

Item: 13

Policy and Resources Committee: 22 September 2020.

Islands Growth Deal – Progress Update.

Joint Report by Chief Executive and Executive Director of Development and Infrastructure.

1. Purpose of Report

To provide an update on the current status of the Islands Growth Deal and the specification of projects therein.

2. Recommendations

The Committee is invited to note:

2.1.

Progress with the Islands Deal, including achievement of the announcement by the UK Government on 23 July 2020, as set out in section 3 of this report.

2.2.

The proposed approach towards finalising the content of the Islands Deal, in particular with regards to the Orkney components, as set out in section 4 of this report, including the process for Elected Member engagement.

It is recommended:

2.3.

That powers be delegated to the Chief Executive, in consultation with the undernoted members, to authorise the next key stages of the Islands Growth Deal, namely submission of the Strategic Outline Cases, anticipated to be early October 2020, and thereafter signing off the Heads of Terms Agreement, anticipated no later than 31 March 2021:

- Leader.
- Depute Leader.
- Chair, Development and Infrastructure Committee.
- Chair, Education, Leisure and Housing Committee.
- Chair, Orkney Health and Care Committee.

3. Islands Growth Deal – Progress

3.1.

Reports on progress with the Islands Growth Deal have previously been submitted to the Policy and Resources Committee, with the most recent update being considered on 18 June 2019.

3.2.

Since that time there has been a UK Government announcement of the Islands Deal on 23 July 2020 with the Prime Minister visiting Orkney for the specific purpose of announcing the Islands Deal. Both UK and Scottish Governments are now to enter into discussions with the three Islands Councils to develop 'Heads of Terms' for the purposes of outlining the principles of the agreement reached. The information noted below illustrates the background as to how the Council, in collaboration with partners and colleagues in Shetland Islands Council and Comhairle nan Eilean Siar, have reached the current programme of projects in the Islands Growth Deal.

3.3.

Towards the end of 2019, following consultation with each of the three Islands, it was felt better to brigade the projects into five themes, as follows:

- Theme 1 – World Class Visitor Destinations.
- Theme 2 – Leading the Way to a Low Carbon Future.
- Theme 3 – Digital Islands.
- Theme 4 – Supporting Growth and Future Industries.
- Theme 5 – Thriving Sustainable Communities.

3.4.

The detailed document highlighting all the projects that sat beneath these themes was submitted to both Governments on 21 November 2019. The delineation between the nine programmes, with their projects and the enabling work streams, was removed and the approach simplified. For example, Skills, Talent Attraction and Entrepreneurial Support was brigaded under Theme 5.

3.4.1. Interlinked Innovation Programmes

- Primary Industries and Value Added.
- Circular Economy.
- Zero Carbon Energy Systems.
- Fit for Future Housing.
- Healthy Ageing.
- Remote Digital Health and Care.
- Creative Industries.
- Island Visitor Economy.
- Space Industries.

3.4.2. Enabling Work Streams

- Skills, Talent Attraction and Entrepreneurial Support.
- Digital Connectivity Infrastructure Fund.
- Campus Infrastructure Fund.
- Islands Innovation Management Team.

3.5.

In January 2020, the Scottish Government provided feedback on the Islands Growth Deal proposal. This was circulated to all relevant officers and partners, closely followed by a further visit of the Programme Director in February 2020, including a seminar with Elected Members on 17 February 2020. This to provide an overview of the current position as was, to discuss feedback and to provide an update on next steps, including workshop preparation with Government Policy Leads in March 2020.

3.6.

In March 2020, the Executive Director of Development and Infrastructure, supported by officers working to manage the Growth Deal, along with other key Islands representatives from Shetland and Comhairle nan Eilean Siar, attended workshops with Scottish Government.

3.7.

Following the workshops, the Islands received an instruction from the Scottish Government's Deal team to submit a revised portfolio of proposals based on a programme of not more than £150 million. The proposals submitted in November 2019 equated to £300 million. This meant significant adjustment would be required. That said, the Deal announcement still represents a very good outcome for the Islands and a better outcome per head than all other Deal areas in Scotland.

3.8.

There followed a period of consultation led by the Programme Director with the three Islands Councils using an initial 'straw poll' and taking soundings from Scottish Government as to likely areas of interest and the strength of the projects themselves. A revised programme was defined in consultation with members of the Our Islands Our Future Board and through a seminar with Elected Members held in June 2020. It is an important point to note that all the Orkney specific projects that were in the original £300 million programme continue to be taken forward at this stage but with a reduced financial ask. The detail of the programme that is going forward to the next stage is attached as Appendix 1 to this report.

