at this point. An overall draft vision was identified as follows:

Factoring in the unique economic challenges and opportunities that the region offers, we will deliver Highland solutions for our communities and businesses.

Our ambition is to support Highland people and businesses to help grow and develop the potential of our abundant natural resources and key sectors, encouraging economic stability and recovery which will help revitalise our communities and towns.

We will do this by committing to the following:–

- Aid economic recovery by developing a prioritised list of interventions, in collaboration with services and partners, to maximise time-critical funding opportunities and attract external investment;
- Deliver on our ambition for The Highland Council to become one of the most energy-efficient & climate-ready Councils in Scotland and aid the just transition to net zero;
- Strengthen internal and external partnership working built on clear and consistent engagement designed to better understand local needs and requirements;
- With a significant proportion of Scotland's rural and island communities, continuing to support the protection and creation of jobs and consider emerging technologies through the development of large-scale construction and infrastructure projects and delivery of supporting strategies;
- Expedite digital connectivity across the region ensuring fair access for all;
- Encourage increased inward investment whilst ensuring Highland spend remains in Highland;
- Support and celebrate our cultural and natural heritage - which define the character of Highland - to boost tourism growth and make our region an increasingly attractive place to live and visit; and
- Listen to and engage with our communities to connect them with our peer network and encourage positive outcomes that promote resilience, prosperity and improved wellbeing.

This draft vision is a point of reference that is intended to build confidence among funders, delivery partners and communities and provide assurances that The Highland Council has a clear direction of travel towards economic recovery from the pandemic.

5.3 A number of key focus areas have already been identified as set out below, and again member feedback on these key focus areas will be welcomed:-



5.4 The key elements of this strategy are still being worked up, building on engagement with Members, businesses and communities. The national landscape is constantly changing, and the strategy will need to recognise the priorities of both the Scottish and UK governments to maximise investment opportunities. The draft strategy will have a number of objectives that will allow performance to be monitored and for the opportunities for partnership working to be clearly set out. These objectives will be developed to include the following areas, which will of course develop over the next few months with input from stakeholders: -

1. A Strong Highland contributing to Scotland's Economic Recovery

- Setting out the Highland priorities for inclusion within the National Planning Framework 4 and associated Regional Spatial Strategy – much work has already been undertaken on this, with member input.
- Setting out transport priorities for inclusion within the National Transport Strategy and Strategic Priority Projects Review.
- Ensuring that Highland priorities are included within the UK Government's proposals for the Shared Prosperity Fund/Levelling Up Fund.
- Ensuring that the Highland City Region Deal continues to deliver outcomes that benefit the whole region, with a close focus on future Growth Deal opportunities.
- Ensuring that the impacts of Brexit on Highland businesses are fully understood, and appropriate action taken to support different sectors, whilst ensuring that the Highland area benefits from post-Brexit funding opportunities such as the Levelling Up Fund, the Community Renewal Fund and the Shared Prosperity Fund.

2. A Prosperous Highland

- Implementation of the Economic Prosperity Fund to ensure a focus on employment and business growth.
- Developing a strategy for Community Wealth Building, building on the strong community and third sector activity in Highland, and delivering a set of actions that ensures greater local benefits arising from capital spend and procurement activities.
- Aligning the Council's Capital Strategy to contribute to wider economic recovery, including a focus on partnership with the public and private sectors, a co-ordinated approach to digital expansion and delivery of low carbon outcomes.

3. A Low/Zero Carbon Highland

- Actions arising from the Programme Alignment work undertaken for the Council – ensuring that priorities related to the hydrogen economy and capturing benefits from the continued increase in renewable energy lead to sustained economic development within the Council area.
- Ensuring that Council led projects around renewable energy as well as opportunities such as Opportunity Cromarty Firth and the STEP reactor projects are fully set out and a programme of work identified to support these.
- Ensuring that the pilot Land Use Partnership that the Council has been selected as a pilot for, takes forward the key actions required to ensure that rural land uses contribute to wider efforts to build Highland's place in Scotland and the UK as a major contributor to wider climate change targets.
- Identifying and supporting projects that will accelerate the hydrogen economy in Highland through working with public and private sector partners.

