

Agenda Item	12
Report No	PLA 27/17

HIGHLAND COUNCIL

Committee: Places Committee

Date: 16 August 2017

Report Title: Economy and Regeneration

Report By: Director of Development and Infrastructure

1 Purpose/Executive Summary

- 1.1 This Report outlines for Members the work of the Economy and Regeneration section and advises how it is proposed to report on this activity before seeking Members agreement to the targeting of Employability funding to disadvantaged areas and roll out of the WiFi project.

2 Recommendations

2.1 Members are asked to:

- note the contents of report and proposal to produce an Economy and Regeneration e-Newsletter;
- agree to continue to prioritise employability activity to those areas currently benefiting from the Deprived Area Fund; and
- agree proposals to expand the Inverness and Highland City-Region Deal funded free open public Wi-Fi system to Alness, Aviemore, Dingwall, Dornoch, Drumnadrochit, Fort Augustus, Fort William, Invergordon, Nairn, Portree, Tain, Thurso, Ullapool and Wick.

3. Background

- 3.1 The work of the Economy and Regeneration team is diverse and covers a number of subject areas. Progress is reported at both strategic and Area Committee levels with a mixture of regular reports on the Business Gateway and Employability services and various subject specific reports as necessary, for example, Highland Opportunity Investments Ltd.
- 3.2 It is proposed that in addition to any reports required for the Places Committee, 6 monthly reports will be prepared for the Local Area Committees. Work is also underway to prepare and circulate an e-newsletter. Meetings are also underway locally with Members to give a detailed presentation of the work of the team.

4. Economy and Regeneration

- 4.1 The Economy and Regeneration team undertakes a wide range of local economic development activity. This activity is linked to the delivery of the following priorities:
1. Supporting start-up and growing businesses;
 2. Supporting young people and adults to progress towards and into work;
 3. Creating the conditions for sustainable economic growth; and
 4. Promoting inward investment

The core outcomes ultimately sought with this work is:

- an increase in business turnover; and
- an increase in the number of jobs in Highland.

5. Business Development

- 5.1 This activity relates to advisory services, access to finance, international trade, procurement advice and supporting business collaboration. Key developments during Q1 2017/18 are detailed below:
- 5.2 Business Gateway
- 5.2.1 The Business Gateway service is the 'gateway to business expertise'. It is the most recognised business support service in Highland and across Scotland, providing existing businesses with a range of support services and helping new business start-ups. During the first quarter of 2017/2018 the Business Gateway received some 500 general business enquiries on a wide range of business/commercial related topics; 362 businesses accessed local advisory services with 66 attendees at the start up workshops, and the service assisted 53 new businesses starts.
- 5.2.2 Business Gateway has also started the main delivery of its Local Growth Accelerator Programme, part funded by the European Regional Development Programme. This allows businesses to access a range of services helping them to grow. There were 29 companies with aspirations to grow who engaged with the LGAP service during the quarter.
- 5.2.3 The Digital Boost programme is delivered and managed by the Business Gateway service will be rolled out during quarter 2. This programme involves the delivery of almost 50 workshops in Highland. Topics include Intro to Social Media, E-commerce, Data Analytics and more.

5.3 Access to Finance

5.3.1 There has been a noticeable improvement in most banks' attitude to smaller businesses and a willingness to lend seen over recent period. In addition, the UK Government funded Start Up Loan Company criterion allows businesses within the first 24 months to apply for support. As a result, during the quarter 16 businesses have been supported with advice to access finance via these alternative sources with just over £1million secured and another £2.9 million under development.

5.3.2 As a result of improved access to lending, Highland Opportunity Investment Fund (HOIL) activities have been restricted to one case being completed in the period. However, a pipeline of 19 cases, conservatively estimated at lending value of £520k from HOIL is being taken forward.

5.4 Business Collaboration

5.4.1 In some sectors or geographic areas, growth is led by business groups such as Business Improvement Districts (BIDs), Destination Organisations and Chambers of Commerce which deliver services for their members. The Economy and Regeneration team works with a number of these groups to support their activities.

