

THE HIGHLAND COUNCIL

30 OCTOBER 2014

Agenda Item	15
Report No	HC/29/14

CAITHNESS & NORTH SUTHERLAND REGENERATION PARTNERSHIP

Director of Development and Infrastructure

Summary

This paper reviews the activities and achievements of the Caithness & North Sutherland Regeneration Partnership over the past year, reports on current issues, and sets out recommendations to support the delivery of Partnership priorities in the coming years.

1. Background

The Caithness & North Sutherland Regeneration Partnership (CNSRP) was brought together in late 2007 as a partnership of the main organisations with a remit to address the socio-economic effects of the decommissioning of the Dounreay site. The loss of the highly skilled and well paid jobs at Dounreay was forecast to have a huge impact on the local community as the site accounted for 20% of local economic activity. Since then the partnership has pursued a series of prioritised actions aimed at broadening the area's economic base and reducing the impact of the loss of Dounreay.

CNSRP brings together, at Executive Board level, the Chief Executives of the Highland Council (THC) and Highlands & Islands Enterprise (HIE); the senior regional representatives of the Nuclear Decommissioning Authority (NDA) and Skills Development Scotland (SDS); the Chairman of Dounreay Site Restoration Ltd (DSRL); and a senior civil servant representing the Scottish Government. The Board meets quarterly under the independent chairmanship of Sir Anthony Cleaver, who has had a long and distinguished career in the engineering and nuclear industries.

Stakeholders such as Trades Unions, Association of Caithness Community Councils, Caithness Chamber of Commerce, North Highland College UHI, Sutherland Partnership, SNH and The Crown Estate are brought together as the CNSRP Advisory Board, which meets quarterly under the Chairmanship of the Leader of the Highland Council. The Chairman of the Planning Environment & Development Committee and the Director of Development & Infrastructure also attend this meeting, as well as three nominated local Members representing Caithness and North Sutherland wards (Cllrs Saxon, Ross and Farlow). Minutes of each Advisory Board meeting are submitted to the CNSRP Executive Board and the Planning, Development & Infrastructure Committee of the Council for information.

Local senior management in the respective partner organisations (including the Chief Executive of Caithness Chamber of Commerce) also meet regularly as the Partnership's Delivery Group.

The Partnership's Programme Manager, Eann Sinclair, is based in Council premises in Thurso, and is jointly funded by Highlands and Islands Enterprise and Dounreay Site Restoration Ltd. Two members of Highland Council staff are seconded to provide administrative support to the Partnership.

2. Key Achievements

2.1 Energy and Business Services

Marine Renewable Energy

CNSRP was instrumental in the setting up of the Pentland Firth Tidal Energy project in 2007. The development of wave and tidal energy in the Pentland Firth & Orkney waters accelerated following the 2010 announcement of Crown Estate leases, which brought total projected generating capacity to 1600 MW by 2020.

More recently Atlantis Resources Ltd, a tidal energy developer, completed the £50M financial package to allow work to start on its Meygen tidal project in the Inner Sound of the Pentland Firth. Funding came from Highlands and Islands Enterprise, the Renewable Energy Investment Fund, the Department of Energy & Climate Change. Caithness company JGC Engineering Services was awarded a multi-million pound contract to manufacture and supply elements of the project, and this is likely to create further new jobs in the area. The Meygen project received Marine Scotland consent in September 2013. Its outline planning application for onshore infrastructure associated with its first phase of up to 86 devices was previously approved by the Highland Council, with ground work now due to start by the end of 2014. It is expected that the initial array of three devices will be operational by 2016.

Council officials continue to work with Scrabster Harbour Trust and CNSRP partners to ensure that the area is developed in preparation for client use. The Harbour Trust's £20M development of the Jubilee Quay, which was officially opened in September 2014, has significantly increased available quayside and laydown space, and is attracting strong interest from companies in the energy sector. The Harbour Trust has signed a partnership agreement with the Norsesea Group to help develop the harbour's potential in the renewables and oil & gas markets.

