

## **Item: 4**

**Special General Meeting of the Council: 13 October 2020.**

**Islands Growth Deal – Strategic Outline Cases.**

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

### **1. Purpose of Report**

To present the Strategic Outline Cases for projects in the Islands Growth Deal ahead of Government submission.

### **2. Recommendations**

The Council is invited to note:

#### **2.1.**

That, on 22 September 2020, when considering an update on the Islands Growth Deal, the Policy and Resources Committee recommended that the Strategic Outline Cases should be submitted to a Special General Meeting of the Council for approval, prior to submission to the UK and Scottish Governments, anticipated to be early October 2020.

#### **2.2.**

That, as a number of the projects, which are the subject of a Strategic Outline Case, are being led by external organisations and, in some cases, do not involve the Council, it is advised it is not within the Council's gift to authorise or make amendments to the content of the Strategic Outline Cases, nor delay their submission, particularly where custodianship of the projects is outwith the Council.

#### **2.3.**

That there are a number of projects where clearly the Council has a vested interest, although it should be stressed, in the majority of cases, these are presented as collaborative projects with single or multiple partner agencies involved and therefore to propose amendments at this stage will likely cause delay and pre-empt difficult challenges in managing relationships with the other two Island Councils and both Governments.

#### **2.4.**

The Strategic Outline Cases, attached as Appendices 1 to 8 of this report, in respect of which feedback is encouraged for consideration in development of the next stage of the business case for the Islands Growth Deal.

**It is recommended:**

## **2.5.**

That the Strategic Outline Cases, referred to at paragraph 2.4 above, be endorsed to expedite a timeous submission to both the UK and Scottish Government by 16 October 2020.

## **3. Background**

### **3.1.**

On 22 September 2020, when considering a progress update on the Islands Growth Deal the Policy and Resources Committee noted:

#### **3.1.1.**

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 the joint report by the Chief Executive and the Executive Director of Development and Infrastructure.

#### **3.1.2.**

The proposed approach towards finalising the content of the Islands Deal, in particular with regard to the Orkney components, as set out in section 4 of the joint report by the Chief Executive and the Executive Director of Development and Infrastructure, including the process for Elected Member engagement.

### **3.2.**

The Committee recommended:

#### **3.2.1.**

That the Strategic Outline Cases should be submitted to a Special General Meeting of the Council for approval, prior to submission to the UK and Scottish Governments, anticipated to be early October 2020.

#### **3.2.2.**

That powers be delegated to the Chief Executive, in consultation with the undernoted members, to authorise the next key stage of the Islands Growth Deal, namely 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.

### **3.2.3.**

That development of the full Islands Growth Deal be reported regularly, to the Policy and Resources Committee, and thereafter subject to endorsement by the Council, with additional meetings called, if required.

## **4. Deal Funding Process – Business Case Approach**

### **4.1.**

The Growth Deal process requires a three-stage approach to Business Cases for all projects before they reach a state where funding can be claimed. The Business Cases must be written to HM Treasury Green Book Standard which is predicated on the delivery of five key components including making a Strategic, Commercial and Economic case for each project.

### **4.2.**

The Strategic Outline Case is the first stage in that journey. Scottish Government has confirmed that, in order to curtail further delay in reaching a Heads of Terms of for the Islands Growth Deal, Strategic Outline Cases will suffice. Ordinarily that would be Outline Business Cases.

### **4.3.**

The Heads of Terms document signing is anticipated no later than the end of March 2021. This document will set out briefly which areas of the Growth Deal will receive funding. However, this is only the start of the ongoing conversation with both Governments.

### **4.4.**

The Outline Business Case is the second stage in the process, whereby far more evidence is required to substantiate the viability of projects. It should be understood, that even here, projects can fall away if their viability can be called into question. The Scottish City Region and Growth Deal Delivery Board is a joint UK Government and Scottish Government Board which was established in August 2016. It has responsibility for the oversight of Deal programmes and will oversee and support the development of project business cases having reached the stage of Heads of Terms and, where relevant, co-ordinate their final approval with Ministers.

### **4.5.**

The third and final stage is the Final Business Case, following which the Islands Growth Deal will be finalised and project implementation can begin.

## **5. Strategic Outline Cases – Stage One**

### **5.1.**

The total value of the projects being submitted by Orkney is £33.4 million split across four Orkney specific projects and three Pan Island Programmes. A fifth Orkney specific project (Vertical Farming) is also included currently given the interest expressed by UK Government and would attract a further £2 million.

## 5.2.

The projects being put forward as part of the Islands Growth Deal Programme, and whose Strategic Outline Cases are attached as Appendices 1 to 8 of this report, are highlighted below along with an indication of the Council's involvement in each. A key factor in considering these is that, whilst the Council has been leading the facilitation of the process, the Council is not necessarily the owner or lead agent for all of these projects.

