

Item: 11

Policy and Resources Committee: 25 September 2018.

Islands Deal.

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

1. Purpose of Report

To advise of progress with the Islands Deal with UK and Scottish Governments and to consider resource required to progress the Deal.

2. Recommendations

The Committee is invited to note:

2.1.

That the Chief Executive, in consultation with the Leader and Depute Leader, continues to negotiate and progress, for Orkney Islands Council's interest, a Deal for the islands for discussion with UK and Scottish Governments.

2.2.

That the Chief Executive, in consultation with the Leader and Depute Leader, finalised the terms of a Joint Position Statement with Shetland Islands Council and Comhairle nan Eilean Siar and established the joint post of Islands Deal Programme Director.

2.3.

Progress with the Islands Deal, as detailed in section 3 of this report.

2.4.

That the joint Islands Deal Programme Director has produced a plan detailing the resource required from each of the three Islands Councils to progress the Islands Deal up to 2020, with the Council's requirement outlined in section 4.2 of this report.

2.5.

That, of the Council's share of resources required to progress the Islands Deal up to 2020, amounting to £600,383, a total of £200,000 has already been confirmed, leaving a balance of £400,383.

It is recommended:

2.6.

That further budgetary provision of £400,383 be allocated to progress the Islands Deal, to be met from the Renewables, Regeneration and Redevelopment Fund.

3. Progress with the Islands Deal

3.1.

In accordance with the Council's decision on 17 January 2017 the Chief Executive, in consultation with the Leader and Depute Leader, has continued to negotiate and progress, for Orkney Islands Council's interest, a Deal for the islands for discussion with UK and Scottish Governments.

3.2.

In addition, in accordance with the Council's decision on 4 July 2017, the Chief Executive, in consultation with the Leader and Depute Leader, finalised the terms of the Joint Position Statement with Shetland Islands Council and Comhairle nan Eilean Siar and established the joint post of Islands Deal Programme Director.

3.3.

In progressing the Islands Deal Project, members have previously been provided with the summary of the "top 10" project opportunities which have been identified for Orkney following a leeting exercise of almost 50 project opportunities. These top 10 projects are identified as those which have the greatest likelihood of gaining UK and Scottish Government support as "Deal" projects.

3.4

Further information has been provided to members in all three councils with a summary "Narrative" document prepared by the Islands Deal Project Director which detailed the "case" for progressing an Islands Deal. This document also seeks to put a structure around the 30 project proposals which have been formed by each Island group through the earlier phases of the project into a set of complimentary themes as follows:

- **Theme 1: Leading the Way to Low Carbon Future** – Capitalising on Islands potential to become major zero carbon energy providers through the exploitation of their huge onshore and offshore wind and wave and tidal assets and, to be leaders in the development and deployment of local zero carbon energy systems for heating, transport and industrial processes.
- **Theme 2: World Class Tourist Destinations** – With two UNESCO World Heritage sites, internationally acclaimed festivals, arts and cultural sector and outstanding natural heritage, there is significant opportunity to expand and strengthen the Islands world class tourism offer.

- **Theme 3: Digital Islands** – Turning around the Islands digital connectivity and use of technology from “lagging to leading” through strategic innovation in rural connectivity solutions for hard to reach areas, 5G mobile, rural Wi-Fi, Internet of Things, data analytics, drone applications, augmented and virtual reality and other digital methods of promoting and enhancing the experience of the Islands’ natural and archaeological heritage, artistic and cultural assets.
- **Theme 4: Creative Islands** – enhancement of the Islands cultural and creative assets (e.g. heritage, arts, music, literature, language, digital, crafts, textiles etc) to increase economic value and enhance both local community quality of life and visitor experience.
- **Theme 5: Future Fit Housing** – rethinking how to design and construct island appropriate housing that is affordable, adaptable, smart, energy efficient, weather resilient and can meet the population growth target and for the existing aging population.
- **Theme 6: Healthy ageing and affordable remote health and care delivery** – developing innovative and affordable solutions to provide great health and care services for a remote, dispersed population and helping Islanders to live better for longer. Deriving advantage from the fact that Island demographics today are where Scotland and the UK will be in 20 years, allowing Island solutions and learning to be created that can benefit other parts of the UK.
- **Theme 7: Strengthening Primary Production and Increasing Local Value Added** – supporting stabilisation of high quality primary food production systems and support the development of value added activity to Islands primary producers (e.g. agriculture, fishing, aquaculture, seaweed etc) and the creation of new food, drink and bio-based products and systems.
- **Theme 8: Islands Future Skills** – innovating in the delivery of inclusive education and skills development across the Islands to equip young people and others in the jobs market with the skills needed for future growth sectors and gaps in existing sectors.
- **Theme 9: Talent Attraction & Retention** – making the Islands a magnet for an ambitious, skilled and creative younger workforce in the numbers necessary to meet the forecast demand from growth sectors.

3.4.1.

The document also sorted the project proposals against these themes, noting that there were also stand-alone projects, including the Orkney Innovation and Research Centre and LNG Distribution Hub, identified for progression through the Islands Deal outwith these themes.

3.5.

Discussions with Lord Duncan of the UK Government encouraged the Islands Councils to look toward the Spring 2019 budget for a potential Islands Deal announcement. The UK Government is committed to full coverage of Deals by 2022.

3.6.

The joint Islands Deal Programme Director has produced a draft project plan and resource plan which outlines the activity and resources considered by necessary for each Council to achieve the following key milestones:

- UK Government Formal announcement of an Islands Deal (Spring Statement – Mar 2019).
- Agreement of Heads of Terms (Autumn Budget – November 2019).
- Final Business Case Sign -Off and funding release (August 2020).