Progress is also being made in enhancing the transmission networks in the north so that power generated from renewables can be transmitted south. SSE estimates that grid work in the north Highlands alone over the next seven years could cost hundreds of millions of pounds, with works triggered by connection applications from developers. In July 2014 Ofgem announced the result of its enquiry into Scottish Hydro Electric Transmission's application to construct an undersea cable from Caithness to Moray. Ofgem's positive decision is a major milestone in the enabling of offshore wind in the Moray Firth.

Offshore Renewables

CNSRP partners HIE and the NDA approved a package of work last year to deliver a heavy lift pad on the commercial quay of Wick harbour, and to carry out associated dredging works. The works, which are now almost complete, are part of a package of support to enable Wick Harbour to attract crucial onshore economic activity from the two proposed offshore windfarms in the Moray Firth. HIE also supported a number of local businesses to visit SSE's offshore wind support base in Lowestoft, to raise awareness of the opportunities and likely requirements for the north.

In July 2014 the Beatrice Offshore Windfarm Ltd (BOWL) consortium announced that Wick harbour would be its preferred operations & maintenance base for offshore wind. If the Beatrice project continues to make progress towards a completed financial package then there is a very real prospect of highly-skilled long-term jobs being attracted to Wick. Wick Harbour Authority has also signed a Memorandum of Understanding with Moray Offshore Renewables Ltd (MORL) as it continues to develop its plans. MORL announced a milestone in its project in September 2014 with the erection of a Met Mast at its site some 22km off the Caithness coast. Both consortiums' applications for consent to develop

sites in the Moray Firth were approved by Marine Scotland in March 2014.

Oil & Gas

CNSRP partners have continued to work hard over the past 12 months to raise awareness of the value of doing business from the north. This programme of events and publications, led by HIE, has included specific events in Aberdeen, Edinburgh and London held in association with industry partners such as SCDI and Subsea UK as well as local industry figures. Specific prospectus documents have been produced to highlight key benefits to specific target businesses, and in August 2014 the first success from this programme was the announcement that Aberdeen-based Process Safety Solutions Ltd (PSS) would establish a base at Wick Business Park, creating 30-40 skilled jobs over the next two years.

The inward investment programme continued with further events in Aberdeen, such as the Subsea UK "Atlantic Frontier" event in early October and a trip to Caithness for oil & gas businesses in late October.

Chevron UK have used Wick John O'Groats Airport to service two separate north sea fields over the past 12 months, and have indicated their satisfaction at the positioning and capabilities of the airport. The success of the Chevron contracts has been reflected in increased passenger traffic through the airport. The contract is serviced by helicopter company NHV, who worked closely this year with Highlands and Islands Airports Ltd (HIAL) to erect a new helicopter hangar at the airport, reflecting the confidence in Wick's ability to play a key role in emerging energy sector business.

2.2 Skills & Educational Infrastructure

Engineering, Technology & Energy Centre: Funding of almost £9M from Highland Council, NDA, ERDF, and Scottish Government via the Scottish Funding Council led to the creation of state-of-the-art training and learning facilities at North Highland College UHI's Thurso campus. The Centre was designed and built with input from local engineering companies, and has already led to significant interest from a range of companies. NH College is in discussions with Skills Development Scotland about the implementation of an Advanced Apprenticeship scheme at ETEC.

Centre for Energy & The Environment: Funding of around £7M from HIE, ERDF, Scottish Funding Council and the University of the Highlands and Islands led to the development of this research-led Centre at North Highland College UHI in Thurso. The building's design has achieved the highest environmental standards and is now a key partner in the EU MERIKA project, which is focused on marine energy. The Centre also carries out international-standard research into carbon capture/ storage, focussed on the Peatlands of Caithness and Sutherland.

Make The Right Connections: Caithness Chamber of Commerce led the creation of this programme, which concludes in December 2014. Funded by NDA, DSRL, ESF and Skills Development Scotland, it supported the transition of the skills of the area's workforce into new and emerging areas such as marine renewables, oil and gas, tourism and food and drink. The project had a target of 800 beneficiaries, and this is on course to be met.

Employability: Highland Council, Skills Development Scotland, Jobcentre Plus, Caithness Chamber of Commerce and others have formed a Caithness Employability Partnership to look at how best to ensure people are equipped to find work, and to look in particular at the key challenge of youth employment. In February 2014 the partners staged a second major "Jobs and How To Get Them" event. Led by Caithness Chamber of Commerce, the

event brought together around 40 businesses and support organisations together under one roof to offer school & college leavers, the unemployed and the employed the chance to access a “one-stop-shop” for advice and support. Over 320 members of the public attended the event.

