

Agenda Item	10
Report No	RC/029/16

Inverness City and Highland Region Deal

Report by Director of Development and Infrastructure

Summary

The purpose of this report is to provide members with an update on the City-Region Deal, to set out expected benefits of the programme and to provide an overview of the governance arrangements to Inverness City and the region.

1. Introduction

1.1 On 22 March 2016 agreement on the City-Region Deal was reached with the Heads of Terms being signed by the Scottish Government, United Kingdom Government and The Highland Council. The deal is a clear demonstration of The Highland Council's ambition to ensure that the City and the wider Highland region have a successful economic future.

2. Benefits of the City Region Deal

2.1 The deal is transformative and will position the area as a region of opportunity. It focuses on the attraction and retention of young people so that they can contribute to and benefit from a growing and increasingly skilled economy. It will make a step change contribution to the long term productivity and economic growth of the region by investing in vital infrastructure, fostering innovation, supporting regional skills development and promoting tourism.

2.2 It is expected that specific benefits will include:

- The creation of 1,125 direct jobs as a result of The Deal projects with a further 2,200 additional jobs in the construction sector.
- Up-skilling the labour market and contributions to moving towards a high skilled high wage economy.
- Establishing a centre of excellence in rural and digital healthcare with sufficient mass to attract research and investment and fully exploit the commercial opportunities.
- Enabling business growth through effective digital connectivity and promotion of innovation
- Improving productivity and real wages, which are estimated to increase by almost 1.3 per cent and bring £100 m per annum to the regional economy.
- Helping rebalance the population with the aim of retaining and/or attracting 1,500 young people in the 18-29 age group over the initial 10 year deal period.

- Creating 6,000 new houses over 20 years of which 1,800 will be affordable homes
- Delivering private sector leverage from house building and, through opening up land for commercial development, this would see a return over a 20 year period of between £500-700 million being invested in the economy of the city and region

2.3 The City-Region Deal provides a significant funding package which invests up to £315m into the regional economy. As part of this funding package, the Scottish Government will commit up to £135m. The United Kingdom Government will commit up to £53m. This includes £3m advance funding for City Wi-Fi and environmental improvements around Inverness Castle. The Highland Council along with regional partners will commit up to £127 m.

2.4 Led by The Highland Council, which is responsible for both the city of Inverness and the wider Highland Region, the Inverness and Highland City Region Deal will be implemented by a partnership between the Council, Highlands and Islands Enterprise, The University of the Highlands and Islands (UHI), Skills Development Scotland, the region's Chambers of Commerce, the Cairngorms National Park Authority and other members of the Highland Economic Forum. The Deal provides an opportunity to enhance, accelerate and add quality to the delivery of the long term aspirations for Inverness and the wider City Region.

2.5 Collectively, this funding package will be provided over a 10 year period subject to detailed business cases, statutory processes and implementation plans.

3. The City-Region Deal

3.1 The City Region Deal Programme comprises the following projects. Whilst they individually will deliver benefits they are also part of a programme that will deliver benefits to the city and Region greater than the sum of its parts. The Projects are briefly described with funding sources, lead and lead agencies. Members will note that many of the projects are pan Highland in nature and so will bring benefits to areas beyond the city of Inverness.

3.2 **Digital (Pan highland)**

Identify and explore ways to extend digital coverage, including Superfast Broadband and Mobile 4G connectivity, across the region to support the ambition for the Highlands to be the most digitally connected rural region in Europe.

Deal Funding
Project Lead

*£20 m UK Government
Stuart Robertson (HIE)

3.3 **Skills (Pan Highland)**

Develop a network of STEM learning centres and develop innovative approaches to delivering employability programmes across the Highlands.

Deal Funding N/A
Project Lead Andy McCann (THC)

3.4 **Northern Innovation Hub (Pan Highland)**

Support the creation of a Northern Scotland Innovation Hub to provide tailored support for high growth small and medium sized businesses.

Deal Funding *£11 m UK Government
Project Lead Donna Chisholm (HIE)

3.5 **Innovative Assisted Living Scheme (Pan Highland)**

Establish innovative assisted living schemes using the latest IT Healthcare to enable elderly people to live in their communities and avoid the need for them to be sent to hospitals and/or care homes. A cluster will also be built in the city to suit the needs of veterans.