5.4.2 This approach is most notable with the tourism sector which is the area's largest sector – worth £1.2bn to the Highland economy. To deliver this support, service level agreements with accompanying funding have been agreed with a number of Destination Organisations across Highland, allowing them to deliver services such as gathering intelligence, improving the tourism offer or collaborative marketing. Groups currently supported are:

- Venture North (Caithness & Sutherland)
- Visit Wester Ross
- Black Isle Tourism Team
- Skye Connect
- Visit Inverness Loch Ness
- Lochaber Chamber of Commerce/Outdoor Capital of the UK
- Cairngorms Business Partnership

6. Employment

6.1 This activity supports individuals to prepare for, and enter, the world of work and to the creation of jobs. Key developments during quarter 1 2017/18 are detailed below.

6.2 The primary vehicle for the Council supporting out of work people with multiple barriers to employment is by commissioning services from providers. The services that are commissioned take two distinct forms. The first way is short-term support typically consisting of either group training lasting anywhere from 4-6 weeks or intensive one-to-one mentoring. The Council anticipates supporting 200 participants throughout Highland during 2017/18, by procuring short term employability support for these individuals. The cost of this activity will be ESF match funded at a 50% intervention rate.

6.3 The second way is long-term support consisting of all stage employability pipeline support from engagement, to training and into work. The Council accesses and manages the European funding for this activity and in Q1, third sector providers have been awarded ESF match funding of £900k to provide services to 600 clients in the Highlands.

- 6.4 At the Council meeting on 16 February 2017 it was agreed to reduce the Deprived Area Fund funding from £440k to £200k. However, to minimise the impact of this reduction it was agreed that activity in the agreed deprived areas would continue and be commissioned from existing providers on the Council's Employability Support Services Framework rather than grant aided, thereby targeting the funding on individuals and potentially enabling 50% match ESF funding to be secured.
- 6.5 In order to facilitate the move to the commissioning of employability support services and ensure clients have not been disadvantaged, it has been necessary to award £70k of the £200k allocation to a number of 2016/17 grantees as Q1 "transitional funding". During this time work has progressed to develop a suite of targeted and commissioned support for clients.
- 6.6 The current deprived areas in Caithness, Inverness, Easter Ross, Skye, Lochaber and Nairn were targeted based on historic 2012 data. It is recognised that deprivation across Highland is wider and takes many forms. The Community Empowerment Act requires evidence based community plans to tackle inequality and target prevention work where communities experience significantly poorer outcomes as a result of socio-economic disadvantage. At a meeting of the Community Planning Partnership in June 2016, the Community Planning Board agreed 24 communities to target partnership action in Highland. These areas were identified using the Socio-economic Performance Index (SEP) for rural areas and the Scottish Index of Multiple Deprivation (SIMD) for urban areas. It is therefore proposed that until further work is completed on the prioritisation of resources to such activity at both a strategic and local level that the current deprived areas continue to benefit from targeted resources.

7. Conditions for Economic Growth

- 7.1 This relates to infrastructure investment, land and buildings regeneration, the informing and influencing of economic related policy, skills, and industrial development. Key developments during Q1 2017/18 are detailed below:
- 7.2 City WIFI Project
- 7.2.1 The City WIFI project, led by the Council and funded by the Inverness and Highland City-Region Deal, aims to create a free open public WIFI system across the Highlands for visitors and residents. By being available 24/7 365 days per year, it aims to stimulate economic growth and increase digital inclusion. Increasingly such digital connectivity is seen as essential if the Highlands are to be innovative and keep their competitive placing/ranking in the tourism market. Allied to this, WIFI also offers the opportunity to gather data about local users and tourist activity, and the creation of a wireless infrastructure in a town centre allows, for example, smart traffic management technology to be utilised.
- 7.2.2 The first phase of the Inverness City WIFI project, branded Ness WIFI, is providing fast internet coverage in a pilot area including the Victorian Market, Falcon Square and surrounding streets. The system is providing reliable fast internet usage to users, whilst being family friendly and content filtered with average daily user number of between 300 – 500 users. Users also have language choices when logging into the system (with Gaelic coming on-line). Phase 2 is currently being installed to cover the city centre and across the river along to Eden Court, the Northern Meeting Park and Ardross Street Coach Drop off.
- 7.2.3 As originally envisaged the WIFI project is now being rolled out across Highland. Available resources allow for WIFI to be provided in 14 town centres. With an initial

budget of £500,000 we have been able to design and procure a network for Inverness at a cost of £130,000 for the next three years. After allowance has been made for staffing and procurement costs, as well as ongoing revenue costs we are able to roll out the WIFI across a wider number of settlements. Based on a desire to introduce WIFI to a number of town centres across Highland, allied to a need to service a number of tourism hotspots, the following 14 towns have been identified for Phase 3 rollout:

Alness, Aviemore, Dingwall, Dornoch, Drumnadrochit, Fort Augustus, Fort William, Invergordon, Nairn, Portree, Tain, Thurso, Ullapool and Wick.

