

<b>Agenda Item</b>	<b>10</b>
<b>Report No</b>	<b>ECI/07/24</b>

# The Highland Council

**Committee:** Economy and Infrastructure

**Date:** 15 February 2024

**Report Title:** Regional Economic Partnership Vision and Action Plan

**Report By:** Executive Chief Officer Infrastructure, Environment & Economy

## 1 Purpose/Executive Summary

- 1.1 This report updates Members on progress with the Highlands and Islands Regional Economic Partnership (REP) Action Plan and Vision, being prepared by Highlands and Islands Enterprise to inform ongoing Regional Economic Partnership joint working. The Regional Economic Partnership is chaired by Highland Council, and is made up of Highlands and Islands Enterprise, local authorities and key economic partners across the region.
- 1.2 The Regional Economic Partnership (REP) Vision and Action Plan consultation has involved surveying a cohort of consultees to identify key issues and opportunities. Round One was informed by previous consultation workshops with REP members, together with work undertaken as part of HIE's strategy development. Subsequent rounds, as required, are informed by previous findings, the aim being to home in on those opportunities and challenges of most importance for regional action. The outcomes of the first round of consultation was discussed at a recent meeting of the regional Economic Partnership, now chaired by Highland Council, and it is important that Members feed into the ongoing discussions and formulation of the Action Plan.

## 2 Recommendations

- 2.1 Members are asked to **note and agree** that the outcomes of the initial phase of the surveys being undertaken reflect the broad areas of action that Highland Council would like to see reflected in the ongoing formulation of the Vision and Action Plan.

## 3 Implications

- 3.1 **Resource** - No implications are highlighted for this report.
- 3.2 **Legal** - No implications are highlighted for this report.
- 3.3 **Community (Equality, Poverty, Rural and Island)** – There are significant economic challenges and opportunities that are highlighted within the appendix to this report that reflect the different perspectives faced by the Highland community as a whole. It is important that in progressing the Action Plan and Vision, that rural and island community aspirations are reflected.

- 3.4 **Climate Change / Carbon Clever** – The implications for achieving net zero targets across the region will be driven in part by an effective approach to economic development. The key issues relating to energy developments, addressing fuel poverty and supporting local communities in respect of housing and transport will all contribute to the effectiveness of the Vision and Action Plan.
- 3.5 **Risk** – There is a risk that if the key issues relating to the Highland area are not fully represented in the ongoing work on the Vision and Action, that opportunities for joint working with partner agencies and with both Governments are missed.
- 3.6 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** – No implications are highlighted for this report.
- 3.7 **Gaelic** – The key role of the Gaelic culture is a key economic driver for the region and will need to be highlighted within the ongoing discussions on the Vision and Action Plan.

#### **4 Consultation on the Vision and Action Plan**

- 4.1 The Round One survey was distributed to a cohort of 70+ consultees, including REP members and extending more widely to business, third sector, skills and academia, and community interests. REP officers had input to the survey and added to the list. The survey was open from 23 November to 19 December.
- 4.2 Initial analysis of responses has been carried out by RSM, who are supporting the process on behalf of Highlands & Islands Enterprise. The report of initial findings is included as in **Appendix 1**. The survey sought to identify, and sense check key opportunities and challenges and their prioritisation, and get a sense of specific actions within each, focusing particularly on those actions where regional collaborative action is required.
- 4.3 The respondent profile indicates views shared from all parts of the region and from public, private, third sector, skills and community interests. The response from business interests is particularly helpful.
- 4.4 Members will note the key areas highlighted and are asked to contribute to ensure that key issues from a Council perspective are fed back through the next round of consultation, which is expected to start in the coming weeks.