3.9.

A high-level assessment of how these projects support key priorities such as job creation, transport and housing is attached as Appendix 2 to this report.

4. Approach to Finalising the Next Steps

4.1.

Given that Growth Deals are the UK and Scottish Governments' stated vehicles for adopting strategic approaches to improving regional economies, and that their intent is to tackle economic barriers and maximise opportunities to drive local, regional and national economic growth, it is imperative that the specific proposals contained within the Islands Deal reflect these objectives and can be clearly linked to attaining the specified outcomes. It is therefore important that a clear framework is derived against which projects can be reviewed and assessed with regards to their suitability for inclusion. This will then enable officers, partner organisations and other interested parties to ensure that the development of the Strategic Outline Cases demonstrate how they can meet the stated objectives of the Deal and so are more likely to be successful.

4.1.1.

The suggested principles that were adopted by Council in 2019 are set out below. These were shared with stakeholders at workshops in July 2019.

- The Islands Deal Project proposals that are identified must contribute to the core agenda of the Islands Deal in terms of transformational change to re-balancing population and/or economic prosperity.
- The Islands Deal Project proposals that are identified clearly reflect UK and Scottish Government objectives, including their clearly expressed desire to respond to the declared climate emergency, and hence have the best chance of ensuring their buy-in and support, and maximising financial support.
- It is recognised that the Islands Deal is not the only funding source for Orkney project opportunities and projects must be assessed in terms of their fit with Islands Deal priorities and likely timeframes for release of funding. This could result in projects seeking alternative sources of more appropriate funding, if necessary, and in changes over time to the list of projects.
- Projects should look to develop innovative approaches to intractable problems, achieve strategic objectives and add value to existing approaches. They cannot be "Business as usual".
- Projects should maximise opportunities for additional income to Orkney from both UK and Scottish Governments, and private and other public sector agencies.
- The Islands Deal proposal must present a series of projects which maximise the identified "Islands Advantage" and are transformational for the joint Island group of Orkney, Shetland and the Western Isles on a broadly parallel and equal basis, albeit not necessarily a simple 3-way split of available funding.
- The benefit of projects should be assessed on their projected outcomes and ability to achieve strategic objectives, not just in terms of their capital cost.
- The suite of projects which make up the Deal could be subject to change as the Deal progresses, circumstances change, and further evidence is generated with regards to the best opportunities for addressing the strategic objectives of the Deal.

4.1.2.

Adopting this set of principles will enable Orkney Islands Council and its partners to create a framework against which projects can be assessed, and so ensure a consistent and auditable approach to both their inclusion in the Deal and their subsequent progress.

4.2.

It is essential that, as part of the ongoing process for finalising the next steps of the Deal programme, there are sufficient opportunities for Elected Members to remain familiar with the direction of travel and with the approach being adopted. A document that sets out Elected Member involvement in the Deal thus far is attached as Appendix 3 to this report. Going forward, it is imperative that the Council is in a position to respond quickly, but the importance of Elected Member involvement is recognised and valued. Therefore, over the next six months, it is proposed that a number of seminars are put in place at anticipated key points in the process and monthly highlight reports are produced to ensure Elected Members are kept informed as the critical next steps unfold.

4.3.

The next stage of the Islands Deal is to submit Strategic Outline Cases (SOCs) to Scottish and UK Government by the end of September 2020. These should adhere to the Treasury's Green Book standard, and project leads, including partners, have benefitted from Green Book training in May 2020 and delivered by the Chartered Institute for Public Finance and Accountancy (CIPFA), to assist with this. Further, in August 2020, a seminar was provided on SOC development specifically to a wide range of stakeholders through Scottish Enterprise.

4.4.

Following submission of the SOC, both the UK and Scottish Governments have indicated that a minimum period of two months is required to appraise the detail and feedback. During this window, it is likely policy leads will liaise with project leads to seek clarity and further information on a variety of topics and issues and project leads will need to be in a good position to respond timeously.

4.5.

