

Agenda Item	7
Report No	ECI/16/20

HIGHLAND COUNCIL

Committee: Economy and Infrastructure

Date: 2 September 2020

Report Title: Inverness and Highland City-Region Deal Update

Report By: Executive Chief Officer Infrastructure and Environment

1. Purpose/Executive Summary

- 1.1 The purpose of this report is to provide committee with an update on the Inverness and Highland City-Region Deal. We are in year four of the programme and the pace and scope of delivery continues to increase.
- 1.2 Highlights of progress include:
- Inverness Castle enablement works and development of design concepts
 - Northern Innovation Hub moves to Digital delivery
 - New affordable home developments commencing
 - Westlink progresses at pace
 - Completion of Newton Room Dingwall.
- 1.3 Projects have been affected to varying, but significant degrees, by the Covid-19 pandemic and project teams are working hard to assess the impact and address the issues. Work is also being carried out as to whether the projects should adapt their deliverables in light of the new normal/demands as a result of Covid-19.

2. Recommendations

- 2.1 Members are asked to note progress with the City-Region Deal during 2020 and that a review of the implications of Covid-19 is underway by projects within the programme.

3. Implications

- 3.1 Resource
There are no resource issues arising because of this report.
- 3.2 Legal

It should be noted that the City-Region Deal is a signed undertaking to deliver specified projects. These cannot be changed without the express consent of the UK and Scottish Governments. There are, however, no legal implications because of this report.

3.3 Community (Equality, Poverty and Rural)

There are no community impact implications arising from this report.

3.4 Climate Change / Carbon Clever

There are no climate change or Carbon Clever related issues arising from this report.

3.5 Risk

No additional risks arise due to the content or the publication of this report.

3.6 Gaelic

There are no Gaelic implications arising from this report

4. Introduction

4.1 The Highland Council is the lead body for the Inverness and Highland City-Region Deal which is being implemented by a partnership between the Council, Highlands and Islands Enterprise, the University of the Highlands & Islands (UHI), and Albyn Housing Society Ltd

4.2 Collectively, this £315.1m funding package (Scottish Government £135m, UK Government £53.1m, local partners £127m) is provided over a 10-year period, subject to detailed business cases, statutory processes and implementation plans. We are currently in year four.

5. Project Progress

5.1 The projects within the City-Region Deal are shown at **Appendix 1**, which provides a description and an update on the status of each project. Progress against the projects are reported to this Committee quarterly, regular reporting in a consistent format will facilitate transparency about where progress is good and where remedial action may be necessary. Highlights for the period can be found below:

5.2 West Link

Current phase is progressing at pace: the underpass is being installed in August 2020, and the bridge foundations work is underway in readiness for delivery of bridge sections due on-site October 2020.

5.3 Inverness Castle

The project remains on schedule with the transfer of the South Tower. Exciting design and concept drawings have been communicated widely. Development continues on the content for the facility.

5.4 Science Skills Academy (SSA)

The Dingwall Newton room will be completed this month providing a superb resource to the area. Costing and design work have started on a Newton Room site on the Inverness Campus.

5.6

Northern Innovation Hub

Northern Innovation Hub has reacted quickly to provide the majority of its programmes digitally online. The emphasis of support is on business recovery and resilience including targeted information support to the tourism sector.

5.7

Affordable Housing

The total number of units approved to date is 255 new homes. Approval was received this month for Blar Mor Fort William, Castle street Inverness and Stratton Inverness, a total of 38 units, which will start on site shortly.

6

Governance

6.1

The projects report to the quarterly City-Region Deal Programme Board, chaired by the Executive Chief Officer Infrastructure and Environment, and attended by the lead officers for each project, a representative from the Council's Finance Service, representatives from the business community, and both the Scottish and UK Governments. The Board reports to the Economy and Infrastructure Committee and undertakes the following roles:

- ensures delivery of business cases and the implementation plan;
- ensures effective co-ordination between partners;
- ensures the ongoing overall alignment of the individual projects within the programme;
- resolving strategic and operational issues between projects; and
- monitoring project status and ensure project delivery; and manage risks and financial commitments.