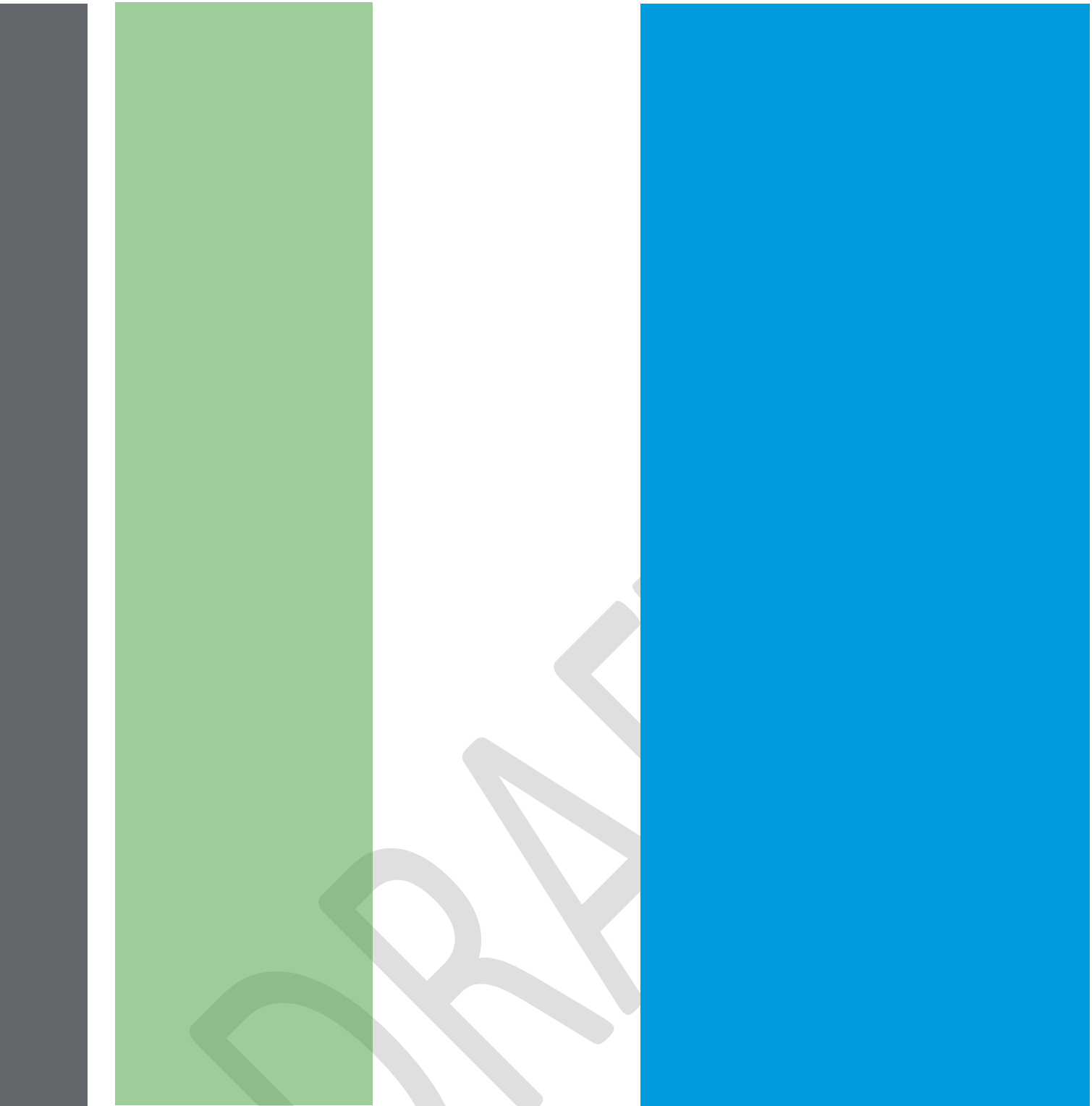
Designation: Executive Chief Officer Infrastructure, Environment & Economy

Date: 29 January 2024

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Background Papers: None

Appendices: Appendix 1 - Delphi Survey Round 1 Initial Findings



# HIGHLANDS AND ISLANDS REGIONAL ECONOMIC VISION: DELPHI SURVEY ROUND 1 INITIAL FINDINGS

16 January 2024

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# CONTENTS

1.	INTRODUCTION .....	3
2.	OPPORTUNITIES .....	4
3.	CHALLENGES .....	5

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# 1. INTRODUCTION

The aim of this document is to present the preliminary findings from the first round of Delphi consultation held to inform the development of the regional economic vision for the Highlands and Islands. This document focuses on the top-level emerging themes provided by respondents, with an overview of opportunities highlighted followed by in-depth coverage of the challenges presented. Findings are presented where consensus or significant agreement is found across consultee groups.<sup>1</sup> There are a number of **important opportunities** for the region, which could provide complementary benefits in terms of growth and employment opportunities. Consultees ranked renewable energy, food and drink and sustainable tourism as the highest priorities for the region in terms of the opportunity for growth within the region, but also identified that it will be important to keep a keen focus on broader employment opportunities in 'traditional' and other sectors to support communities. To maximise the potential of the region's opportunities, it will be essential to address a number of **key challenges**, including affordable housing shortages, high energy costs, poor transport and connectivity infrastructure, declining public services and resulting skills gap and demographic challenges. More detail on these challenges is provided below, as this may be where the focus of the vision document rests (i.e., joint action):

