

# Inverness & Highland Inbhir Nis & A' Ghàidhealtachd



## City-Region Deal Cùmhnant Baile-Roinne





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.

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Lord Dunlop

Parliamentary Under Secretary of State for Scotland

UK Government

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Keith Brown MSP

Cabinet Secretary for Economy, Jobs and Fair Work

Scottish Government

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Cllr Margaret Davidson

Leader of The Highland Council



# Executive Summary

The Inverness and Highland City-Region Deal (“the Deal”) is an important delivery mechanism for the Region’s economic vision. The UK Government, Scottish Government and local partners are working together to address the challenges currently facing the Region and to capitalise on its substantial opportunities. Over the next 10 years, the United Kingdom Government will invest up to £53.1m and the Scottish Government up to £135m within the City-Region Deal. The Highland Council and its regional partners will also commit up to £127m, creating a total funding package of up to £315m. Regional partners estimate the City-Region Deal will leverage £800m in private sector investment over the life of the deal.

This document is the joint Agreement between the UK Government and the Scottish Government and the Highland Council representing the Inverness and Highland City-Region partners. It follows the signing of a Heads of Terms Agreement on 22<sup>nd</sup> March, 2016.

The Highlands has seen significant population growth over the last 30 years. It has benefited from the creation of the University of the Highlands and Islands together with major investments in digital infrastructure and transport. However it also faces challenges, particularly the outmigration of young people due to a lack of Higher Education and employment opportunities.

Through the City-Region Deal the UK Government, Scottish Government and The Highland Council are working together to achieve sustainable and inclusive economic growth. The investment within the City-Region Deal will create new well-paid jobs in the private sector, encourage young people to remain within the region and attract young people to move to the region. The measures in the Deal will boost the region’s growing sectors such as tourism and life sciences and build 1,600 affordable homes. The Deal will also promote innovation, internationalisation and new partnerships between the Region’s many small businesses. Finally, the Deal will improve connectivity through investments in transport and helping to realise The Highland Council’s ambition to be the best digitally connected rural region in Europe.

# Inverness and Highland City-Region Deal

## Introduction

1. This document is the Agreement between the UK Government, the Scottish Government and the Highland Council. It documents The Inverness and Highland City-Region Deal and builds on the Heads of Terms Agreement signed on 22<sup>nd</sup> March, 2016 by the Parliamentary Under Secretary of State for Scotland, the then Cabinet Secretary for Infrastructure Investment and Cities and the Leader of The Highland Council.
2. Inverness and the Highland Region offer an excellent quality of life providing a clean, healthy and safe environment in which to live and work. Inverness is the region's main centre and is one of the fastest-growing economic areas in the UK (RBS Study).
3. The region has benefited from the creation and growth of the University of the Highlands and Islands as well as major investment in digital infrastructure and transport. It has also seen the development and growth of a range of sectors, including life sciences, creative industries, finance & business services, energy (including renewables), tourism, and food & drink. This has provided the Highlands with a strong launch pad for future growth.
4. Inverness and its surrounding hinterland have experienced substantial growth in population previous and economic activity over the past 30 years. Over the period 2005-2015 the population in Highland increased by 7.4 per cent, from 218,100 to 234,100. However, the region faces significant challenges: median weekly earnings of full-time employees, who reside in Highland, in April 2016, were 1.4 per cent lower than those in Scotland as a whole. Additionally, lack of Higher Education opportunities in the past and a limited range of employment opportunities have contributed to significant outmigration of young people. In 2015, the population aged 15-29 in Highland region accounted for 16 per cent of the total population; significantly lower than that of Scotland as a whole at 19 per cent. The employment rate of 16-24 year olds in Highland between July 2015 and June 2016 was 69.9% compared with 53.7% in the UK.
5. Attracting more young people to live, work and study in the region is vital for the inclusive and sustainable economic growth of Inverness and the Highlands. For the City-Region to thrive it must reduce the existing trend of young people leaving the area for education and jobs, and must be able to retain and attract talent by creating new high value employment opportunities.
6. The University of the Highlands and Islands (UHI), is providing an increasing range of Further and Higher Education courses, which will have an important role to play in reducing youth out-migration. Improved connectivity in both digital and transport and an increased supply of affordable housing will also be critical in retaining young people within the region.
7. The Inverness and Highland City-Region Deal aims to make the region a place where individuals, communities and businesses are able to realise their full potential and fulfil ambitions. The UK Government, Scottish Government and local partners are working together to address the challenges currently facing the region and to capitalise on the substantial opportunities.