Wick schools programme: A major multi-million pound building programme to deliver a new High School and two new primary schools in Wick is being led by Highland Council, with funding support from Scottish Government. The new Wick High School (c.£30m) and two replacement primary schools (c.£10m each).

Local High Schools are also achieving recognition for excellence in key STEM subject areas. Wick High School success in the UK-wide “Apps for Good” competition highlights the sector leading focus on digital and coding skills, whilst Wick and Farr High Schools have excelled in the Young Enterprise Scotland competitions. Schools in the area have been supported by staff from Caithness Chamber and DSRL as well as Highland Council.

Wick Office Project: Town Centre development in Wick received a boost following Council’s decision to build a new office complex at the existing Market Square site to rationalise existing Council office space in the area. This £8.5M project is expected to be completed in early 2015. This ensures the retention of 120 FTE jobs in the town centre with significant benefits for the local business community. The procurement of the contract to build the new offices has also included socio-economic opportunities.

2.3 Caithness Chamber of Commerce

NDA and HIE invested in the relaunch of Caithness Chamber of Commerce in 2008, and since then the Chamber has grown to become in 2011 the fastest-growing Chamber in the Scottish Chambers of Commerce network. This year the Chamber narrowly lost out to Glasgow Chamber of Commerce as Scottish Chamber of the Year. In addition to providing a strong, coherent business voice the Chamber also delivers key projects supporting CNSRP’s overall programme:

- Invest Caithness and Recruit Caithness publishes directories such as Oil & Gas, Renewables and Tourism that showcase the area’s capabilities in key sectors. The Invest Caithness brand is also taken to key conferences and exhibitions.
- The North Highland Regeneration Fund.
- Caithness Business Fund
- World Host
- Young Entrepreneur of the Year

2.4 Business Growth

CNSRP partners HIE, Highland Council and NDA work to ensure that existing businesses and new business start-ups in the area can benefit from support. HIE targets high-growth companies and social enterprises; Highland Council – through its Business Gateway service – targets a wide range of existing businesses and both Business Gateway and the NDA-supported North Highland Regeneration Fund assist new business starts.

During the three-year CNSRP programme from 2011-14 over 150 businesses committed to creating or retaining around 430 full-time equivalent jobs, around 40% of which are in CNSRP’s priority areas of Energy or Business Services. Since the start of the 2014-17 period of activity 107 FTE jobs have been created or retained.

2.5 Tourism, Food and Drink

John O’Groats: The £6M first phase of this development was supported by HIE, with Natural Retreats creating 16 luxury apartments and 23 lodges at the site. The Lodges were completed by the end of summer 2012, with the “Inn at John O’Groats” (housing the apartments) completed for the 2013 tourist season. The latter development won an award at Natural Retreats has secured significant UK and international publicity for the development, and booking numbers are at encouraging levels.

North Highland Initiative: The NHI continues to make progress with key projects such as the Wild North Festival and the “North Coast 500” tourism route.

Dunnet Bay Distillery: This new business was supported by the NDA’s North Highland Regeneration Fund and HIE. It opened in Summer 2014 and produced its first two batches of “Rock Rose Gin” which quickly sold out, boosting the company’s forward plans.

JPL Shellfish: The company has significantly expanded its workforce at Scrabster in response to excellent demand for its export products. The company now exports to the Far East as well as Europe.

National Nuclear Archive: The NDA undertook an estate-wide review of its information management requirements during financial year 2011/12. The results of this confirmed the need for a national archive for the civil nuclear industry in the UK, and the NDA confirmed its commitment to building the National Nuclear Archive in Wick. The project, which will also ensure a long term home for the Highland Council’s North Highland Archive, will be operated for the NDA by a specialist partner, who will be appointed in early 2015, following completion of a competitive dialogue process. An invitation to tender for the main building contract was announced in October 2014. Once operational the facility is expected to create an estimated 20 FTE jobs.