- the current shortage of **affordable high-quality housing** in the region and the negative effects that this has on households' disposable income and depopulation.
- a general **lack of fit for purpose infrastructure for transport** with a particular focus on the poor provision of buses and to a lesser extent rail services as well as the issues caused by unreliable ferry services.
- the **effects of climate change on the natural habitat** of the region which is especially important because it forms a core part of the region's identity.
- the **high cost of energy**, with communities who are cut off from access to mains gas being particularly hit.
- a **lack of access to high-speed internet** across the region, exacerbating issues around depopulation.
- **the current trend of depopulation**, which is important to unpack as a key challenge for the region and is best understood as the effect of all the above issues rather than a cause.
- **decline in public services** is an issue that both exacerbates and is caused by issues around depopulation as declining population leads to declining services which in turn leads to a decline in population.
- the **skills and labour shortages** are also issues which are caused and reinforced by the declining population with the cyclical nature of how population affects the provision of education highlighted as well as the combination of factors listed above causing challenges in attracting and retaining talent.

Many of the opportunities and challenges identified are cross-cutting, and there are links between each that will drive the responses. Responsibility for addressing the themes cuts across the local, regional, and national levels, with the REP best placed to take a co-ordination role across stakeholders at different levels. As part of the second phase of consultation we will look to probe the challenges in more detail, identifying the highest priority challenges to address, and those that could be addressed most quickly. It will also interrogate the potential suggestions for improvement in more depth, to obtain a stronger consensus on the way forward to address each of the challenges. Phase 2 will also interrogate ownership, to obtain consensus or significant agreement on the stakeholders responsible for driving forward improvements and addressing key challenges in the region.

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<sup>1</sup> This is the first cut of a multi round consultation and results will thus develop further as consultation continues. Businesses and the public sector may be represented more heavily due to a higher proportional response rates.

## 2. OPPORTUNITIES

### 2.1 Prioritisation of opportunities

Within the survey stakeholders were asked to prioritise the importance of a number of key sectoral opportunities. In the main, these findings reinforce existing ideas around opportunities for the region.

**Table 1.1 Average priority score of key sectors (where 1 is most important and 7 is least important)**

Renewable energy	Sustainable tourism and hospitality	Food and drink (including aquaculture)	Life, marine and health sciences	Heritage and creative industries	Financial and business services	Non-renewable energy
1.5	2.5	2.7	4.1	4.3	6.3	6.5

### 2.2 Key opportunities

Respondents ranked **renewable energy**, **sustainable tourism** and **food and drink** as the three most important with respondents across all stakeholder groups strongly indicating that key business opportunities for the region lie within these sectors. In particular:

- **Renewable energy** was cited as being a ‘future industries’ opportunity and capitalising on it was viewed as a way for the region to secure its future by virtue of creating high skill / high pay jobs in a growth sector.
- **Sustainable tourism** and **Food and drink** are seen as existing key sectors within the region which could be further supported to maximise their benefit to local communities. Tourism specifically was highlighted as a means of sustaining rural economies and curbing rural depopulation, whereas the jobs created in sectors such as food and drink and in renewable energy are more likely to be specific to a certain geography. Both sectors are also seen as important for supporting broader employment (i.e., not losing the focus on the importance of the broader set of opportunities in these sectors due to attention given to ‘specialised’ or ‘high growth’ areas).

To enable growth in any of the above sectors, it is paramount that the challenges described below are resolved as they hold the key to unlocking the full potential of the above economic opportunities.

## 3. CHALLENGES

This section focuses on the key challenges that were identified by stakeholders during the first round of consultation, as well as suggestions for potential approaches, and which stakeholders should own driving improvements and whether this should be at the local, regional, or national level).