Orkney Specific Projects.	Partners Engaged/Owned/Led by.
LNG Distribution Hub Scapa Flow Ports Master Plan.	OIC Marine Services (lead).
Vertical Farming.	UHI, Orkney College (lead).
Orkney Research and Innovation Campus – Phase II Campus Development.	Orkney Islands Council, Highlands and Islands Enterprise – ORIC LLP (lead).
World Heritage Site Gateway.	Orkney Islands Council, Historic Environment Scotland (lead), Highlands and Islands Enterprise.
Digital Connectivity - Smart Mobility.	Robert Gordon University (lead) with engagement with NHS Orkney, Orkney Health and Care and Historic Environment Scotland.
Pan Island Programmes.	
TalEntEd.	Shetland Islands Council (lead), Skills Development Scotland, Highlands and Islands Enterprise, HWU, RGU, Lews Castle College, Orkney College, NAFC Marine Centre, Shetland College, UHI and others.
Creative Islands and Wellbeing.	Outer Hebrides (lead), Creative Scotland, Pier Arts, Orkney Islands Council Cultural Services, Highlands and Islands Enterprise, UHI.
Islands Centre for Net Zero Carbon (Orkney led).	Private Industry led – EMEC with Heriot-Watt University as Lead Academic Partner, Aquatera, Community Energy Scotland, OIC and others.

## 5.3.

It is important to note that the role which the Council plays in the development of the Deal projects is that of facilitator and overall guide, representing the wider population of Orkney. Ownership of individual projects lies with the lead organisation, which, whilst it may be the Council, in many cases is not. Therefore, the Council, whilst it can play an active role in the development of the projects, and support the advancement of the Business Cases, does not necessarily have the ability to approve any individual project. Any projects for which the Council is the lead partner will be progressed through the appropriate governance approach.

## **5.4.**

The Islands Deal is a collaborative programme being jointly led by Orkney Islands Council, Western Isles Council and Shetland Islands Council. Whilst there are Island specific projects there are also pan island projects which stretch across all three Council areas. The full set of projects are together what comprises the Deal and therefore must all be submitted together in order to maintain the overall strategic coherence of the Deal request and to ensure that parity of funding can be applied across the three lead areas.

## **5.5.**

Projects have been selected by the UK and Scottish Governments on the basis of information provided to date and the development of the Strategic Outline Cases is now the first stage of what will be an ongoing dialogue and negotiation between the project teams and the Governments. Government have set very clear timescales for this process and are expecting submission of the Strategic Outline Cases on 16 October 2020. Any delay to this is likely to lead to delays in funding approval and could result in some projects not progressing at all.

## **5.6.**

The content of the Strategic Outline Cases has been developed by the various project teams. Feedback is welcome but it must be stressed that this will be incorporated at the next stage of the iterative process as timescales do not allow for it to be addressed prior to submission to Government.

# **6. Links to Council 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.**

The Council will be contributing £43,544.40 to the development of some of the Strategic Outline Cases. This is allocated per the table below with £28,544.40 from the Islands Deal Budget and £15,000 for the Scapa Flow LNG Hub project costs

being met by the Harbour Authority. Some of these allocations have been made on the understanding that the funding will take the project team beyond the first stage and at least into the development of the Outline Business Case.

<b>Project.</b>	<b>£.</b>	<b>Detail.</b>
Scapa Flow LNG Hub.	15,000	Awarded to assist with the SOC and OBC through the Harbour Authority.
Vertical Farming.	5,400	100% share awarded to assist with the development of the SOC.
Orkney Research and Innovation Campus Development.	10,000	50% share awarded to assist with the development of the SOC and into the OBC.
The World Heritage Site Gateway projects.	8,144.40	29% share awarded to assist with the development of the SOC. Other shares have come from HIE (25%) and HES.
Creative Islands.	5,000	Awarded in principle to assist with OBC development.
Total	43,544.40	

## **8.2.**

Some funding has been identified as part of the remaining budget for the Islands Deal, as identified above, which will leave a small amount to support Outline Business Case activity. However, additional funding is likely to be needed to ensure that Outline Business Cases can be developed swiftly following a Heads of Terms announcement and officers will work to bring a further report to the Policy and Resources Committee once the detail of this is better understood.

## **9. Legal Aspects**

### **9.1.**

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.

### **9.2.**

Under Section 50A(4) of the Local Government (Scotland) Act 1973, the public should be excluded from the meeting in respect of any discussion relating to the information contained within the Appendices to this report. The Appendices contain exempt information as defined in paragraphs 6 and 9 of Part 1 of Schedule 7A of the Act.

## 10. Contact Officers

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## 11. Appendices

Strategic Outline Cases – Orkney Specific:

Appendix 1: LNG Distribution Hub Scapa Flow Ports Master Plan.

Appendix 2: Vertical Farming.

Appendix 3: Orkney Research and Innovation Campus – Phase II Campus Development.

Appendix 4: World Heritage Site Gateway.

Appendix 5: Digital Connectivity – Smart Mobility.

Strategic Outline Cases – Pan Island:

Appendix 6: TalEntEd.

Appendix 7: Creative Islands and Wellbeing.

Appendix 8: Islands Centre for Net Zero Carbon.