Deal Funding *£3 m Scottish Government
Project Lead Allan Maguire (THC)

3.6 **School of Healthcare and Life Sciences (Pan Highland)**

Provide additional funding for the commercialisation of life sciences at the new multi-disciplinary centre at the University of the Highlands and Islands School of Health.

Deal Funding *£9 m UK Government
Project Lead Jeff Howarth (UHI)

3.7 **Air Access**

Governments recognise the importance of effective regional air access and will work with the Council to consider mechanisms for promoting improved regional access.

Deal Funding N/A
Project Lead Ranald Robertson (HITRANS)

3.8 **Road Infrastructure (Kessock Bridge Fly Over and East Link)**

Commitment to delivering the strategic A9/A96 Link Road (Eastlink – opens up land for housing development) and a commitment to the Longman Interchange, a new grade separated junction, (releases land for commercial development).

Deal Funding *£ 107 M Scottish Government
Project Lead Alison Irvine (Transport Scotland)

3.9 **Land Infrastructure (Longman)**

Land remediation at Longman to support commercial development

Deal Funding *£20 m UK Government
Project Lead Allan Maguire

3.10 **Affordable Housing (Pan Highland)**

Development of a package of support to increase the availability of affordable housing for young people

Deal Funding *£5 m Scottish Government
Project Lead Allan Maguire

3.11 **Tourism**

Commitment to Invest in Inverness Castle to turn it into a world class visitor attraction of national significance. The facility will promote the Highlands as a whole.

Deal Funding *£15 m Scottish Government
Project Lead Graham Watson (HLH)

***Figures are yet to be finalised and are therefore indicative.**

4. **Next Steps**

4.1 The next step is for the Council and its regional partners to develop a detailed implementation plan as well as the preparation of final business cases for submission to both Governments. There will also be a requirement to submit value for money cases for each individual project which will be assessed by Government before funding is released.

4.2 Both Governments will work with the Council and its regional partners to develop a monitoring and evaluation framework.

4.3 Following the signing of the City-Region Deal, a dedicated webpage has been set up on the Council's website to provide information on the City-Region Deal. As part of this work, consideration will be given as to how best to ensure that the profile of the work being undertaken through the City-Region Deal is maintained.

5. Governance

5.1 Ensuring strong and effective governance arrangements for the Inverness City and Highland Region Deal provides assurance to both governments that there is transparency in decision making and project delivery. Governance arrangements were agreed at Council on 12 May 2016.

5.2 A Programme Board has been established through which the lead officer/organisation for each specific project report. The Programme Board comprises the lead officers for each project, a representative from the Finance Service and representatives from the business community. Consideration is being given to appropriate representation from the Scottish and UK Governments. The Programme Board is chaired by the Director of Development and Infrastructure.

5.3 The Programme Board, will report to the Planning, Development and Infrastructure Committee and undertake the following roles:

- ensure delivery of business cases and the implementation plan;
- ensure effective co-ordination between partners;
- ensure the ongoing overall alignment of the individual projects within the programme;
- resolving strategic and operational issues between projects;
- setting of gateway decision points for each individual project;
- monitor project status and ensure project delivery; and
- manage risks and financial commitments.

5.4 The Planning, Development and Infrastructure Committee will undertake the following roles:

- ensure compliance with the Heads of Terms Agreement;
- approve business cases for Council led projects and note business cases for partner led projects;
- approve final project funding allocations;
- scrutinise and monitor progress as well as programme spend;
- approve Council led projects; and
- approve match funding contributions for Council led projects.

5.5 A Member City-Region Deal Scrutiny Board is being established comprising the Group Leaders. This will review and monitor the progress of projects. The first meeting has been set for the 1 September 2016.

- 5.6 Given that the City-Region Deal was developed in conjunction with our strategic partners (HIE and UHI), the Highland Community Planning Partnership will also have a key role in providing programme overview, particularly on those projects being led by Highlands and Islands Enterprise and the University of the Highlands and Islands.
- 5.7 The post of Programme Manager has been created initially for a two year period, reporting to the Director of Development and Infrastructure. This post is funded from within the Development and Infrastructure Service's existing resources through reprioritising and restructuring current activities.