### 3.1 Housing

#### 3.1.1 Key issues identified

Responses to the survey to date highlight a consensus that affordable, high quality and fit for purpose housing, which is targeted at permanent residents, is needed within the region. It was highlighted that fit for purpose and affordable housing was key to attracting people to live and to work in the region and that it will support local communities in combatting increased living costs and fuel poverty. Potential approaches suggested by stakeholders included:

##### General suggestions for improvement

- focussing on the building of affordable housing across both the public and private markets, to increase provision across a range of house types.
- ensuring that housing is built for local residents i.e., not short-term rentals and holiday homes.

##### Specific policy suggestions

- encouraging owners of vacant second / holiday homes to rent them by taxing vacant homes.
- supporting local authorities to build up better capacities for planning housing / anticipating local housing needs through the provision of grants and consultancy services.

##### Cross cutting themes

- focussing on building better insulated, energy efficient homes to make homes more affordable and environmentally friendly.
- ensuring that housing is made available in rural communities as well as more urban centres to support the revitalisation of rural areas.

#### 3.1.2 Proposed ownership (as identified by respondents)

**Level at which this issue should be addressed:** Local, Regional, National

**Partners needed for resolution:** The local authorities through the Regional Economic Partnership (REP), Communities Housing Trust, Highlands and Islands Enterprise (HIE), Scottish Government, planning authorities, private contractors.

**Additional notes from consultation:** there is a need to diversify delivery as private sector developers tend to create more expensive housing where it is not needed instead of prioritising locally developed solutions.

##### Proposed partner roles:

- **Local:** local councils need to be given appropriate tools for the planning and development of new housing.
- **Regional:** HIE or appropriate local authorities to take ownership of:
  - providing local councils with the tools, services and training needed to manage relevant activities.
  - an overarching strategy which ensures that housing development meets the region's needs i.e., provision of affordable and energy efficient social and middle market housing and equitable distribution between regions and between urban vs rural communities.

- advocating these needs to Scottish government / securing funding from Scottish government.
- **National: Scottish Government to provide adequate funding to tackle the challenge.**

## 3.2 Transportation and infrastructure

### 3.2.1 Key issues identified

Across all respondent groups, there is a consensus that transportation provision in the region is poor. Many highlighted poor and expensive bus connections across the region, as well as unreliable ferries and low environmental standards.

#### General suggestions for improvement:

- focusing on increasing the number of bus routes available to communities in the region, with a focus on making them work not only for tourists, but for the local community as well.
- making public transport more affordable.
- increasing the number and reliability of ferries across the region.
- increasing the number of rail routes in the region.
- ensuring good levels of interconnectivity between bus, rail, and ferries.
- improving the planning process associated with infrastructure projects and providing more funding to deliver against them.

#### Specific policy suggestions:

- delivering against promises made with regards to A9 and A96.
- reverse the reduction of council road budgets.
- further develop Wick John O'Groats Airport / recognise the region needs better air travel routes.
- highlight that the region's transport needs are not sufficiently addressed in overarching strategies such as the National Planning Framework 4.

#### Cross cutting themes

- increase investment in electric and low carbon transport opportunities (e.g., increasing electric car charging infrastructure).
- increase local council road budgets in anticipation of increased damage due to flooding and coastal erosion.
- increasing the accessibility of public transport is key to supporting people from lower income households access employment and reduce fuel poverty.

### 3.2.2 Proposed ownership (as identified by respondents)

**Level at which this issue should be addressed:** Local, Regional, National

**Partners needed for resolution:** The local authorities through the REP, Scottish Government, Highlands & Islands Transport Partnership (HITRANS) and CalMac.

#### Proposed partner roles

- **Local:** Local Councils to advocate for increased infrastructure funding to ensure the appropriate maintenance of roads in face of increased flood risks (co-owned with regional actors)
- **Regional:** HIE or appropriate local authorities to take ownership of:
  - ensuring that there is a cohesive strategy for public transport.