6.2

Government Reporting

6.2.1

As would be expected from a programme of the scale of the Inverness and Highland City-Region Deal, accountability to the Scottish and UK Governments, as the major funders, requires a regular reports and programme management activities.

6.2.2

The next major milestone for Government reporting is the Annual Report ahead of the Annual Conversation in late October with Scottish and UK governments. This report will also be brought to Committee when complete.

7.

Programme Level Risks

7.1

The Covid-19 pandemic - Projects have been affected to varying but significant degrees by the Covid-19 pandemic. There are three broad areas of impact: delay to the project due to unavailability of resources including staff; increased costs due to for example Health and Safety lowering productivity; and a requirement to re-evaluate the model for delivery of the benefits given the new normal and potential changes in need of the region. Project teams are working hard to evaluate these risks and design the mitigation. Each project will submit their mitigation plan to their project board, and programme board. Ongoing conversations are also taking place with Scottish and UK government representatives on a frequent basis to keep these bodies fully informed and understand what flexibilities might be available. The results of this work will be reported at the next Committee.

7.2

Digital - The most significant other risk in the programme remains the Digital project. This project is heavily aligned with the R100 project. An ongoing court case with the

unsuccessful bidder of this work has stalled the R100 project and has severely impacted the Digital element of the City Region Deal. The project team continue to work on designing how this fund might be repurposed to still deliver the desired benefits and this will be reported at the next committee.

8 Financial Position

8.1 The Programme provides a profile for spend across the UK and Scottish Government funding; this is tracked to ensure compliance with central government accounting practices, and that spend is monitored as a way of assessing progress against project plans. Spend against profile has been improving against the early years, however Covid has impacted on the majority of projects, and consequently there will now be further delays in achieving spend.

Year (s)	Profile
Spend to Date	£12,595,353
20/21	£8,660,256
21/22	£16,771,584
22/23	£21,098,968
23/24	£13,721,622
24/25	£5,171,291
25/26	£980,926
Total	£79,000,000

QTR.	Profile	Actual
Qtr 1	£1,149,814	£699,369
Qtr 2	£1,999,308	-
Qtr 3	£2,333,864	-
Qtr 4	£3,177,270	-

Notes: There will be no planned spend for Digital in 20/21

Designation: Executive Chief Officer Infrastructure and Economy

Date: 13 August 2020

Author: Felix McGunnigle, City-Region Deal Programme Manager

Project Updates

APPENDIX 1

SCIENCE SKILLS ACADEMY STEM

The project aims to redress the shortage of skills that are related to Science, Technology, Engineering, Mathematics and Digital (STEM) disciplines. The Science Skills Academy (SSA) is a long term, innovative and ambitious programme. It will help to raise attainment in these disciplines and increase the proportion of indigenous young people who are able to take advantage of the growing opportunities in life sciences, renewable energy and digital technologies.