7.2.4 The costs for this are estimated at £115,000 for the first year's hardware installation, based on the Inverness City Centre project. Following that there will be annual costs of approximately £20,000 per annum.

7.2.5 The timelines for roll out will be identified at a later date and Members advised accordingly. Further opportunities to expand the WIFI project are being considered with work underway on identifying funding options and opportunities with HIE, Scottish Government, Scottish Futures Trust and EU.

7.3 BREXIT

7.3.1 Significant uncertainty which could affect future economic growth exists because of the UK's decision to leave the European Union. The team's European work, undertaken jointly with Highlands & Islands partners, is therefore focussed on taking every opportunity which arises to ensure the differing circumstances and needs of the Highlands & Islands are recognised as new policies and funding or support programmes are developed to replace the current EU ones.

7.4 Inverness Townscape Heritage Project

7.4.1 The Inverness Townscape Heritage project is a grant-giving scheme that helps communities to regenerate Conservation Areas displaying particular social or economic need.

7.4.2 Focusing on Academy Street, the project brings together funding from the Heritage Lottery Fund (HLF), Historic Environment Scotland and the Highland Council, into one pot, from which grants are given to local property owners, businesses and organisations to allow them to carry out high-quality repairs and historic reinstatement to properties and spaces within the defined townscape heritage area.

7.4.3 The aim of the project is to improve the quality of life for those who live, work or visit Academy Street by:

- preserving and enhancing the character and appearance of the street;
- repairing and restoring authentic details and materials;
- bringing historic buildings back into appropriate, sustainable and economic use;
- improving the public realm of Station Square; and
- increasing training opportunities in heritage skills and wider community engagement.

7.4.4 The TH Project Delivery Plan as agreed with HLF, commits to working with the property owners/tenants of three high priority projects to develop eligible proposals that in turn could apply for third party building repair grants:

1. Al Welders – repair and enhance heritage detail (including mosaics) and bring vacant floor space into productive use
2. The Phoenix – repair and enhance heritage detail and bring vacant floor space

into productive use

3. Station Square – public realm improvements that will enhance the setting of the adjoining listed building and generally enhance this gateway site

The Delivery Plan contains a further eight medium priority projects and a series of substitute projects that will evolve as the project develops.

7.4.5 The TH Project will also deliver a number of outputs that are not focussed on the physical environment. These outputs are detailed in the HLF agreed “Activity Plan”:

- a minimum of one (2 day) traditional building skills and maintenance training taster session for school children;
- a minimum of four short traditional building skills workshops for contractors;
- a minimum of four short traditional building skills workshops for property owners;
- production of a property maintenance guide and associated training;
- 0.5FTE dedicated employability staff resource to work with clients in the City Centre;
- collaborate with Business Gateway to deliver support, advice and training for Academy Street businesses;
- collaborate with High Life Highland to deliver an electronic heritage trail, including a minimum of 64 community engagement events to generate content.; and
- a minimum of four lectures annually that focus on key heritage themes of importance to the City.

8. Inward Investment

8.1 Activity relates to the raising of Highland’s profile as an investment location, film, major events, tourism, twinning and site investment opportunities. Key developments during quarter 1 2017/18 are detailed below.

8.2 Augsburg:

8.2.1 In light of the uncertainty surrounding proposals to leave the European Union, the Scottish and Bavarian Governments have recognised the potential of developing economic links. This has presented an opportunity to build on the existing social and cultural links between Inverness and Augsburg. A recent report to the City of Inverness Area Committee ([available here](#)) gives further details.

8.2.2 A strategy for the development of economic links between the two cities has been developed amongst partners, and this is attached to the report as **Appendix 1**.