8. Partners have committed to a significant funding package which invests up to £315m into the regional economy over the next ten years through this City-Region deal. As part of this funding package, the Scottish Government will commit up to £135m. The UK Government will commit up to £53.1m. The Highland Council along with regional partners will commit up to £127m. This will provide focused interventions which will help to address the current challenges and support sustainable economic development. Regional partners anticipate the City region Deal will leverage £800 million in private sector investment over the life of the deal.
9. Local partners have stated that the Inverness and Highland City-Region Deal will be significant in helping to rebalance the population and growing the proportion of well-paid jobs in the region. Local partners estimate that the City-Region Deal will:
  - help to rebalance the population with the aim of retaining and/or attracting an additional 1,500 young people in the 18-29 age group over the initial 10 year deal period;
  - create an additional 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. improve productivity and real wages, which are estimated to increase by an additional 1.3 per cent and bring an additional £100m per annum to the regional economy;
  - create 6,000 new houses over 20 years of which 1,600 will be affordable homes;
  - deliver private sector leverage from house building and, through opening up land for commercial development, will see an additional return over a 20 year period of around £800m being invested in the economy of the city and region.
10. Local partners have stated that the social impacts that will be achieved include:
  - At least 1,600 new affordable homes through the availability of suitable sites and the recyclable loan fund that will be provided through the Deal; which will include assisted living properties built for vulnerable elderly people.
  - An increasingly dynamic environment that will appeal to young people through the Deal's innovation initiatives and complementary and separate provision in the Inverness area of sports facilities and student accommodation, that will help build new social networks.
  - Health benefits from the life sciences initiatives which are a strong feature of the Deal package: through digital health innovations, people will be able to stay in their own homes and help avoid hospital admissions.

# Inverness and Highland City-Region Deal

## Themes

11. The main objectives of the Inverness and Highland City Region Deal are: to create new well-paid jobs in the private sector that will help retain and attract young people to the region; promote innovation, internationalisation and new partnerships between the region's relatively large number of small businesses; and facilitate the development of skills in the resident workforce that will match the future requirements of business.
12. The Deal will improve road infrastructure, open up land for new housing and commercial development and invest in strategic property development. This will provide opportunities for Inverness and the region as a whole to increase capacity to support employment, housing and property growth.
13. Addressing fuel poverty and reducing carbon emissions through a range of measures, including new methods of building construction, is a national commitment. For the Highland Region this need has particular significance; the harsh climate and low wages combine to produce high levels of fuel poverty. It is estimated that, on average over the period 2012-2014, 55% of households in the Highlands (around 58,000 households) were unable to afford to keep their home warm and were living in fuel poverty, compared to 35% of all households in Scotland. The affordable housing which will be developed through the Deal will help address the energy efficiency of the housing stock through innovative methods of construction and reduce emissions. There will also be significant employment opportunities created.