RAG G	LAST RAG G	<p>Newton Modules: As a result of the COVID-19 lockdown, all Newton Room activity stopped on the 16th March 2020. Since lockdown, the SSA delivery team has used the time to start developing four new Newton Modules focusing on Aquaculture, Life Sciences (biofuels), Health Sciences and Space – they have been working with support from the wider SSA team, an education consultant from the Highland Council, Highland school teachers, and local industries.</p> <p>Newton Rooms: As a result of the current lockdown, contractors had paused work at the Dingwall Newton Room. Contractors went back on-site on 13th July 2020 and will complete the room by end of August. A trial of a Pop-Up Newton Room for the West Coast (Portree and Plockton ASGs) was planned in May, however this was postponed due to COVID-19. It has been possible to continue with some discussions for a long-term Inverness Newton Room (to be based on Inverness Campus), which is now progressing, and Inverness Campus appears to be a viable possibility as a host site.</p> <p>Response to COVID-19: As a result of halting Newton Room delivery, the SSA is still continually reviewing options to ensure that the project can deliver despite the current restriction. The main focus is to complete the development of new Newton Modules. In addition, shorter activities are also being developed that focus on outdoor learning. The delivery team will be on stand-by come August 2020, to start delivering as soon as schools are permitted to have visits (to deliver outdoor learning activities) or visit the Newton Room network.</p>		
Lead Organisation		Highlands and Islands Enterprise	Project Lead	Emma Robertson
Business Case		Full Case Approved		
Benefits Commenced		Yes		
Next key Milestones		Task	Comment	Date
		Dingwall Newton Room Opens		30/08/2020
		Develop SSA STEM Strategy	SSA STEM Strategy – Linked SSA goals to Scot Gov STEM Strategy	13/08//2020
		SSA Core & Delivery Team Employed	Permanent Project Coordinator role to be approved & recruited – recruitment freeze at HIE and THC as result of COVID-19	31/10/2020

INVERNESS CASTLE

The Scottish Government has confirmed funding of a new Justice centre in Inverness providing an opportunity to create a must-see attraction that innovatively celebrates the spirit of the Highlands: its creativity, culture, heritage and landscape. The attraction will attract new and repeat visitors to the area, will be embraced by the people of the Highlands and will inspire all to visit other parts of the Highlands

RAG	LAST RAG	<p>Despite the Covid-19 outbreak, the project remains on programme and on budget, with Design Development Stage (RIBA Stage 3) now complete, with the exception of the planned public engagement around the landscape planning aspects of the project. Current estimated costs are in line with budget allocations. Statutory applications planned for the past three months have gone ahead as scheduled. Approval for the budget required to progress with the erection of hoardings later this month, ahead of the enabling works, has been received. Meetings with statutory stakeholders and ongoing regular meetings are resuming after 13 July, following the plan that had been paused from mid-March onwards. Due to the slightly delayed transfer of the south tower from the Scottish Courts & Tribunals Service, the enabling contract is now programmed to be in place ready for commencement on 4 September 2020.</p> <p>As detailed in previous reports, the project team has focused on progressing the following:</p> <ul style="list-style-type: none"> • completion of planning application drawings • submission of the first planning application • first listed building consent • enabling works tender and appointment of contractor • further cost check <p>In addition, the landscape architects have been developing initial concept designs in line with the concept designs for phase 1 and the creative content around the 'Spirit of the Highlands in 100 stories'.</p>		
G	G			
Lead Organisation	Highlife Highland	Project Lead	Fiona Hampton	
Business Case	Part Business Case approved			
Benefits Commenced	No			
Next key milestones	Task	Comment	Date	
	Design Development		08/05/2020	
	Tender Action		30/04/2021	

AFFORDABLE HOUSING

To offer young people attractive, affordable housing in the Highlands to enable them to stay in the region, retaining a young, vibrant workforce for the Highlands. The vision for the project is to deliver high quality housing for young people in the Highlands.

RAG	LAST RAG	<p>The total number of units approved to date is 255 new homes, with new Mid-Market Rent (MMR) opportunities within Dornoch, Fort William, and Ullapool. Further projects which we anticipate approval are Blar Mor Fort William, Castle Street Inverness and Stratton Inverness, a total of 38 units which should start on site shortly. The restrictions arising from the COVID-19 outbreak have limited progress on a number of projects.</p> <p>The most significant risk to the project is identification of deliverable schemes given the shortage of economically deliverable sites in the Inverness area.</p>		
G	G			
Lead Organisation	Highland Council	Project Lead	Allan Maguire	
Business Case	Full Case Approved			
Benefits Commenced	Yes			
Next key Milestones	Task	Comment	Date	
	Dalnain Bridge	Tender Received	30/09/2020	
	Aviemore Burnside	On Site	31/10/2020	
	Academy Street Inverness	On Site	30/11/2020	

INNOVATIVE ASSISTED LIVING (FIT HOME)

The project will create cost-effective design-led homes. It will include technology including innovative software that may prevent hospital admissions, predict health events and monitor the physiology of tenants. We will build robust innovative response systems to react to data produced from this technology.