8.3 Scottish Cities Alliance

8.3.1 This is an alliance between all seven of Scotland’s Cities and is aimed at promoting inward investment opportunities. The following link gives further information on the work of the alliance: <https://www.scottishcities.org.uk/> .

8.3.2 The Council is working closely with HIE to promote the Inverness Campus, and with Inverness Airport Business Park (IABP) highlighting investment opportunities at these locations. In addition to this activity the Council is also participating in the Smart Cities Scotland Programme. The development of Scotland’s 8th City – The Smart City, an ERDF Programme is led by City of Glasgow Council and will see the introduction of range of new technologies aimed at accelerating and transforming the delivery of Council services across Scotland.

8.4 Highland's attractiveness as an investment location, and indeed as a place to live and work, is enhanced by the profile it gains through other activities that take place in the area. The Economy and Regeneration team actively encourages activity that improves the profile of the area by attracting and helping facilitate film productions (handled 64 film location enquiries during quarter) and major events such as the Mountain Bike World Cup (June 2017).

9. Implications

- 9.1 Resource – The direct resource implication with this report arising relates to the costs associated with the WIFI rollout. The costs involved to install and run the system for 3 years will be funded by the Inverness and Highland City-Region Deal. As regards sustainability after this date, the Council is already evaluating areas of sponsorship and advertising on the systems which have taken place from the initial start of the project and areas of monetisation are being explored.
- 9.2 Legal, Community (Equality, Poverty and Rural) and Climate Change/Carbon Clever – There are no Legal, Community or Climate Change/Carbon Clever implications directly arising from this report.
- 9.3 Risk – When securing external funding the Council is required in effect to enter into contractual agreements with the Scottish Government to ensure the funds are correctly utilised and accounted for. If this is not done correctly the Council will be financially at risk of not being able to reclaim the funds involved and reputationally at risk of being perceived as unable to manage public funds correctly.
- 9.4 Gaelic - Opportunities are taken whenever possible to promote the Gaelic language, for example, WIFI language choice.

Designation: Director of Development and Infrastructure

Date: 2 August 2017

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Background Papers: CIA/15/17 - Developing Economic Links with Augsburg, Bavaria
http://www.highland.gov.uk/download/meetings/id/72109/item_11_developing_economic_links_with_augsburg_bavaria

Inverness – Augsburg Strategy for the Development of Economic Links

July 2017 – March 2018

1. Background

The Highland Council's City of Inverness Area Committee wishes to pursue the development of economic links with its twin city Augsburg. These will complement the already well established social and cultural links that have been developed over the last 60 years. Initial meetings were held between representatives of the cities in May 2016, in Augsburg. This was followed up with a further meeting in Inverness in October 2016 aimed at developing the initial opportunities that had been identified. As a result of these meetings a number of areas of common interest have been outlined, this strategy aims to identify how we best proceed with the development of these opportunities.

2. Current Situation – Strategy for development of Economic Links

A broad range of organisations have been involved in the initial activity of identifying shared common aims and objectives around the development of economic links with Augsburg. All have specific specialisms, and the purpose of this strategy document is to identify lead organisations for specific initiatives, and to ensure that there is close cooperation between all the partner organisations.

What has become clear from the initial work undertaken on the development of economic links is that there is potential for fostering closer economic links with Augsburg. The opportunity for medical and research healthcare related collaborations can form a sound basis for the development of these links, but what has also become obvious is that there are other opportunities for economic collaborations to be developed between the two cities. Inverness Chamber of Commerce recently organised a trade mission to Augsburg. A range of businesses participated from a diverse array of sectors including Tourism, Food and Drink, Life Sciences and Renewable Energy.

On a national level, both the Scottish and Bavarian Governments have recognised the potential in developing economic links. Inverness is well placed to benefit from this developing relationship and there is an opportunity to promote the city and the Highlands as a potential option for the attraction of foreign direct investment.

3. Strategic themes

Health Care and Life Sciences;

Continue with the development of Inverness' relationship with the Klinikum Augsburg, and with the University of Augsburg. Particular emphasis will focus upon developing opportunities for collaboration in the Healthcare and Life Sciences sectors.