## The Deal

### Digital

14. The Region's geographic isolation makes improved digital communications that link the City and Region to information sources, networks, markets and opportunities in the UK and worldwide essential. Digital connectivity is particularly instrumental in providing a platform for business growth outside Inverness. Effective mobile connectivity across the region will be critical if the region is to be seen as a region of digital opportunity and the best digitally connected rural region in Europe. The region must improve digital access in urban and rural areas and maximise the benefits from improved provision. This will include advising businesses on new ways of working to expand international markets and access improved services (with reduced operating costs).
15. The Inverness and Highland City-Region Deal will support the establishment of a Joint Digital Highland Action Plan with both Governments and local partners to ensure the strategic alignment of objectives and accelerate the provision of effective broadband and mobile coverage across the Highlands. The impact of this on Inverness and the wider Highland region will be a significant factor in securing long term productivity aims and economic growth in the region.
16. Both Governments are fully committed to supporting the region's digital ambitions subject to business case approval. Building on existing initiatives, the UK Government will provide up to £20m to extend digital broadband and mobile coverage across Highland to areas not included in

existing rollout plans. This will be matched by £10m from The Highland Council in keeping with Scottish Government's target to achieve 100 per cent broadband coverage by 2021.

## Innovation

17. The Inverness and Highland City-Region Deal will encourage and support businesses to increase productivity, develop new products and services, and increase exports. The city region has strengths in life sciences, 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 Inverness and Highland City-Region Deal projects that will embody and promote innovation (summarised below) are a Northern Innovation Hub, The UHI School of Health and Life Science and an Assisted Living initiative.

## Northern Innovation Hub

18. The Northern Innovation Hub is designed to build on the sector strengths of the city region. The hub will provide tailored support for high growth small and medium sized businesses as well as encouraging new starts. It aims to accelerate business growth through measures to improve business competitiveness at a UK and international level.
19. This initiative will include:
  - Twelve graduate technology based placements per year with small businesses, plus mini technology summer student placements;
  - A coding academy to train and up skill a new generation of programmers;
  - A digital tourism development programme and an adventure tourism growth accelerator;
  - A creative industries knowledge investment programme which will encourage adoption of technology as a route to market as well as generating investment;
  - Provision of specialised advice to creative businesses for adoption of new business models;
  - A “young creative” programme incorporating new business development built on digital excellence;
  - Pathfinder - a life sciences business accelerator, including founding business teams;
  - A life sciences “soft landing” physical space, including maker’s space, a teaching zone, an open access lab and work station; with a region-wide test-bed for co-designed and end-user innovations in health and wellbeing;
  - An annual food and drink innovation competition, with successful applicants able to develop and commercialise their idea through a Food & Drink Technology Centre, established through the project to attract ambitious food and drink innovators to the region to develop and commercialise products and services; and
  - A global food and drink exchange programme.
20. Subject to approval of a robust business case, the UK Government will commit up to £11m to support the creation of the Northern Innovation Hub. This model will be developed in partnership with existing bodies including the Scottish Edge and Business Gateway. Highlands and Islands Enterprise have brought £3m of EU funding into the programme to give a total operating budget of £14m between 2017 and 2023.

## UHI School of Health and Life Science

21. This is a University of the Highlands and Islands School of Health & Life Science initiative, which will address issues with the innovation and commercialisation of health and care products and services by:
  - Bringing together health and life science R&D, invention, making, testing and product commercialisation activities in a business unit that will manage interactions between the health sector, the academic sector and commercial partners;
  - Expanding point-of-care diagnostics, technology-enabled care, clinical decision support using digital means, and ways of improving chronic disease management;
  - A new dedicated Centre of Excellence on the Inverness Campus, co-located with NHS Highland covering acute and primary care;
  - Growth in commercialisable research, product development and knowledge exchange; and
  - Funded collaborative effort targeting commercial outcomes from health, applied life science and clinical service.
22. Regional partners estimate that by March 2022, the project will deliver 20 new digital health and applied life science products and services; 10 new start companies from spin-outs or inward investment; 15 supported companies for product innovation; and 25 exportable health care improvements supporting remote and rural communities.
23. Commercialisation of new products and services and business growth are expected to lead to at least 70 additional high-value full time equivalent jobs in the region. In addition, co-investment in business development from venture capital providers and other private and public sector sources could provide around £14m in addition to the £9m investment through the City-Region Deal. The programme will be integrated into the overall UHI School of Health, with complementary funding for teaching, research, sector engagement and commercialisation totalling more than £20m.