Recommendations

Members are asked to note the report

Designation: Director of Development and Infrastructure

Date: 20 July 2016

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Appendix 1 – City-Region Deal Head of Terms Agreement

Appendix 2 - City-Region Deal Local Governance Arrangements



Our signing of this document confirms our joint commitment to ensure full implementation of the Inverness and Highland City - Region Deal proposed by The Highland Council.

Keith Brown MSP

Cabinet Secretary for Infrastructure, Investment and Cities
Scottish Government

Lord Dunlop

Parliamentary Under Secretary of State for Scotland
UK Government

Cllr Margaret Davidson

Leader of The Highland Council



Executive Summary

1. The Inverness and Highland City - Region Deal provides a transformative opportunity to position the area as a region of digital opportunity and strength, thereby enabling the Highlands to be the best digitally connected rural region in Europe.
2. The city of Inverness and the wider Highlands offers a unique environment to live, work, study and visit and is a globally recognised location. This deal will make a step change contribution to the long term productivity and economic growth of the region by investing in vital infrastructure, fostering innovation, supporting regional skills development and promoting tourism.
3. Inverness City and the surrounding hinterland have experienced substantial growth in population and economic activity over the past 30 years. The area has benefitted from the creation and growth of the University of the Highlands and Islands and the development and growth of a range of sectors, including life sciences, energy, tourism, and food & drink.
4. At the same time, the city and wider region faces challenges that have acted as barriers to economic growth, such as retention of higher levels of skilled of young people, the need for improved rural connectivity and an over-reliance on a small number of major employers.
5. Recognising these challenges and opportunities local leaders, the Scottish Government and United Kingdom Government are working together to capitalise on underlying opportunities in a number of areas: digital connectivity, infrastructure, skills and tourism.
6. **The Inverness and Highland City - Region Deal therefore sets out a transformative change for the Region. Central to this will be a significant funding package which invests up to £315m into the regional economy.** As part of this funding package, the Scottish Government will commit up to £135m. The United Kingdom Government will commit up to £53m. The Highland Council along with regional partners will commit up to £127m. Collectively, this funding package will be provided over a 10 year period subject to detailed business cases, statutory processes and implementation plans.
7. The City - Region Deal is a tripartite agreement between the United Kingdom Government, the Scottish Government and The Highland Council. This joint deal demonstrates our strong support to the Inverness and Highland Region. All parties support bringing projects forward as quickly as possible.
8. The Deal will deliver a step change in terms of providing opportunities to enhance and accelerate the delivery of long-term aspirations for Inverness and the wider Highland region. The impact of this deal on the city and the wider region will be significant in realising the full growth potential of the local rural economy. Over its lifetime, The Highland Council estimate that this City - Region Deal will:
 - help to rebalance the population with the aim of retaining and/or attracting 1,500 young people in the 18-29 age group over the initial 10 year deal period;

- create 1,125 direct jobs as a result of City - Region Deal projects with a further 2,200 additional jobs in the construction sector;
 - help to up-skill the labour market and contribute to moving towards a high skilled high wage economy. It also establishes a centre of excellence in rural healthcare with sufficient mass to attract research and investment to the region;
 - improve productivity and real wages, which are estimated to increase by 1.3 per cent and bring £100m per annum to the regional economy;
 - create 6,000 new houses over 20 years of which 1,800 will be affordable homes; and
 - deliver private sector leverage from housing building and, through opening up land for commercial development, would see a return over a 20 year period of around £800m being invested in the economy of the city and region.
9. This document represents a "Heads of Terms" agreement building on the already significant investment in the region. Both governments are committed to continuing their support for the region. Further detail on the implementation of specific interventions of the deal will follow. This document has been produced for the purposes of outlining the principles of this broad agreement and does not form a legally binding contract.
 10. The following commitments form part of an overarching Inverness and Highland City - Region Deal Funding Package. Both Governments will work together to implement the commitments in this Deal and make them a reality.