Lead Agency; The key partner for the development of this initiative is the University of the Highlands and Islands' Healthcare and Life Sciences Centre, facilitated by DS Consulting with support from the Centre for Health Sciences. Assistance as required from NHS Highland, HIE and from Highland Council.

Next Steps: Initial meetings have proved significant. The next step will be to meet again with partners from the Klinikum Augsburg and the University of Augsburg to firm up on areas of potential collaboration.

Vocational Training Opportunities;

UHI and the Hochschule in Augsburg (University of Applied Sciences) signed a Memorandum of Understanding in 2016 that identified opportunities for both institutions to collaborate on vocational training opportunities.

Lead Agency; UHI, supported by partners

Next Steps; Inverness College UHI are currently examining the potential for exchanges between Inverness and Augsburg for students/staff involved in vocational training activities. DS Consulting will assist this process by identifying suitable opportunities. UHI are to identify additional opportunities for collaboration with the Hochschule.

Development of Business Links;

Inverness Chamber of Commerce arranged a successful trade mission to Augsburg in May 2017. This encouraged the idea of future collaborative working and the development of business links.

Lead Agency; Inverness Chamber of Commerce supported by partners, Highland Council, and HIE as required. DS Consulting will assist by promoting the potential amongst businesses in the Augsburg/Schwaben region.

Next Steps; Take the opportunity to build on existing links, and to encourage business collaboration between Inverness/Highland and Augsburg/Swabia. Initial responses, both in Scotland and in Germany were favourable to the development of business links with a return visit from Augsburg already being flagged up for early 2018.

Inward Investment Opportunity;

The recently concluded joint declaration between the Scottish and the Bavarian Governments aimed at fostering closer economic co-operation presents Inverness and the Highlands with an opportunity to examine the opportunities that might exist to attract Foreign Direct Investment (FDI).

Lead Agency; HIE in conjunction with SDI should lead on this with support coming from the Highland Council and other partners as required. DS Consulting will assist with the facilitation of meets/contacts in advance of Expo Real in Munich. The Scottish Cities Alliance also has a role in coordinating attendance by the Scottish Cities at Expo Real.

Next Steps; Build on the opportunities being presented by the collaboration between the Scottish And Bavarian Governments to examine the potential for Foreign Direct Investment into Inverness and the Highlands.

Information exchange/shared experiences;

The development of economic links has focussed very much on business links, and the potential for the attraction of investment and opportunities for business. There remains scope to develop cooperation between economic development agencies in both areas.

Lead Agency; Highland Council is looking at the development of a wide range of initiatives to develop Inverness as a "Smart City". Some of these ideas could be shared with our partners in Augsburg, and vice versa, what is the City of Augsburg's concept of what a Smart City might constitute? Lessons could be learned from sharing experience and information. All partners can contribute to this element of the strategy as required.

Next Steps; Identify relevant officers within Augsburg City Council, and bring them up to date with Highland Council developments around Smart Cities. DS Consulting will assist by identifying the relevant officials. The Smart Cities team in Inverness to share experiences, with an opportunity for other partners to investigate other areas of best practice?

4. Delivery

To progress with the strategic themes identified in this paper, the Council has contracted with DS Consulting in Munich to facilitate activities in Augsburg, and to work with the lead partners for each initiative. Their role will be to assist with the identification of the most relevant people and organisations in Augsburg and to encourage/promote the potential for collaboration between Inverness and Augsburg, in Augsburg itself but also within the greater Bavarian area.

5. Marketing

The main thrust of the strategy is to foster links between a variety of partner organisations in Inverness and in Augsburg. In support of the strategy for developing economic links there is an opportunity to promote/market Inverness and the Highlands for inward investment into Germany in general. The facilitation support currently does not cover marketing and communication support however this may be an additional opportunity that the partners would like to consider.

Some potential activities could feature engaging a local communications agency in Bavaria to issue a series of press release featuring opportunities in the Highlands.

6. Partner Commitment

The Highland Council and The Inverness Common Good Fund has committed up to £20,000 towards the delivery of this phase in the development of economic links between Inverness and Augsburg. In addition, we are committing staff time towards the delivery of this initiative. The Strategy document identifies a number of projects and project lead organisations, it will be important that all partners contribute resources in the shape of staff time, and/or financial assistance towards achieving the next stage in the development of a meaningful economic twinning relationship with Augsburg.