Wick Harbour Marina: Wick Harbour Authority has also capitalised on its geographic position by developing a major marina with support from the NDA, Crown Estate and HIE. The Marina is part of the “Sail North Scotland” marketing initiative with marinas in Inverness, Orkney and Shetland. Its original 70 berth capacity has now been expanded in response to demand.

2.6 Transport

Roads: Highland Council has led the campaign to identify solutions on the A9 Trunk Road at Berriedale Braes. In 2012 Highland Council, HITRANS and NDA approved contributions totalling £220,000 to the final “detailed design” stage of a project to realign the hairpin bend at Berriedale. Transport Scotland appointed a project designer, and in 2014 a preferred scheme design was publicly consulted upon. Transport Scotland expects to issue Draft Road Orders for the scheme in late 2014.

Discussions are also underway regarding future work to the stretch of the B876 between Hastigrow and Killimster in Caithness, where this important road crosses deep peat. Discussions, led by Highland Council, will focus on solutions to establish long-term sustainability for the road.

Rail: Direct Rail Services (a company wholly owned by the NDA) has been exploring the viability of commercial rail freight traffic in the north, potentially making use of the facility built at Georgemas Junction in Caithness to support the movements of nuclear fuels.

2.8 Digital Connectivity

An increasingly vital element of economic and social cohesion is the quality and speed of an area's digital connections. CNSRP recognised this at an early stage, and the enhancement of broadband has been a key enabling priority. In March 2013 HIE concluded the procurement of a £146mil contract with BT to deliver Next Generation ("superfast") Broadband for the Highlands & Islands. This will provide a significant boost for existing businesses, and will help attract new businesses to locate in the area. High speed broadband is also part of the package of support for the Scrabster enterprise area.

3 Measuring Progress

3.1 Jobs Targets

During the period 2011-14 the Partnership set targets to help companies achieve between 200 and 410 full-time equivalent jobs in a range of sectors. By March 2014 companies had committed to creating or retaining around 429 FTE jobs.

The Partnership's Delivery Plan 2014-17 sets out some key targets for supporting companies to create or retain between 359 and 479 full-time equivalent jobs in the area's economy by March 2017. These are set out below:

- 138-197 in the energy sector;
- 62-80 in the business services sector;
- 12-22 in the tourism sector;
- 15-25 in the food & drink sector;
- 22-45 in other sectors;
- Up to 110 FTE in the local market sector

Since April 2014 over 100 FTE jobs have been projected by local companies and inward investors.

3.2 Communications

The partners continue to take a pro-active approach to communications, including coverage in key sector-specific supplements (e.g. Scottish Provincial Press "Energy North" supplement, Dounreay site's monthly magazine, Subsea UK magazine). This approach continues to produce coverage of Partnership-related activities.

In addition to providing written progress reports to the Partnership's Executive Board, Advisory Board and the Dounreay Stakeholder Group the CNSRP Programme Manager also issues a weekly email bulletin to over 220 local regional and national contacts, as well as a weekly "blog" on the Partnership's website and Twitter feed. The Partnership's Facebook page is also a source of information. The Programme Manager also attends regular meetings with groupings such as the Thurso & Wick Trades Council, and delivers presentations to local and regional groups.

With funding support from the NDA the Partnership published a review of progress in Autumn 2013 (<http://www.cnsrp.org.uk/wp-content/uploads/Annual-Review-final.pdf>), featuring an introduction by John Swinney MSP, Cabinet Secretary for Finance, Employment & Sustainable Growth. The Partners are soon due to publish a further review for 2014, with funding support from HIE, Highland Council, DSRL.

During 2014 the area received visits from a number of Scottish and UK Government Ministers, including Baroness Verma of DECC and a summer visit to Wick from the Scottish Cabinet.

4. Forward Plan

4.1 Key priority projects 2014-17

Much has been achieved over the last 6 years in terms of strategic alignment of partner activities, and targeting of investment towards key projects. A number of important enabling projects have now been delivered. The Partnership's focus for 2011-14 has been on utilising those key investments to support the creation of more employment opportunities, particularly in the key sectors of energy (marine and offshore renewables, oil & gas) and business services. During 2014-17 existing businesses will continue to be supported to grow, and new businesses will be attracted into the area via the ongoing inward investment campaign.