RAG	LAST RAG	Planning issues in relation to the Nairn site were nearing resolution but have been stopped through planning refusal which we are now appealing. We have, however, identified and are developing 4 sites. Construction is expected to begin during 2020. These sites have additional benefits for the communities involved.		
A	A			
Lead Organisation	Albyn Housing Society limited.	Project Lead	Lucy Fraser	
Business Case	Full Case Approved			
Benefits Commenced	Yes			
Next key Milestones	Task	Comment	Date	
	Nairn planning permission	Planning decision being appealed	TBC	
	Tongue	Being developed as co-location project with NHS Highland with assistance of Wildland.	31/10/2020	

LONGMAN JUNCTION and A9/A96 INSHES TO SMITHTON LINK ROAD

As part of the Scottish Government's commitment within the Inverness and Highland City-Region Deal, Transport Scotland is taking forward plans for a single carriageway road connecting Inshes and Smithton and grade separation of the A9/A82 Longman Roundabout and a single carriageway road connecting Inshes and Smithton and grade separation of the A9/A82 Longman Roundabout. This new grade separated junction will unlock significant areas of land which, once remediated (see below), will provide much needed capacity for industrial office and retail developments. The Inverness and Highland City-Region Deal will support the development of the A9/A96 Inshes to Smithton Link Road (East Link) which will encourage more active use of the road network hierarchy.

No RAG	No RAG	Work is needed to build on improved communications and joint working to identify SMART objectives for the transport [projects and ensure alignment with City-Region Deal programme. Covid may delay public consultation and the results of the consultation will then affect the development plan.		
Lead Organisation		Transport Scotland	Project Lead	Amy Phillips (New in Post)
Business Case		N/A		
Benefits Commenced		NO		
Next key Milestones		Task	Comment	Date
		A9/A96 Consultation conclusion	A9/A96 A formal consultation period ends – response will dictate following timetable	25/10/19
		Longman ground investigations	Longman interchange ground investigation work is programmed to start in early October.	15/12/19
		Longman Draft orders	Longman interchange draft orders published	2020 (tbc)
		Scheme Approval	Approval and following timetable	tbc

WEST LINK

The West Link Project will allow the peripheral growth of Inverness and reduce traffic congestion in Inverness City centre. It will also reduce existing canal bridge delays and waiting times. The associated developments enabled by the West Link will expand the active travel network removing bottlenecks and barriers to cycling and walking and will release land for development identified in the local plan

RAG	LAST RAG	<p>COVID lockdown had site closed for 3 months and work is again progressing as expected. Off site bridge construction continued during this period and now the bridge foundation work is back underway in readiness for the bridge being delivered to site in October 2020. Once on-site the bridge sections will be assembled alongside the canal in its road closed position.</p> <p>Inshes Junction</p> <p>Following the publication of the National Transport Strategy in February 2020, advocates a new hierarchy of travel – the consultation associated with options has been delayed by the Covid Pandemic. It is essential to complete the consultation to enable the preferred solution to be determined by the Council – The programme to have submitted construction consents in 2020 now looks unlikely. The scheme will still be provided in line with the Council's capital provision for a start of construction in 2023.</p>		
G	G			
Lead Organisation	Highland Council	Project Lead	Bryan Stout	
Business Case	Full Case Approved			
Benefits Commenced	YES			
Finance	N/A			
Next Key Milestones	Task	Comment		Date
	Opening of realigned A82, west link to roundabout	Completion of underpass installation and building of road to align to roundabout		30/11/2020
	Bridge Construction	Bridge delivered to site		31/10/2020

UHI LIFE SCIENCES INNOVATION CENTRE

The investment will establish, a custom-built facility, with the academic, clinical and commercialisation capacity to deliver a pipeline of commercialisable projects in life sciences, and to take these projects to the point of exploitation and uptake, either in new products, new services, start-ups and licensing deals, or in clinical delivery quality improvements and new models of delivery. The facility will be co-located with a new NHS elective care and primary care centre on the new multi-disciplinary Inverness Campus.