## Assisted Living

24. The Inverness and Highland City-Region Deal will support the development of clusters of innovative assisted living schemes at key locations in 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 Telehealth capability and supporting future developments in Telehealth.
25. Individual residents will be provided with bespoke, responsive care and health packages that monitor their conditions as required. This will enable elderly people to continue to live in their communities and help avoid the need for hospitalisation or residential care.
26. 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.
27. Subject to approval of a robust business case, the Scottish Government will provide up to £3 million towards an initial five clusters of eight assisted living homes that would be built in different parts of the Highlands. This funding will leverage further investment from partners including Housing Association investment of £2,224,000.

## Workforce Development

28. To enable the Highland economy to grow and prosper, it is important that individuals in the Highlands, have the support they require to gain the workplace skills and qualifications to progress in their chosen careers.
29. Investment in human capital - the education, skills and health of the people of Scotland is a central focus of Scotland's Economic Strategy. Working together, partners will explore innovative approaches to delivering skills and employability programmes across the Highlands.

## Science Skills Academy

30. The Highlands and Islands Science Skills Academy has been established to transform science, technology, engineering, mathematics and digital creativity (STEMD) education across the entire region. To maximise the impact of this Academy, the Scottish Government and the Science Skills Academy will ensure that it is linked with other local and national STEMD initiatives .
31. The business case has been approved and the Scottish Government will provide up to £3m to provide a network of STEMD learning centres that are modelled on the Norwegian Newton Room concept of providing state-of-the-art teaching spaces for science subjects. The Hubs will raise the engagement of young people, closely link employers with their potential workforce and will foster long term relationships with young people with an interest and aptitude for these disciplines. This initiative will be central to the objectives of the Inverness and Highland City-Region Deal, ensuring that the region has a pipeline of young people with the skills and knowledge to take advantage of the added value jobs and opportunities the Inverness and Highland City-Region Deal will help deliver.

## Tourism

32. The Highlands is one of the main tourism destinations in Scotland, with an established international reputation. Tourism, however, is often characterised by low paid jobs and seasonal work. To capitalise on the region's assets and reputation, there is a need to develop high quality tourist attractions, which will increase the number of visitors to the region and encourage tourists to stay longer in the Highlands and increase spend. This will increase pay levels in the sector. Support through the Inverness and Highland City-Region Deal for the development of Inverness Castle as a world class visitor attraction will deliver a significant boost to tourism across the region, with high quality and exhibitions encouraging visitors to travel around the Highlands.
33. Subject to approval of a robust business case, the Scottish Government will invest up to £15m to transform Inverness Castle into a world class visitor attraction of national significance. Local partners will also contribute funding of up to £15m. The UK Government has already provided £2.6m for environmental and access enhancements to Inverness Castle with local partners contributing £0.3m to this project. The UK Government has also provided £0.5m to deliver a City Centre public access Wi-Fi project to enhance the visitor experience of the city, with local partners and European Regional Development Funding contributing a further £0.75m.

## Housing

34. Both Governments recognise the importance of affordable housing with the Scottish Government having a commitment to deliver 50,000 new affordable homes in Scotland over the period of the current government. This Inverness and Highland City-Region commits the Scottish Government to working strategically with the Highland Council to increase the range

of affordable housing options in the Region, contributing towards helping young people stay in the area, as per the theme of the City Deal.

35. The initial Housing commitment is £5m towards a programme of mid-market rent property to create more new homes which will be initially targeted at young people. This will allow them to access affordable rented housing through mid market rent to remain within the Region as per the theme of the City Deal.
36. In addition to this commitment, The Highland Council will work in partnership with the Scottish Government to create and implement a recyclable infrastructure loan fund. This fund will invest in the enabling infrastructure required to open up key strategic housing sites in advance of investment for housing.