CNSRP partners have identified key projects that will require particular support in 2014-17. These include:

- Scrabster harbour: Highland Council, HIE and NDA will continue to work closely with Scrabster Harbour Trust to develop and service the Enterprise Area site to attract new business to the harbour.
- Wick Harbour: Wick Harbour Authority is working closely with Highland Council, HIE and NDA to support its aspirations in offshore wind, and is also attracting significant interest from private sector companies. There is also potential for ports in East Sutherland such as Helmsdale to benefit from activity in the Moray Firth. Final investment decisions by Beatrice Offshore Windfarm Ltd and Moray Offshore Renewables Ltd to develop major sites are expected around 2016.
- Wick John O'Groats Airport hangar infrastructure: CNSRP partners will work closely with Highlands & Islands Airports Ltd and potential investors to support the development of hangar infrastructure appropriate to future opportunities at Wick.
- Inward investors in the energy sector: To support the development of the wave & tidal industry HIE is working with Scrabster Harbour Trust and potential inward investors to develop an engineering facility at Scrabster harbour.
- Digital connectivity: HIE will continue to work with BT and other partners such as Highland Council and Community Broadband Scotland to ensure that access to superfast broadband services is available to the widest-possible range of communities in the area, and that businesses are able to take full advantage of the benefits of digital connectivity.

4.2 CNSRP post 2017

As CNSRP continues to make progress with its programme of activities, DSRL is due in the next 6 months to publish its revised lifetime plan for the decommissioning of the Dounreay site, together with the likely staffing profile of direct employees. The current staffing profile shows that direct staff numbers will remain between 900-1000 until years 2018/19/20, when major staffing reductions take place, and the site's "interim end state" being reached between 2022-25, when no staff will remain. It is estimated that there are around 500-600 in the Dounreay supply chain workforce. As a result of the revised programme, it seems likely that the Interim End State dates will be later than 2025.

The period between 2017 and 2020 will, however, remain crucial in securing further local company growth; in attracting inward investments likely to support employment opportunities; and in delivering key infrastructure required to ensure the area is able to offer sustainable employment. CNSRP's role is therefore likely to continue to be of crucial importance to the identification and prioritisation of activity.

5. Implications

- 5.1 Legal, Equality, Carbon Clever/climate change, and Gaelic
There are no legal, equality, Carbon Clever/climate change, or Gaelic implications arising from this report.
- 5.2 Financial
Partnership funding is required to support the CNSRP. This includes two administrative posts and office costs which are supported by Highland Council at an overall cost of £40k per annum. The Council provides office accommodation for the Programme Manager and administration staff within the Thurso Service Point.

Recommendation

Members are invited to consider this report and:

- note that the Caithness & North Sutherland Regeneration Partnership has continued to make good progress over the last twelve months;
- note the value of the administrative and office support contributed by the Council to the Partnership and agree that an options paper for such support beyond April 2017 will be presented to the relevant council committee by September 2016;
- agree the need for the Partnership's continued existence, and the value of producing an updated Plan to look beyond 2017;
- agree that the Council will continue to work with HIE and other partners to ensure the successful delivery of the Business & Industrial Park at Scrabster harbour;
- agree that the Council will continue to work with CNSRP partners to ensure support for Wick Harbour Authority's ambitious plans to capture the employment potential from the operation and maintenance of offshore wind sites in the Moray Firth;
- agree that the Council will continue to work with HIAL and CNSRP partners to ensure that the energy and tourism related opportunities at Wick John O'Groats Airport are supported by development of appropriate hangar facilities;
- agree that the Council continue to investigate sustainable future options for the B876 road between Hastigrow and Killimster in Caithness to ensure its continued role as a key transport route.
- agree that the council and other partners will continue to work with the Nuclear Decommissioning Authority and the Babcock Dounreay Partnership (BDP) to maximise the impact of their respective socio-economic activities in Caithness & North Sutherland, including the early development of the NDA's National Nuclear Archive project for Wick and inward investment opportunities through BDP's corporate partners; and
- agree the partnership continues to work with HIE to ensure that the area's important business potential is recognised through the widest-possible superfast broadband coverage for settlements in Caithness and North Sutherland through the HIE-led Next Generation Access (NGA) project.

Designation: Director of Development & Infrastructure

Date: 15 October 2014

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