RAG A	LAST RAG R	The university has undertaken the development of an altered scheme of the new facility with HIE and a new design team. The building development has incurred some delays due to unaffordability of the previous scheme and current impacts of COVID-19. The aim is still to have the design complete in August 2020 and the construction is scheduled to be completed in the spring of 2022		
Lead Organisation	UHI	Project Lead	Ian Megson	
Business Case	Full Case Approved			
Benefits Commenced	Yes			
Next key Milestones	Task	Comment		Date
	First phase legal agreements complete	New MoU with HIE to be signed by HIE. Development Agreement to be completed prior to the appointment of the building contractor.		31/8/2020
	Final outcome of design stage and appointment of building	Fully costed-out technical design delivered (RIBA 4). Appointment of building contractor complete.		06/11/2020
	Site work commences	On site work starts, including clearing land, layout and on-site logistics.		15/11/2020

LAND RECLAMATION

To ensure that there is sufficient land supply to enable Inverness and the Highlands to expand its economic activity and productivity by bringing into use large brownfield contaminated sites. To carry out remediation and site servicing works to release a strategic site to the market to meet the needs of both small and medium size businesses and the needs of larger inward investment companies.

RAG	Last RAG	<p>This project is reliant on the Longman Interchange project and close liaison will be required. Although, in the terms of the overall CRD programme, the delays are manageable the general lack of progress has moved this project to amber.</p> <p>The Highland Council is working closely with Transport Scotland to co-ordinate activities and share information in relation to the Longman interchange proposals. Further discussions are on-going with SEPA to clarify landfill “safe” with regards to human health for the surrender</p> <p>Further discussions are required with Transport Scotland to finalise their land requirements for new interchange. Until this is finalised we cannot prepare the detailed business case for the remediation works as size of developable site is unknown.</p> <p>The Highland Council is also considering waste transfer station on part of the adjacent landfill site and is progressing with these proposals.</p>		
A	A			
Lead Organisation	Highland Council	Project Lead	Allan Maguire	
Business Case	Part Business Case approved			
Benefits Commenced	No			
Next Key Milestones	Task	Comment		Date
	End of initial Investigations	A further stage will be required		TBC
	SEPA In principle approval			31/05/19
	Further Site investigations	For full business case		30/03/20

NORTHERN INNOVATION HUB

The Northern Innovation Hub will be delivered by Highlands & Islands Enterprise (HIE) in partnership with The Highland Council. It is designed to catalyse and transform levels of business innovation across the region, through a series of carefully targeted initiatives which combine to form a powerful driver of change

RAG	LAST RAG	<p>Coding Academy's second cohort completed in May with 4 students graduating. Tutoring and student support have moved to a virtual learning environment. A third cohort is currently recruiting. XpoNorth annual conference and festival took place in June as a 2-day digital event with over 30 individual sessions covering a wide range of topic. 106 businesses have benefited from the XpoNorth Digital programme to date.</p> <p>The 5th Pathfinder Accelerator cohort, Lochaber / Skye area, began in May with 6 businesses participating. 3 "Digital Routes to Market" workshops and 121 sessions were delivered in April using a digital platform, to help businesses develop understanding and skills to support them to move their businesses online.</p> <p>A new programme of Tune into Tourism podcasts was launched in May focussing on resilience and realignment for the sector. The first episode featured Telegraph columnist and tourism specialist Simon Calder. The next series will run in the late summer/autumn.</p> <p>We responded swiftly to the crisis, and, where possible, all NIH programmes have moved to online delivery, the transition to an almost fully digital programme has increased accessibility and ability to further expand geographic reach</p>		
G	G			
Lead Organisation	Highland Council	Project Lead	Claire Munro	
Business Case	Full Case Approved			
Benefits Commenced	No			
Next Key Milestones	Task	Comment	Date	
	Adventure Tourism contract awarded	Recruitment in summer. Campaign design underway	31/8/2020	
	Contract awarded for Food and Drink Technology Centre	Further development work required	30/12/2020	
	Next Generation Programme & second phase of Network	Dependant on the completion of technology centre	30/03/2022	