The Commitments

Digital Connectivity

11. Improving the region's digital infrastructure is key to the long term future of the local economy. It will drive innovation through the better use of our physical and digital assets to enhance public and private service delivery. The Highland Council has the ambition to be the best digitally connected rural region in Europe. This means extending the roll out of superfast broadband to key areas across the region where it has not been possible thus far and expanding 4G coverage to those areas where there is expected to be market failure.
12. **Commitment – Both Governments will work together to identify and explore ways to extend digital coverage, including Superfast Broadband and Mobile 4G connectivity, across the Highland and Islands region to support our ambition for the Highlands to be the most digitally connected rural region in Europe.**

Innovation

13. Innovation is a vital driver of long-term sustainable economic growth. The very considerable investment in the regional university and the government commitment to world class digital infrastructure, provide an opportunity to

accelerate further development and commercialisation within the life sciences sector and to support the competitiveness of other key business sectors in Inverness. A **package of new innovation measures** will build on existing academic and industry expertise in Inverness as well as business support networks across the Highlands.

14. Due to its remote and rural communities, Inverness and the Highlands face particular difficulties in delivering health and care provision. Innovation is required by both the public and private sector in order to address these challenges. There is a strong and growing expertise and excellence in the health and life science research and industry base in Inverness and this provides a unique opportunity to accelerate the development, deployment and commercialisation of new medical products and technologies.
15. The University of the Highlands and Islands has committed to make significant investment in a multi-disciplinary centre for clinical research and teaching. There will be a major focus on the application of digital health and medical technology to remote and rural health and social care. This new centre will help build the capability required to address the challenges of the region.
16. The Deal will provide additional investment to ensure that the multi-disciplinary centre can also focus on the commercialisation of new medical products and technologies. It will also provide incubator space for start-ups and SMEs that are clustered around major local businesses and supply chains.
17. In addition to the life sciences sector, the city region also has strengths in the tourism, food and drink, and creative industries. These businesses need to ensure they are attracting talent, are able to reach new markets and have access to the finance they require to grow. The region's unique circumstances makes the approach to cluster building different: agglomeration is not possible in this dispersed city region and there is currently limited competition at local market level, which usually drives growth and ambition. An alternative approach is required, drawing on university knowledge, where relevant, from across the UK and beyond where there is demand from businesses for innovation, not based on proximity.
18. Therefore the Deal will support the creation of a **Northern Scotland Innovation Hub**. This model will be developed in partnership with existing bodies including the Scottish Edge and Business Gateway.
19. Complementing the commercialisation work, the deal will support the development of clusters of **innovative assisted living schemes** throughout the region. These new homes will be designed with full IT health and movement sensors linked to remote health and care providers, building on the existing tele health capability and supporting future developments in tele health. As appropriate, they will monitor the individual and provide bespoke, responsive care and health packages as required, thereby enabling **elderly** people to live in their communities and avoiding the need for them to be sent to hospitals and/or care

homes. A further cluster of properties within the City will be developed to suit the needs of **veterans**, using the latest technology to monitor their health in their new homes.

20. **Commitment - Both Governments support Inverness's ambition to grow its life science industry to meet the key health and care challenges of the region. This Deal will provide additional funding for the commercialisation of life sciences at the new multi-disciplinary centre at the University of the Highlands and Islands School of Health.**
21. **Commitment - Both Governments recognise the importance of innovative and productive businesses to the future growth and sustainability of the economy of Inverness and the Highlands and Islands. This deal will increase investment in the Northern Innovation Hub that will provide tailored support for high growth small and medium sized businesses.**
22. **Commitment - Both Governments recognise the importance of healthcare for elderly residents and for veterans. This deal will support the development of clusters of innovative assisted living schemes that will support the future development of tele health and that will deliver independence both for elderly residents and for veterans.**

Skills

23. Investment in human capital – the education, skills and health – of the people of Scotland is a central focus of Scotland's Economic Strategy and working together, partners will look at developing innovative approaches to delivering employability programmes across the Highlands.
24. The Highlands and Islands Science Skills Academy (HISSA) has been established to transform science, technology, engineering, mathematics and digital creativity (STEM/D) education across the entire region. It will provide a **network of STEM/D learning centres** that are modelled on the Norwegian Newton Room concept and that provide a pipeline of skilled young people. To maximise the impact of this network, the Scottish Government will ensure that it is linked with the new Manufacturing Centre of Excellence and Skills Academy.
25. **Commitment - Both Governments recognise the need to find different ways to delivering STEM/D subjects in schools. This deal will support the delivery of a network of STEM/D learning centres.**

Air Access

26. Local partners have identified the importance of ensuring continued air access for the economic development of the region, in particular business-friendly daily links to international hubs and adequate interlining connections. Local partners have been working to secure a daily rotation to Amsterdam Schiphol as a short term solution, but ensuring and improving the level of air access to London remains a top priority for local partners over the longer term.