- coordinating an effort to reduce issues relating to ferry infrastructure.
- coordination and rollout of e-mobility across the region (with regards to charging infrastructure).
- advocating for increased infrastructure funding to ensure the appropriate maintenance of roads in face of increased flood risks (co-owned with local councils).
- delivery of promises made in relation to investment in the A9 and A96 roads.
- **National:**
  - Scottish Government to provide adequate funding for above listed public transport and infrastructure projects.
  - Advocate for a different tax regime for businesses in the region to account for operational and cost challenges they face as a result of rurality, peripherality and lack of investment in infrastructure.

### 3.3 Natural habitat / climate change

#### 3.3.1 Key issues identified

While issues related to climate change have been frequently cited as a part of the other challenges, respondents have also identified it to be an issue in its own right, highlighting that there should be increased focus on the protection of the natural habitat in the region.

##### General suggestions for improvement:

- increased conservation efforts / increasing biodiversity in the region with a view to mitigating the impacts of climate change.
- anticipating and planning for the potential loss of coastal communities due to rising sea levels and take protective action where possible.

##### Specific policy suggestions:

- an increased focus on restoring local peatlands.
- reducing red tape faced by stakeholders, to support them in more effective development and implementation of climate smart solutions in the region.

##### Cross cutting themes:

- it was highlighted that the potential loss of natural habitat may have a wider negative effect on the wellbeing of local communities and businesses as it is a key factor in the region's identity. As such its loss is likely to negatively affect local communities' sense of belonging, as well as lead to a loss of income for businesses (e.g., through a loss in tourists)

#### 3.3.2 Proposed ownership (as identified by respondents)

**Level at which this issue should be solved:** Regional, National

**Partners needed for resolution:** The local authorities through the REP, HIE, Scottish Government.

##### Proposed partner roles:

- **Regional:** HIE or relevant local authorities to take ownership of advocating to national government for further funding and focus on the issues the region faces.
- **National:** Scottish Government to provide adequate funding to tackle challenges faced by the region as well as ensuring that the challenges faced by the region are appropriately represented and accounted for in the design of national strategies.

## 3.4 Energy

### 3.4.1 Key issues identified

Respondents across all stakeholder groups have highlighted that the current cost of energy is a substantial issue for the region.

#### General suggestions for improvement:

- the cost of energy presents a substantial issue for private individuals living in the region, especially those who are not connected to mains gas.
- energy costs are an issue for businesses, especially in the current inflationary environment.
- the cost of energy in the region was highlighted to be particularly frustrating considering the region's contribution to a transition to net zero and renewable energy.

#### Specific policy suggestions:

- a reduction in the fuel tax.
- embracing bio-regional approaches and long-term investment in green energy e.g.: establishing a regional fund from a share of profits from renewables.

#### Cross cutting themes:

- Fuel poverty exacerbates the likelihood of negative outcomes for families and curtails the level of disposable income available to them.
- High energy costs are a particularly acute issue for rural communities as they are less likely to be connected to mains gas and therefore, are more reliant on costlier options such as oil and electricity.

### 3.4.2 Proposed ownership (as identified by respondents)

**Level at which this issue should be solved:** Regional.

**Partners needed for resolution:** The local authorities, HIE.

#### Proposed partner roles:

- **Regional:** Appropriate local authorities through the REP, to take ownership of identifying scope and severity of the issue and to develop a plan of how this issue can be tackled across the region (if this has not already been done). This task should be done in consultation with local councils however, owners should retain ultimate ownership of the development and implementation of the strategy.
- **National:** Scottish Government to provide necessary funding to tackle the issue as well as increase the level of recognition given to the issues faced by the region.

## 3.5 Digitalisation

### 3.5.1 Key issues identified

There is agreement across stakeholders that more needs to be done to increase both the access to and speed of the internet available in the Highlands and Islands region.

#### General suggestions for improvement:

- continuing the ongoing work across the public and private sectors to increase access and speed.

- ensuring that there is access to reliable and reasonably fast internet in rural communities for whom broadband may not be an option and that this is addressed within a reasonable time frame.
- encouraging the private sector collaboration (i.e., among companies and with government) to develop digital infrastructure in the region.

**Specific policy suggestions:**

- continue to roll out R100 (superfast broadband) programme to more regions.

**Cross cutting themes:**

- Access to fast internet is an enabler to attracting more young people and families to live in the region.

### 3.5.2 Proposed ownership (as identified by respondents)

**Level at which issue should be solved:** regional and national.

**Partners needed for resolution:** private sector (e.g., Openreach, Scottish Rural Network, local solution providers), Scottish Government, the local authorities through the REP.