JOINT DIGITAL ACTION PLAN

To deliver a digitally capable region and stimulate economic growth.

RAG	LAST RAG	The contract was due to be let to BT in December 2019 which would have allowed the scope of the CRD project to be finalised and an expenditure profile established. Unfortunately, an unsuccessful bidder has raised a legal challenge to the contract award and this has delayed contract signature. CRD partners have investigated other potential uses of the capital funding but public interventions on digital connectivity have significant state aid and procurement regulations to follow which precludes any quick and effective use of the funds elsewhere. The R100 North contract therefore remains the preferred vehicle through which to use the digital connectivity funding		
R	R			
Lead Organisation	Highlands and Islands Enterprise	Project Lead	Stuart Robertson	
Business Case	No			
Benefits Commenced	No			
Next Key Milestones	Task	Comment		Date
	Determine the CRD interventions Areas at premises levels	Extent of R100 coverage expected to be known during Q4 2020/2021		31/03/2020
	Reach mutually acceptable plan for use of funding	Working with UK and Scottish City Deal Teams and R100 Project Team to agree a mutually acceptable way forward.		30/09/2020

AIR ACCESS

Air connectivity of the region should recognise direct destination links with the region but is also a capacity, frequency and onward connections at destination airports; whilst reducing entry barriers for new routes.

RAG	Last Rag	This project has largely been overtaking by events. A watching brief and broad policy objective of sustaining air access and routes remains		
G	G			
Lead Organisation	Hitrans	Project Lead	Ranald Robertson	
Business Case	N/A			
Benefits Commenced	No			
Finance	N/A			
Next key milestone	Task	Comment	Date	
	Skye Routes	The development of best value options for the re-introduction of air services to Ashaig Aerodrome on the Isle of Skye	Ongoing	
	Highlands and Islands Exemption	Developing the case for the Highlands and Islands exemption to be built into and expanded on in any new Air	Ongoing	
	Departure Tax	Arrangements developed through the Scotland Act powers.	Ongoing	

EMPLOYABILITY AND SKILLS

The Inverness and Highland Region City Region Deal committed the Council together with the UK and Scottish Governments, to bring forward pilot initiatives and new approaches to the delivery of skills and training.

RAG	LAST RAG	Work has progressed at national and local levels, with Council represented/active on the national Alignment Group with Scot Gov. and meeting regularly with local Job Centres and SDS colleagues to undertake complementary local actions. Year 1 was concluded and new arrangements put in place. During year 1, the need for new arrangements became all the more urgent given the closure/withdrawal of local providers and while partnership work towards the establishment of the required inter-agency project commenced including Scottish Government Employability Directorate study visit to Highland, work stalled with the onset of the COVID-19 crisis.		
A	A			
Lead Organisation	Highland Council	Project Lead	Andy McCann	
Business Case	N/A			
Benefits Commenced	NO			
Next Key Milestones	Task	Comment	Date	
	ESF Funding secured	Secure ESF extension funding for Council and Third Sector employability activity	TBC	
	Employability Framework providers appointed	Procurement exercise completed for employability service providers	TBC	
	2019/20 Offer Letter and Activity Template	Highland Employability Service (new Local Employability Model collaboration) requires year 1 grant offer to be received and resultant activity plan to be completed.	TBC	