

Local Government and Communities Committee

City Region Deals

Submission from Highlands and Islands Enterprise

1. What is your understanding of the purpose of the City Region Deals?

City Region Deals offer the potential for new collaborative regional partnerships, focused on long-term strategic approaches to improving regional economies. They can deliver positive outcomes in line with Scottish Government policy: they encourage Local Authorities to operate strategically at the regional level and they can support a long-term focus on the priorities required to deliver Scotland's Economic Strategy. Each deal is bespoke to the city region and will include a package of measures designed to work as a coherent whole.

For the Inverness City Region Deal the commitments in the Heads of Terms fall under a range of categories; transport, innovation, digital connectivity, housing, skills, infrastructure and tourism.

The vision behind the Inverness and Highland City-Region Deal is to position Inverness and the Highlands as a region of digital opportunity. This vision was turned into reality with the signing on Tuesday 22 March of the heads of terms agreement between the UK and Scottish Governments and the Highland Council. This sets out the broad areas where Government will commit investment of up to £188m which together with £127m of further investment by the Highland Council and public partners will deliver a step change in digital connectivity, digital healthcare, skills, innovation and infrastructure.

These broad areas supported by the Inverness City Region Deal are:

- Enabling the economy
 - With a joint Digital Highland Action Plan to accelerate effective broadband provision and mobile coverage throughout the region;
 - Improve the connectivity of the City through the construction of East-link and Longman Interchange complimenting the West-link funded by the Highland Council. This will open up land for further commercial development and housing;
 - Provide for 6,000 new homes of which 1,800 will be affordable; and
 - Improve recognition of the Government of the importance of regional air links and a commitment to explore a mechanism which promotes improved access.

- A Growing Economy
 - Develop the University of the Highlands and Islands School of Healthcare and Life Sciences to support the commercialisation of new medical products and technologies;
 - Deliver an innovative approach to assisted living with applicability across the UK with an initial 40 units across the Highlands;
 - Establish a Northern Innovation Hub to support business to develop new products and services and encourage the growth in exports from the region; and
 - Capitalise on the Highlands as a globally recognised location, by developing Inverness Castle as a key tourist destination.

- A Skilled Economy
 - Pilot a joint Highland Employability Programme to bring a transformational change to employability services; and
 - Deliver 5 innovative learning centres through the Science Skills Academy to promote STEM/D learning;

2. Are City Region Deals on track to deliver local growth, innovation and infrastructure schemes which would not otherwise have been delivered?

We believe that in some cases the additionality¹ is likely to be close to full and in others the implementation and consequently the benefits have been accelerated by the City Region Deal. In the case of infrastructure the Inverness City Region Deal will deliver major road improvements around Inverness and bring attention to the importance of the region's international transport links. It will also unlock land for commercial development including reclamation of land for industrial use adjacent to the Longman Estate.

The Inverness City-Region deal, over its life is intended to bring the following positive impacts:

With £135m from the Scottish Government, £53m from the UK Government and £127m from local partners it aims to unlock a further £1 billion of investment. Specifically the intended additional economic impacts over the term of the deal are:

- Creation of 1,125 more jobs from City Region Deal projects and a further 2,000 additional jobs in the construction sector;
- Assist in a significant up-skilling of the labour market moving the Highlands towards a high skilled high wage economy;

¹ Additionality is defined as whether an activity is additional in terms of whether the intervention (the City Region Deal) either, has had or, is having or, can be reasonably believed will have, an impact beyond what would have occurred without it.

- Establish a centre of excellence in rural digital healthcare with sufficient mass to attract research and investment and fully exploit any commercial opportunities;
- Enable deeper and wider business growth through effective digital connectivity and the promotion of innovation;
- Improve productivity and real wages, which are estimated to increase by around 1.3% and bring an additional £100m per annum to the regional economy;
- Help to rebalance the population with the aim of retaining/attracting 1,500 young people in the age 18-29 years old age group over the initial 10 years of the deal period;
- Creation of 6,000 new houses over 20 years of which 1,800 will be affordable homes; and
- Delivering private sector leverage from house building and, though opening up land for commercial development, bring a likely return over a 20-year period of around £800m being invested in the economy of the City and Region.

3. What is your understanding of the governance arrangements for City-Region Deals, and how well these arrangements are working in practice?

The programme's governance has a programme board which oversees its delivery with key stakeholders represented. The programme Board reports to the relevant Committee of the Highland Council² and there is a parallel elected members' review group covering the wider interests of 80 elected members for the Highland Council.

For each component of the City Region Deal, there is a further internal review process which involves the delegated authority of the organisation leading the project. Thus for the Northern Innovation Hub, Science Skills Academy and Digital programme, all of which are being led by HIE, the authorisation of the business case and review of implementation is carried out by the HIE Board or the relevant delegated authority within HIE. The relevant resources for from the Scottish and UK Governments flow via the Highland Council to each of the respective project leads.