The SOC will lead to achievement of the next critical milestone in the Deal for the Islands which is the Heads of Terms. Scottish Government agrees that it is important to forward plan as far as possible for important Deal milestones, particularly Heads of Terms and Full Deal signings. Following the recent confirmation of quanta for the Islands Growth Deal, they have fulfilled their joint commitment to ensuring all regions of Scotland benefit from a Deal, and are keen to progress to delivery as quickly as possible in order to unlock much needed investment in regional economies and support economic recovery. To that end, they are encouraging all Deals to continue to develop business cases at pace and have committed to working with the Council to prioritise the most urgent projects with the greatest potential to aid economic recovery. Scottish Government has very recently indicated the Islands Deal and Falkirk will have a Heads of Terms document no later than the end of March 2021.

4.6.

It is proposed that, given the pace at which project leads now need to work to deliver the SOCs, powers be delegated to the Chief Executive, in consultation with the Leader, Depute Leader, Chair of Development and Infrastructure Committee, Chair of Education, Leisure and Housing Committee and Chair of Orkney Health and Care Committee, to finalise these key documents and be in a position whereby these can be submitted to the Scottish Government and UK Government early October 2020.

4.7.

Submission of these documents will naturally lead the three Islands Councils into the Heads of Terms sign off in early 2021 and no later than March 2021, and delegated powers are being sought to facilitate this process at that time. Naturally there will be recourse back to Elected Members in advance of March 2021 as the situation unfolds.

5. Equalities Impact

5.1.

There are no direct equalities implications arising from this report. However, it should be noted that the Equalities and Investment Project, started by the Equalities and Human Rights Commission (EHRC) and continued by Scottish Government, has developed a series of guides to support those making public spending decisions to embed best equality practice into their investment projects and programmes.

5.2.

Further, the Scottish Government is committed to achieving economic growth in Scotland that is inclusive. This means growth that combines increased prosperity with greater equality, creates opportunities for all, and distributes the benefits of increased prosperity fairly. To achieve this, partners working within the Islands Deal Programme will need to consider how their investment decisions will advance equality of opportunity and decrease socio economic inequality for Scotland's most deprived communities, for women, ethnic minorities and disabled people. As part of the Final Business Case preparation in 2021, projects will be required to produce an Equality Impact Assessment guided by the Fairer Scotland Duty.

6. Links to Council Delivery Plan

6.1.

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priority theme of Enterprising Communities.

6.2.

The proposals in this report relate directly to Priority 4.9, Work in partnership with the two other Islands Councils to finalise the Islands Deal, of the Council Delivery Plan.

7. Links to Local Outcomes Improvement Plan

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Local Outcomes Improvement Plan priority of Strong Communities.

8. Financial Implications

8.1.

There are no immediate financial implications arising directly from this report.

8.2.

In 2018, with an identified budget requirement of £600,383 to progress the Deal to a Business Case sign-off and identified funding of £200,000, the Council agreed that the balance of £400,383 be met from the Renewables, Regeneration and Redevelopment Fund.

8.3.

The remaining budget allocations from the total budget are £229,000 in 2020/21, and £87,000 for 2021/22. Expenditure to date this financial year stands at £35,000.

9. Legal Aspects

Following the UK Government announcement of the Islands Deal on 23 July 2020, both UK and Scottish Governments are to enter into discussions with the three Islands Councils to develop 'Heads of Terms' for the purposes of outlining the principles of the agreement reached. However, the Heads of Terms document is in itself not a legally binding document. The Islands Deal would ultimately result in a formal tripartite agreement between the three Islands Councils, the UK Government and Scottish Government.

10. Contact Officers

John Mundell, Interim Chief Executive, extension 2101, Email chief.executive@orkney.gov.uk

Gavin Barr, Executive Director of Development and Infrastructure, extension 2301, Email gavin.barr@orkney.gov.uk

Darren Richardson, Head of Infrastructure and Strategic Projects, extension 2310, Email darren.richardson@orkney.gov.uk

Lorna Richardson, Strategic Policy and Projects Manager, extension 2322, Email lorna.richardson@orkney.gov.uk

Jayne Venables, Islands Deal Project Manager, extension 2703, Email jayne.venables@orkney.gov.uk

11. Appendices

Appendix 1: Programme and Project Specifications.

Appendix 2: Project Assessment.

Appendix 3: Member Engagement Timeline.