## Land Remediation

37. Both Governments are committed to ensuring an adequate supply of economic development land and the Inverness and Highland City-Region Deal includes a commitment to support land remediation to the east of the A9/A82 Longman junction.
38. The current Industrial Estate in the Longman area of Inverness is at capacity with no space to expand. Once the Longman junction improvements are achieved and land remediation work has been undertaken, land will become available for industrial and commercial development. Subject to approval of a robust business case, the UK Government will provide up to £10m to support land remediation to the east of the A9/A82 Longman junction.

## Transport

39. Central to the Inverness and Highland City-Region Deal is improving access to and within communities. These improvements will increase accessibility to jobs, education and healthcare including the Inverness Campus and developments along the A96 corridor. When completed, these schemes will offer significant benefits to motorists in the Inverness area, including improved road safety and reduced journey times for those travelling on the key strategic routes of the A82, A9 and A96 into Inverness or to locations beyond.
40. Transport investment is needed to promote growth and improve connectivity. The Inverness and Highland City-Region Deal will support the development of the A9/A96 Inshes to Smithton Link Road which will improve the operation of the network for longer distance and local journeys, providing relief to the A96 east of Inverness and the Raigmore junction.

The West Link forms the final section of the Southern Distributor Road linking the A9 and the A82 providing an alternative route to the south of Inverness, avoiding the city centre. The road is being constructed by The Highland Council and will open up land for housing, commercial and leisure development to the west of the city.

The Highland Council will invest £66.5m in the west link and regional sports developments. The Inverness and Highland City-Region Deal also includes provision for improvements to Longman Roundabout, which will provide a new grade separated junction to replace the existing roundabout at the junction between the A9 and A82. This new grade separated junction will increase capacity, reduce congestion and improve journey times for strategic and local traffic and provide safer crossing opportunities for active travel trips. It will also help to unlock areas of land which, once remediated, will provide much needed capacity for industrial office and retail developments.

41. The Scottish Government will invest up to £109m in the A9/A96 Inshes to Smithton Link Road and the grade separation at Longman. These projects will be managed and delivered by Transport Scotland alongside their wider major investments in improving transport within and connecting to the region, such as the A9 and A96. The Highland Council and local partners will contribute £4m towards supporting infrastructure for the A9/A96 Inshes to Smithton Link Road including a footbridge, cycle lanes and park and ride facilities.
42. As part of this Inverness and Highland City-Region Deal, and to align with the strategic road investment outlined above, The Highland Council will provide £6m to of enhance to the local road network at Inshes to provide the infrastructure needed to support development in the local area. These enhancements will be developed and delivered in tandem with the A9 / A96 Inshes to Smithton Link Road and Longman improvements to maximise overall benefits and minimise project risks.

## Inverness Air Access

43. 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 interlinking connections. Maintaining and improving the level of air access to London is the top priority for local partners over the longer term. In addition a daily rotation to the international hub Amsterdam Schiphol Airport is also a priority.
44. Both Governments recognise the importance of effective air access to the Highland economy and will work with The Highland Council and local partners to provide support in line with the wishes of the airport operator.
45. Improved air access will ensure business links can be established with towns and cities nationally and internationally with the confidence that the routes will be maintained; facilitation of tourist visits from an increasing range of countries and regions; and widening access to national and international destinations for holiday and business journeys.

## Developer Contribution Framework

46. As part of this Inverness and Highland City-Region Deal, The Highland Council has committed 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. Appropriate developer contributions would offset a small proportion of the overall project costs to the Scottish Government, in line with Scottish Planning Policy.