4. A Healthy Active Highland

- Setting out the key priorities for the development of the active travel networks across Highland.
- Setting out opportunities for the development of additional sports facilities, working in close partnership with SportScotland and High Life Highland
- Delivering a future strategy for Long Distance Routes across the region, building on the economic development benefits of existing routes.

5. A Connected Highland

- Delivering key capital infrastructure projects including Council schemes, whilst ensuring the delivery of Scottish Government schemes through the City Region Deal and the Infrastructure Investment Plan.
- Delivering new models for public transport, building on opportunities arising from national funding schemes such as the Bus Strategic Investment Fund.
- Bringing forward schemes to support the delivery of key links such as the continued operation of the Corran Ferry and the Wick Airport Public Service Obligation.

- 5.5 The Economic Recovery Strategy will also detail ongoing and proposed place planning activity across the Council area, which will involve strong community input and engagement, with the focus on the identification of projects that will help shape funding bids. The programmes of work being undertaken in Lochaber, Skye and Raasay, Inverness, Caithness and Badenoch and Strathspey form the first tranche, with further area projects to follow over the period of the strategy.
- 5.6 The strategy will also set out detailed work programmes providing a focus on key sectors, and detailed action plans will be set out against the following areas. As Members will be aware, there are projects underway against all of these areas, and further input from Highlands and Islands Enterprise, business and community groups and Scottish Government will be sought.
- Third Sector and Community Led Economic Development;
 - Construction and Infrastructure Delivery (with a focus on supporting construction activity, digital infrastructure, transport and active travel and housing delivery);
 - Retail, Town and City Centres;
 - Tourism and Culture;
 - Energy and Renewables;
 - The Rural Economy; and
 - Technology and Innovation

6. Next Steps

- 6.1 A draft Economic Recovery Strategy will be presented to the next E&I Committee with full consultation undertaken to ensure partnership and community support for the actions contained within it. In the interim, it is proposed that member seminars will be held to finalise the detail, as well as significant engagement through partnership arrangements.

Designation: Executive Chief Officer Infrastructure and Environment

Date: 19 April 2021

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Discretionary Grant Scheme

In February 2021 Committee approved the details of the Discretionary Grant Scheme. Since this time additional discretionary grant funding was provided by the Scottish Government (£5,493,327). This provided more financial headroom within the grant scheme, thereby allowing the Council to widen eligibility (i.e. reduction the level of trade affected from over 50% to over 10%), provide businesses with a longer time to apply (up to 9 April 2021) and increase the value of the grant (up to £4,000 in line with other similar Scottish Government grant schemes, for example, Newly Self Employed).

While work continues to finalise the grant scheme and deal with outstanding applications and appeals, to date 829 businesses have secured grant to the value of £3.24m. These are businesses who can evidence a tangible reduction in trade due to COVID and who otherwise have not secured grant elsewhere since October 2020.

It was always unclear as to what the demand would be and despite the widening of eligibility, longer application timelines and in effect a doubling of grant, the number of eligible businesses coming forward has been low. Anecdotally it is not that there are no other businesses affected, the challenge is when disbursing public funds, how do you identify and evidence the adverse impact.

Work is underway to determine how the remaining funds (£3.75m) can be disbursed to best effect including the gathering of information from successful applicants on employee numbers to help inform the viability of a staff related top-up grant. Also, national soundings are underway to establish whether it is prudent to set aside funds for targeted support in case there are any future COVID related localised lockdowns.

As decisions on the discretionary grant scheme may continue to be made outwith the Committee timeline, it is requested that the delegated decision-making authority given to the Executive Chief Officer Infrastructure and Environment, in consultation with the Chair and Vice-Chair of the Economy and Infrastructure Committee, in February 2021 is continued.