Programme and Project Specifications

Orkney Projects.			
	Project.	Project Leads and Partners.	Project Detail.
1.	ORIC Phase 2.	ORIC (Executive Manager). HIE. OIC. HWU. RGU.	This is to invest in further development of the Orkney Research and Innovation Campus. An overall project in the region of £20million, but not all of this will come from the Deal. Support to further expansion of the commercial, academic and research activity undertaken in Stromness and throughout Orkney.
2.	Orkney World Heritage Site Gateway.	OIC Project Lead. HES. RGU. SNH. HIE.	This project contains three specific elements including: 1. An orientation centre. (options for this are under review as part of defining the project through the Business Case work) 2. An Active Travel Network. 3. A transportation multi-modal Hub. This proposal seeks to support the continued commitment to sustainable tourism, conservation and visitor management and working on dispersal to protect Orkney's unique World heritage assets. This will support capability to attract visitors to other parts of Orkney, including the Outer Isles.
3.	Scapa Flow Strategic Asset Development.	OIC Marine Services.	This project is part of a wider 20-year programme linked to the Port Masterplan developments. The Business Case linked to the Deal specifically will be around supporting innovation in transitioning towards decarbonisation and the creation of an LNG distribution hub/bunkering system – with potential for Hydrogen in the medium to long term and offshore wind and offshore platform support.
4.	Vertical Farming.	Orkney College. IGS Solutions. James Hutton. UHI.	This project is about research and innovation – testing a small vertical farm unit in an Islands Context using renewables. This is also a part of the Tay Cities Deal through the James Hutton Plant Regrowth Centre and we are receiving support from James Hutton and IGS Solutions to develop the Business Case for this project.

Orkney Projects.			
	Project.	Project Leads and Partners.	Project Detail.
		SNH.	Vertical Farming is proven commercial technology and therefore benefit can be widespread subject to the investment. This is particularly poignant given food security considering COVID, economic recovery and BREXIT situations. The project will be led by Orkney College's Agronomy Institute/UHI.
5.	Digital Connectivity.	Smart Mobility - RGU Immersive Classroom Technology – UHI/Orkney College	RGU are leading on a project looking at optimising transport solutions and connectivity across Orkney including the Outer Isles. This project has strong connections with the Islands Centre for Net Zero Carbon and the World Heritage Site Gateway projects. Immersive Classroom Technology and digital pedagogy is a proposal submitted by Orkney College and UHI and will be an integral part of the Skills and Talent Attraction proposals led by Shetlands Islands Council with Academic Lead Partner (UHI).

Cross Island Projects.			
	Project.	Project Leads and Partners.	Project Detail.
1.	Skills, Talent Attraction and Entrepreneurial Support.	Shetland Islands Council Lead Authority. UHI/Orkney College – Lead University Partner. HIE. SDS. RGU. UHI.	5 strands are currently in development as part of the work on the Strategic Outline Case.
2.	Islands Centre for Net Zero Carbon.	Orkney Islands Council Lead Authority. EMEC Project Lead. HWU – Academic Lead Partner.	Through the Islands Deal an 'Islands Centre for Net Zero' will be established to coordinate efforts on delivering this overarching decarbonisation aim. Each component of the Centre will satisfy the following requirements:

Cross Island Projects.			
	Project.	Project Leads and Partners.	Project Detail.
		National Sub Sea Centre. SNH.	<ul style="list-style-type: none"> • Contribute towards decarbonisation of the three island groups energy systems. • Generate sustainable “green” jobs within the islands. • Bring in match funding and generate new revenue streams at least trebling any Islands Deal investment. • Strengthen other aspects in the Islands Deal (e.g. strategic energy hubs) and add value to existing initiatives. • Contribute towards outcomes of national and international significance (e.g. NPF4).
3.	Creative Islands and Wellbeing.	Outer Hebrides Lead Authority. Orkney contingent is: Pier Arts OIC Cultural Services UHI.	<p>Scottish Government Feedback asked us to weave in wellbeing into this theme.</p> <p>The Orkney aspect of this cross-island theme will be to invest in further developments connected with the Pier Arts Centre both in Stromness and Birsay.</p>
4.	Fit for future Islands Housing Design.	OIC Housing Services. RGU (housing pillar). EMEC (Lead). HWU (Lead Academic Partner).	It has been decided recently that this aspect of the Deal will now be ‘subsumed’ within the Island Centre for Net Zero Carbon. This decision was taken as part of the rationalisation exercise after the workshops in March and can build on the existing Reflex project.