**Proposed partner roles:**

- **Regional:** Local authorities through the REP to take ownership of strategy development and coordination with private actors to ensure access to fast internet across the region.
- **National:** Scottish Government to provide appropriate funding to resolve the issue, taking into consideration the high costs involved with providing the region with access to internet (e.g., installation of underwater fibre cables).

## 3.6 Depopulation

### 3.6.1 Key issues identified

Respondents highlight that depopulation is a key issue within the region, which has been caused by:

- a lack of affordable housing.
- expensive and poor options for public transport, meaning that it is difficult for people who do not have / cannot afford a car to commute to work.
- poor internet access, meaning that the region is unattractive to young people and families.
- lack of access to vocational training and higher educational opportunities.
- lack of attractive employment opportunities, making it difficult for residents to earn a living in the region.

**General suggestions for improvement:**

- the dominant suggestion for how to improve the issue of depopulation is to systemically solve the above-mentioned issues to make the region a more attractive place to live.

**Specific policy suggestions:**

- there was some level of discussion amongst stakeholders about whether to introduce incentive schemes to encourage people to stay in the region. Opinions were mixed with some arguing for it and some strongly arguing against.

**Cross cutting themes:**

- Stakeholders spoke of the circular relationship between depopulation and declining public services, highlighting that population decline puts existing social services such as schools (in particular high schools) and doctor surgeries at risk of closing.

### 3.6.2 Proposed ownership (as identified by respondents)

**Level at which issue should be solved:** Regional and national.

**Partners needed for resolution:** The REP with interface to the Scottish Government

**Proposed partner roles:**

- **Regional:** REP to take ownership of overseeing the coordinated effort to work towards resolving the above issues with a view to increase the attractiveness of the region as a place to live overall.
- **National:** Scottish Government to take co-ownership of the overall development of the region in terms of both funding and expertise.

## 3.7 Declining public and private services

### 3.7.1 Key issues identified

As mentioned above, depopulation has caused a decline in the provision of public services such as childcare and healthcare. The lack of childcare has been cited as particularly acute, with some areas having no provision.

**General suggestions for improvement:**

- recognition of the fact that the systems which regulate the provision of these public services in other regions of Scotland may not fully apply to the region considering its geography and dispersed population. There is a need to develop alternative provisions that adequately service the region.
- a shift in the mindset of public agencies from 'delivery' to 'enabling' wherever possible, continuing to invest in (and resource) community capacity to determine and address their own needs and aspirations.

### 3.7.2 Proposed ownership (as identified by respondents)

**Level at which issue should be solved:** National.

**Partners needed for resolution:** Scottish and UK Government; local councils, NHS, HIE, plus input from the REP.

**Proposed partner roles:**

- **National:** Recognition at a national level that the region has a unique set of challenges that are not always adequately addressed by national policy. The REP should support this by taking ownership of advocating for the regions service provision needs.

## 3.8 Skills and labour shortages

### 3.8.1 Key issues identified

Acute skills and labour shortages were noted to be a key issue in the region and were highlighted as being inextricably linked with depopulation. These shortages have, among other things, led to businesses reducing their opening hours and service offerings.

#### General suggestions for improvement:

- offering more educational opportunities (tertiary and apprenticeships) to upskill local staff to meet local skill needs.
- working with businesses to better understand their skills needs and target educational offering towards filling those gaps.
- encouraging young professionals to move into the region. Some (but not all) stakeholders advocate doing this via talent attraction programmes.

#### Cross cutting themes:

- As highlighted in the depopulation section, wider issues around housing, transportation, cost of energy, transportation as well as those around the provision of public services need to be resolved to make the region an attractive place to live and work in in the long term.

### 3.8.2 Proposed ownership (as identified by respondents)

**Level at which issue needs to be resolved:** Regional.

**Partners needed for resolution:** The local authorities through the REP, Scottish Government, local employers through Chamber of Commerce and initiatives, University of Highland and Islands and vocational education providers.

#### Proposed partner roles:

- **Regional:** The REP to take ownership of understanding the full scope of the issue at hand and coordinate the effort to attract more people into the region as well as coordinating educational opportunities to meet and anticipate the labour requirements for the region.