The Governance arrangements appear to HIE, to be clear and both relevant and proportionate and to be able to cross reference and link to other significant partnership initiatives such as Community Planning.

² The Highland Council's Planning, Development and Infrastructure Committee

4. Have local residents and businesses been kept informed in the development and activities of the City Region Deals?

We believe that the relevant stakeholders have been consulted in each of the components of the City Deal and will continue to be. Thus for HIE's Northern Innovation Hub, HIE is consulting with business representatives including the Scottish Council for Development and Industry, the Inverness and Caithness Chambers of Commerce, The Cairngorm Business Partnership and the Federation of Small Businesses.

As regards the Science Skills Academy (SSA), local steering groups are being set up where a Newton Room will be established. The first steering groups in Caithness and Lochaber includes representatives from local industry and the Chambers of Commerce, the Developing Young Workforce groups, senior staff from local colleges/UHI facilities, Highland Council Education department and HIE. The intention is to involve local councillors after the May elections. Pilot activities intended to test the SSA approach have been focussed on schools outside Inverness and there have been further community engagement activities such as interviews on local radio in Wester Ross and presentations to the North West Geopark AGM in Achiltibuie.

The announcement of the Scottish Government's R100 roll-out of digital broadband has meant the digital connectivity element announced in the City Region Deal is being updated to align with the R100 project. Once the project is fully defined HIE will continue to communicate regularly to local residents and businesses about the planned outcomes as it has done with the existing broadband roll out.

For Inverness Castle HIE supported the Highland Council in resourcing an independent consultation process to surface local views on the best use of the site. HIE draws attention to the Committee to all the partners actively using the press and digital media to promote progress on the City Deal as well as briefings through local government and community planning.

5. Are regions not covered by City Region Deals able to access equivalent funding and support for growth, innovation and infrastructure schemes?

All of the projects lead by HIE in the City Region Deal have a Highland-wide reach and are not just confined to Inverness and its hinterland. Thus, the Northern Innovation Hub, which is not a physical space delivers a range of digital-based and human-delivered services to all enterprises throughout the Highland Council area, beyond HIE's list of account managed business to work with the wider business community. The Science Skills Academy is establishing Norwegian-style learning centres (known as Newton Rooms) in Lochaber and Caithness, with plans for more that will cover the most remote parts of the region. The HIE board has recently

approved further investment in the Science Skills Academy to extend its programme to the wider Highlands and Islands, beyond the Highland Council area. The Digital and Broadband initiatives cover the whole Highland Area.

It is hoped that some of the projects being established through the City Region Deal in Highland can be adapted and replicated in other Local Authority areas, if region deals, growth deals, or other sources of funding become available.

6. Are City Region Deals supporting a shift towards local decision-making on major investment projects?

HIE suggests that the City Region Deals, being led by local authorities inherently allow a shift to more local decision making on major investment projects as local representation is at the core of this part of government. HIE believe that the Inverness City Region deal has strengthened partnership working and brought together a complimentary group of partners who will effectively deliver the ambitious aims of this Deal.

7. Any other issues relating to City Region Deals which you wish to bring to the attention of the Committee?

HIE welcomes the place-based focus of the City Region Deals and believe that this is a sound method.

The scale of the projects has surfaced other issues such as the need for very close co-ordination on labour market issues with 'an eye' on significant factors that may affect these. An example where such wider consideration is necessary is in construction, where labour can be very mobile and where substantial infrastructure and house-building has been planned in Inverness and possibly as part of other City deals. Another example provided from the Deal has is in digital and computing skills, where urgent partnership action using the strong relationships between UHI, a tertiary institution, and local schools will be needed to overcome a severe shortage of qualified teachers to prepare the workforce for readiness in the digital economy that will follow the spread of high speed broadband. It is significant that the Science Skills Academy is seen by Highland Council as an important adjunct to its 'virtual school' programme, which is working to address these issues.

We believe that this spatial approach to key investment as part of regional policy and development could be applied in a similar way to other communities. Scotland's towns and small towns are in many cases struggling to find relevance, particularly in our more rural areas. We suggest that the feasibility be explored for a focus on these communities and particularly those with some of our historic cultural and heritage assets, which in a significant number of cases are deteriorating due to lack of available resources. We propose that these heritage assets and town centres are

considered in conjunction with the technology and creative industries sectors of the economy and how younger people can be engaged and encouraged to re-populate our towns. We anticipate that useful learning could be derived from the Inverness Castle project in this City Region programme.

The use of technology to transform Island life is evident to many and we suggest that an equivalent Deal for the Scotland's inhabited islands, which focuses on enabling those communities to be full-partners in the digital opportunity and the increasingly connected world also be considered. We know from earlier experience that the most successful communities in terms of sustainability population growth and a health age demographic profile are those that are most connected.