Appendix 2

Orkney Islands Council: Islands Growth Deal – Assessment Scores/Criteria

Project Name Orkney Specific Projects	Theme (1-5)	Criteria							
		Integrated effective and affordable transport services	Inclusivity, geographical equity and balancing growth of communities (inclusive growth agenda)	Address population imbalance	Create Jobs	Building or causing housing to be built to meet cross sector demand	Private/Public Sector Leverage	Deliverability and Project "Readiness"	New Economic Activity
Orkney World Heritage Site Gateway	1 -World Class Visitor Destinations	✓	✓	✓	✓	✗	✓	✓	✓
Orkney Research and Innovation Campus Phase II	2 - Low Carbon Future	✓	✓	✓	✓	✓	✓	✓	✓
Scapa Flow Asset Development	2 - Low Carbon Future	✓	✓	✓	✓	✗	✓	✓	✓
Vertical Indoor Farming	4 - Supporting Growth and Future Industries	✗	✓	✓	✓	✗	✓	✓	✓
Digital Connectivity Advanced Digital Learning (Immersive Classroom Technology)	3 - Digital Islands	✓	✓	✓	✓	✗	✓	✓	✓

Project Name Orkney Specific Projects	Theme (1-5)	Criteria							
		Integrated effective and affordable transport services	Inclusivity, geographical equity and balancing growth of communities (inclusive growth agenda)	Address population imbalance	Create Jobs	Building or causing housing to be built to meet cross sector demand	Private/Public Sector Leverage	Deliverability and Project "Readiness"	New Economic Activity
Digital Connectivity (Smart Mobility)	3 - Digital Islands	✓	✓	✓	✓	✓	✓	✓	✓
Crossing Cutting Programmes – all Three Islands.									
Islands Centre for Net Zero Carbon	2 - Low Carbon Future	✓	✓	✓	✓	✗	✓	✓	✓
Creative Islands Partnership and Wellbeing	4 - Supporting Growth and Future Industries	✓	✓	✓	✓	✗	✓	✓	✓
Skills, Talent Attraction and Entrepreneurial Support	5 - Thriving Sustainable Communities	✓	✓	✓	✓	✗	✓	✓	✓

✓ = makes some contribution to the criteria

✗ = found to make no contribution to the criteria.

*It should be noted that all Orkney specific projects that were in the 'long-list' when the process began in 2016 and scored most highly in responding to the criteria highlighted above are still in Orkney's programme today.

Member Engagement Timeline – 2016 to 2020

19 April 2016	Committee Report	P&R Report
17 January 2017	Committee Report	Special General Meeting of the Council
20 June 2017	Committee Report	P&R Report
25 September 2018.	Committee Report.	P&R Update on progress.
28 January 2019.	Seminar.	Presentation by Programme Director on draft proposed revised programme (£300M).
31 January 2019.	Email.	Attaching a 56 slide PowerPoint Shared by D. Amos on 28 January 2019 and requesting feedback.
21 February 2019.	Drop-in Session – Committee Room 1.	Information on Deals generally available including proposals on current Islands Deal portfolio. Requesting feedback on the 9 themes and overall content of the Deal.
5 March 2019.	Briefing Note.	Member Briefing Note updating Elected Members on feedback from various stakeholders.
14 May 2019.	Seminar.	Presentation by Programme Director providing a general update on progress and a review of the projects contained within the Deal and themes.
27 May 2019.	Seminar.	Senior Management Team and Senior Cllr. Team.
3 June 2019.	Seminar.	All 21 Members in attendance.
18 June 2019.	Committee Report.	P&R Update on progress, adoption of key principles and approach to reaching an announcement under delegated authority was presented.
5 September 2019.	Seminar.	Update on progress and overview of Deal generally as well as a discussion on Orkney Ambassador selection
29 October 2019.	Briefing Note.	Specifically to issue the Executive Summary document created through Message Matters and issued to Alistair Jack MP with a covering letter from the three Islands Councils and to confirm the Ambassador selection for Orkney.
Submission of detailed proposals to both Governments – November 2019 – feedback received end of January 2020.		

17 February 2020.	Seminar.	Presentation by Programme Director providing an overview of SG Feedback on the detailed proposals submitted in November 2019 and to discuss workshops ahead (march) and next stages.
Officers attend workshops with SG Policy Leads and City Deal Team in Edinburgh – March 2020.		
16 June 2020.	MS Teams Seminar.	Providing an update on the workshop outputs and presenting draft proposals and priorities following a revision to the overall programme down from £300M to £150M.
22 September 2020.	Committee Report.	P&R Update on progress and proposing delegated authority for SOC approval process. Recalling Deal principles agreed in 2019 and providing an update on projects.
Submission of SOC's (Strategic Outline Cases to SG and UK Govt) – October 2020		