27. **Commitment - Both Governments recognise the importance of effective regional air access to the Highland economy and will work with the Highland Council to consider mechanisms for promoting improved regional access.**

Infrastructure

28. Lack of **affordable housing for young people** has been identified by employers as a major constraint in their efforts to grow their business. As part of this deal, The Highland Council, in partnership with the Scottish Government, private sector and housing associations, will create a recyclable loan fund to invest in the enabling infrastructure required to open up large key strategic sites. In parallel, The Highland Council will participate in the National Housing Trust initiative to create more new homes, targeted specifically to young people and available at a mid-market rent.
29. The **A9/A96 Link Road** is a key strategic road improvement to link the A9 with the A96 between Inshes and Smithton providing relief to the A96 and Raigmore Interchange, while the **Longman Interchange** will deliver a new grade separated junction to replace the existing roundabout at the junction between the A9 and A82.
30. This investment will improve access to and within the local communities and at the same time improve accessibility to jobs, education and healthcare including the University of the Highlands and Islands and development along the A96 corridor. When completed these schemes will offer significant benefits to motorists in the Inverness area including road safety and journey time improvements to those travelling on the key strategic routes of the A82, A9 and A96.
31. The **Longman Interchange** is a major road improvement which will deliver a new grade separated junction to replace the existing roundabout at the foot of the Kessock Bridge. The new interchange will unlock significant areas of land which, once remediated, will provide much needed capacity for industrial and office developments.
32. The **West Link** forms the final section of the Southern Distributor Road linking the A9 and providing an alternative route avoiding the city centre. The road is being constructed by The Highland Council and opens up land for housing, commercial and leisure development to the west of the city.
33. **Commitment – Both Governments accept the important of infrastructure investment and this deal sets out a commitment to delivering the strategic A9/A96 Link Road improvement and grade separation of the Longman Interchange.**
34. **Commitment – Both Governments are committed to ensuring an adequate supply of economic development land and this deal sets out a commitment to support land remediation at the new Longman Interchange.**
35. **Commitment – As part of this deal, The Highland Council commits to delivering the improvements to the local road network at Inshes to provide the infrastructure needed to support development in the local area.**

36. **Commitment – As part of this deal, The Highland Council commits to preparing a Developer Contribution Framework with Transport Scotland as set out in the Highland Wide Development Plan and Moray Firth Local Development Plan to secure private sector contributions towards the significant infrastructure investment being made to the trunk road network.**
37. **Commitment – As part of this deal, The Highland Council commits to delivering the West Link road improvements to provide the infrastructure need to support development in the local area.**
38. **Commitment – Both Governments recognise the importance of affordable housing. This deal commits to working with The Highland Council to develop a package of support to increase the availability of affordable housing for young people.**

Tourism

39. **Inverness Castle** is an iconic feature of the cityscape. Investing in turning this into a world class visitor attraction of national significance will deliver a significant boost to tourism in the area, furthering economic growth in an important sector for the region and attracting increased visitor numbers.
40. **Commitment** – Both Governments recognise the importance of tourism to the city and the regional economy. This deal commits to supporting The Highland Council deliver significant investment in Inverness Castle.

Leadership and Governance

41. Strong and effective leadership from the Inverness City and Highland region has been a feature of the development of the proposals. The Highland Council will work with both Governments and other public sector agencies to ensure delivery of this deal, with governance being provided by a strengthened Highland Community Planning Partnership. In addition, the Highland Economic Forum made up of representatives from across the private sector is expected to provide an advisory forum on the implementation of the deal.

Next Steps

42. Both Governments look forward to working with The Highland Council and its regional partners to implement the proposals in this document and agree a detailed implementation plan. The value for money case will need to be made before funding is available and commitments are subject to the approval of final business cases. Both Governments will work with the region to develop an evaluation framework.

Appendix 2 – City-Region Deal Local Governance Arrangements