3.7.

Work is progressing on developing the project agenda (for example, there was an Orkney Workshop on Low Carbon agenda which the Council will lead on). The work of the joint Islands Deal Programme Director has continued to focus on development of the Outline Programme documents and in taking forward political and official engagements in support of as an early an announcement as possible from Government.

3.8.

Work is also well underway in ensuring a formal commitment from other Public Sector Partners, including Highlands and Islands Enterprise, Skills Development Scotland, Scottish Futures Trust and University of the Highlands and Islands, by way of a Memorandum of Understanding among the three Councils and these partners and organisations outlining roles and responsibilities in the development of the Deal.

3.9.

While not part of the Islands Deal workstream, The Shared Prosperity Fund is closely aligned to current UK engagement. The Shared Prosperity Fund will replace the EU funding for national, regional and local economic development that will disappear following Brexit. At a recent meeting, Lord Duncan highlighted that the timescale to shape this fund is from now to 2022.

4. Islands Deal Resources

4.1.

The current existing resources identified and approved to support the next stage of the Council's Our Islands Our Future campaign is as follows:

- £100,000 for the Joint Islands Deal Programme resources for the period 2017 to 2020.
- £65,000 for the Council's Our Islands Our Future Project resource.

4.2.

The joint Islands Deal Programme Director has identified the budget required to progress the deal to a Business Case sign-off anticipated in August 2020. The resource required for Orkney Islands Council is as follows:

Resource.	2018 to 2019.	2019 to 2020.	2020 to 2021.
Council Staffing resource for Our Islands Our Future and Islands Deal.	£100,000*	£126,000	£126,000
Travel, Supplies and Services, Administration	£9,000	£23,000	£23,000
Delivery of Themed Workshops	£20,000	£10,000	-
Joint Islands Deal Project Resource and Consultancy costs	£47,020	£48,950	£22,413
Contingency	£5,000	£20,000	£20,000
Total.	£181,020*	£227,950	£191,413

* Resource already identified

4.3.

The resource required to progress the Islands Deal to August 2020 is therefore £600,383. The Council has already identified £200,000, comprising the £165,000 allocated as in section 4.1 above and £35,000 available within a revenue budget of Development and Infrastructure.

4.4.

This report is therefore seeking Islands Deal resourcing of £400,383 to progress the Islands deal to Business Case sign off, anticipated to be in August 2020.

5. Human Resource Implications

5.1.

Given the need for pace on the project and the delegation to the Chief Executive on establishment of temporary posts for up to 2 years in duration, no further report is required in terms of establishing temporary posts or amending existing arrangements. Such changes will be put in place in consultation with the Head of Human Resources and Performance.

5.2.

Posts that are being directly employed will require to be job evaluated once the job descriptions and person specifications have been finalised, therefore the current post costs are an estimate.

6. Links to Council Plan

The proposals in this report support and contribute to improved outcomes for communities as outlined in the Council Plan strategic priorities of Connected Communities; Thriving Communities Enterprising Communities and Quality of Life.

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 priorities of Strong Communities, Living Well and A Vibrant Economy.

8. Financial Implications

8.1.

The report has identified a budget requirement of £600,383 over three financial years 2018 to 2021 to deliver an island deal for Orkney.

8.2.

When the Council approved the revenue budget for 2017 to 2018, there was budget provision of £65,000 made on a one-off basis to support the Our Islands Our Future campaign. This allocation was fully utilised in 2017 to 2018.

8.3.

A further £65,000 was agreed from General Fund contingency in April 2018 for 2018 to 2019, while in July 2017 additional funding, amounting to £100,000, was agreed to support the next stage of the Our Islands Our Future campaign that has not yet been called upon. A further £35,000 of resource has been identified within Development and Infrastructure leaving £400,383 to be found.

8.4.

The Council has established a policy position of a presumption against new commitments, however exceptions may be made. The options for funding additional spending requests outwith the annual budget process are limited as the Council has expended or fully committed a number of its earmarked balances, but include:

8.4.1.

The Renewables, Regeneration and Redevelopment Fund which now has sufficient available funding after recent changes in respect of the project to provide accommodation for the Third Sector in Kirkwall.

8.4.2.

The Non-earmarked General Fund Balance could be applied to this project although this would not be recommended by the Head of Finance as this would limit the funds available to deal with unavoidable unforeseen events and it is not prudent for General Fund reserves to be deployed to finance recurrent or avoidable expenditure.

8.4.3.

A contribution from the Strategic Reserve Fund would be a further possibility. This would require an accompanying assessment of the impact on the sustainability of the fund.

8.5.

With the reduction in commitments from the Renewables, Regeneration and Redevelopment Fund through the change in the funding requirement and funding route in respect of the project to provide accommodation for the Third Sector in Kirkwall, this fund is currently considered to be the most suitable source of funding for development of the Islands Deal.

9. Legal Aspects

9.1.

There are no legal implications arising directly from the recommendations of this report. However, there may be legal implications if and when the terms of any proposed Islands Deal are published and implemented, including potential changes to local decision-making structures.

9.2.

The Islands Deal will require a formal UK announcement. Thereafter, the UK and Scottish Governments would enter into discussions with the three Islands Councils with a series of meetings to develop Head of Terms for the purposes of outlining the principles of the agreement reached. The Islands Deal would ultimately result in a formal tripartite agreement between the three islands councils, the UK Government and Scottish Government, including a detailed implementation plan.

10. Contact Officers

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