# Governance and Accountability

47. The Highland Council shall act as the Accountable body for the Inverness and Highland City-Region Deal. Ensuring strong and effective management arrangements for the Inverness and Highland Region Deal provides assurance to both governments that there is openness and transparency in governance, decision making and project delivery. A diagram of governance arrangements is attached as Appendix 1.
48. Central to the governance arrangements, a Programme Board has been established through which the lead officer/organisation for each specific project will report. The Programme Board comprises the lead officers for each project, a representative from the Finance Service and a representative from the business community and representatives from the Scottish and UK Governments. The Programme Board is chaired by The Highland Council's Director of Development and Infrastructure.
49. The Programme Board, which reports to the Council's Planning, Development & Infrastructure Committee, undertakes the following roles:
  - ensuring delivery of business cases and the implementation plan;
  - ensuring effective co-ordination between partners;
  - ensuring the on-going 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;
  - monitoring the status of projects and ensuring project delivery;
  - providing financial and progress reports to Government as required; and
  - managing risks and financial commitments.
50. The Council's Planning, Development & Infrastructure Committee will undertake the following roles:
  - ensuring compliance with the Inverness and Highland City-Region Deal;
  - approving business cases for Council led projects and noting business cases for partner led projects;
  - approving final project funding allocations;
  - scrutinising and monitoring progress as well as programme spend;
  - approving Council led projects; and
  - approving match funding contributions for Council led projects.
51. A City-Region Member Scrutiny Panel has also been established comprising the Leaders of the Council's political groups or their nominees to review and monitor the business cases and associated detailed documentation prior to reports being submitted to the Planning, Development & Infrastructure Committee.
52. The Council's Order and Scrutiny Committee is responsible for the scrutiny of the approach to governance and is an important element of the City-Region Deal governance framework. Of specific relevance will be the following functions taken from the Council's scheme of delegation:
  - to identify any special investigations required in relation to matters of particular concern relating to internal controls and value for money;

- to prepare and undertake a scrutiny work plan, for the Council’s approval in relation to monitoring the performance of the Council, and third party organisations, against service delivery and to make recommendations to the council on proposed action.
53. In addition, the Highland Economic Forum, made up of representatives from across the region’s public agencies and private sector, will provide an advisory forum on the implementation of the Inverness and Highland City-Region Deal.
  54. A Programme Manager will be appointed to undertake the following roles:
    - First point of contact for government;
    - Ensuring effective co-ordination and liaison with project leads;
    - Monitoring and reporting progress to Programme Board;
    - Preparation of reports.
  55. Robust financial governance will be provided through project boards for each individual Inverness and Highland City-Region Deal project.
  56. Those projects being led by Highlands and Islands Enterprise, the University of the Highlands and Islands and Transport Scotland will be subject to their own internal governance arrangements. However the projects report to the programme board and are part of the overarching City-Region Deal governance.
  57. As the Inverness and Highland City-Region Deal was developed in conjunction with strategic partners, the Highland Community Planning Partnership also has 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. Where there might be any unsolved issues over risks or performance of individual projects, this could be escalated to the Highland Community Planning Partnership.
  58. In addition to the Programme board the Inverness Castle Delivery group with responsibility for the castle project is jointly chaired by the Cabinet Secretary for the Rural Economy and Connectivity and the provost of Inverness.
  59. A joint UK Government and Scottish Government Scottish City-Region Deal Delivery Group will have responsibility for oversight of the Inverness and Highland City-Region Deal. The group will set the strategic direction for future negotiations and where appropriate escalate advice to Ministers in both Governments if major issues arise.
  60. The Group will monitor the Inverness and Highland City-Region Deal by assessing delivery against agreed implementation plans, supporting the development and final approval of project business cases as well as identifying and agreeing intervention actions should the Inverness City Region require additional support from one or both Governments.
  61. Both Governments, through the Scottish City Deal Delivery Group, will agree (as far as possible) common negotiation positions and common Government positions when engaging with Inverness City region on its deal.
  62. The Scottish City-Region Deal Delivery Group will receive reports from the City Deal Programme Board on a quarterly basis or as and when it requests. The joint Government Delivery Group will receive regular financial reports from the Programme Board to an agreed process and timescale.
  63. A detailed implementation plan will be developed and maintained by local partners, and agreed with UK and Scottish Governments. This will include full business cases for each project, along with key milestones, deliverables and evaluation measures.

# Appendix 1

