

## HIGHLANDS AND ISLANDS POST 2020

### PAPER AND PRESENTATION

#### Introduction

1. In October 2016, COHI members agreed that the four themes most likely to deliver a strong and vibrant economy in the Highlands and Islands, at pace were: digital and transport connectivity; education and skills; economic and quality employment opportunities; and community. COHI members also acknowledged the importance of a strong, coordinated and focused drive from all in delivering significant economic impact for the Highlands and Islands and commissioned<sup>1</sup> the COHI Senior Officer Group to begin to develop sequenced work plans. This short covering paper provides a summary of that collaborative work, with thematic and strategic plans set out in full in the annexes.

2. COHI members are also invited to recognise that the post-2020 timeframe of these integrated plans sits squarely in the challenging context of a post-EU operating environment. Article 50 was triggered on 30 March 2017, starting a two year negotiation period following which the UK will leave the EU.

3. Over the last 20 years, the Highlands and Islands have benefitted from the direct investment from the EU Structural Funds (ERDF and ESF) and support for Agriculture and Fisheries of more than €1.2bn. Together with national funding, this has delivered a package of strategic, transformational and community level projects totalling over €2.5bn.

4. These EU investments have encouraged partnership and collaborative working among COHI members, and other public sector agencies, in support of an agreed strategy and set of priorities, which have reinforced government policy and targeted support to those areas of greatest need.

5. They have transformed the economy and way of life in the region, financing ferry terminals, roads and causeways, air transport, IT connectivity, ports and harbours for industrial development, business support, tourism, community facilities and empowerment, environmental activity, skills, research and innovation.

6. COHI members have also been heavily involved in a range of other EU programmes involving other member states, such as INTERREG, Horizon 2020 (and its precedents in the Framework Programmes), LIFE, Erasmus +. These have brought additional major investments and, crucially, have given members the

---

<sup>1</sup> **Outcome 3** - COHI members welcomed prior work to identify priorities for the Highlands and Islands, post-2020, and endorsed the proposals to develop sequenced work plans by the COHI Senior Officer Group and for discussions at COHI meetings in 2017. While recognising the importance, relevance and inter-relationship of all the priorities identified, four themes most likely to deliver a strong and vibrant economy in the Highlands and Islands, at pace are: digital and transport connectivity; education and skills; economic and quality employment opportunities; and community. COHI partners acknowledged the importance of strong, coordinated and focused drive from all in delivering significant economic impact for the Highlands and Islands. The Scottish Government will continue to facilitate this work

opportunity to collaborate with organisations in various EU regions, learning from their experience and sharing ours.

7. The implications for the Highlands and Islands from the UK's exit of the EU are significant and will require significant consideration from COHI members, both to ensure the distinct implications for the region are taken into account in UK and Scottish planning for post-Brexit and scenario planning as further details emerge about the eventual conclusions of the Brexit negotiations. Key factors to be addressed are:

- Loss of funding to the region
- Loss of a partnership approach to longer-term strategic planning, in line with 7-year EU funding programmes
- Reduction in participation in collaborative work with other EU member states
- Concerns over policy and delivery mechanisms for future regional development funding
- Uncertainty over the status of non UK EU nationals currently working or studying in the Highlands and Islands, or planning to do so in the future
- Uncertainty over future trading arrangements.

8. Notwithstanding current uncertainties, in progressing work on post-2020 priorities the COHI Senior Officers Group considered the implications of Brexit for the Highlands and Islands as a cross-cutting theme.

#### Summary analysis and key policy considerations, by theme

9. While recognising that COHI members will wish to review the detail of the extensive work co-ordinated by the COHI Senior Officer Group. This section provides an overview of key conclusions structured by theme.

#### *Digital and transport connectivity*

10. The importance of modern, high quality, affordable fixed and mobile services has never been greater. The influence of digital technologies reaches across all sectors making excellent connectivity essential for economic growth, education and everyday living – see Annex A for more detail.

11. Consequently, expectations of businesses and consumers are high and they look to the commercial sector to roll out comprehensively and offer competitive services and the public sector to step in promptly to address any gaps - anything less than universal coverage is now considered inadequate. The key challenges for COHI members are well recognised and relate to the degree to which R100 procurement will be delivered, in the context of the outside-in approach promised in The Digital Strategy For Scotland will prioritise early benefits to those with the poorest broadband speeds in every Local Authority area, bringing the Highlands and Islands a level of equity in coverage which is currently lacking.

12. Annex B recognises that transport underpins 21st century life and is an essential component of local and national infrastructure and economic and social wellbeing. There are particular challenges for the region in this sector, due in part to geography (dispersed rural and island communities, distant from central belt focussed activity) but also an historic backlog in investment in key infrastructure such as ferry, road, rail and air services. It is essential to address these challenges, which also present substantial opportunities

13. Recognising resource constraints, COHI is asked to support and champion all transport infrastructure and service improvement projects across the Region where these fit within principles set out in the annex and aim:

- *to achieve low carbon energy based transport solutions wherever possible and the specific aspiration to identify and deliver progressively toward 100% low carbon transport systems within the region”*
- *to deliver an appropriate level of infrastructure and service level provision to deliver equal access to services and governance and to enable inclusive growth opportunities for all communities across the COHI region*

#### *Education and skills*

14. More detail is at Annex C and D. The Highlands and Islands Skills Investment Plan (HISIP) was launched at CoHI in October 2014, and is predicated on five themes:

- Meeting the current skills need of the employers
- Planning for the needs of the future economy
- A region for young people
- Attracting working age people to the region
- Strengthening the employer voice in the skills system.

15. The HISIP identified lack of people as one of the most significant skills challenge for the Highlands and islands, and related work to progress a regional Talent Attraction strategy has also recognised underemployment amongst school leavers and graduates and the need to create an employment and training offer for all members of families relocating to the region as a priority. More detail is at Annexes C and D respectively. However, the workplace and population demographics in the region remains a key concern with issues around an aging workforce, reported difficulty in recruiting the people with the right skills and the need to continue to invest in skills within the existing workforce as people work longer and the need to remain abreast of digital and technological workplace innovation. The SDS RSA (2016) identifies a stark challenge for the region when, during 2016-2024, replacement demand will result in over 71,500 openings within the region across all types of occupations.

16. COHI is therefore asked to endorse:

- A renewed commitment to the HISIP as a mechanism for collaboration and co-ordination on an effective response to the skills needs of the region. The HISIP will inform and direct the activity of all partners towards a strategic, effective and timeous response to the skills needs of the region by embedding new actions that take into account the emerging economic and political issues, the introduction of new strategic policy that impact skills, education and the economy and recent research and analysis on key sectors and is fully aligned to the Highlands and Islands Talent Attraction Strategy - and indeed the skills implications highlighted in each and every annex to this paper.
- the HISIP, its evidence base and a regional skills planning approach involving work proactively in support of the aims of The Northern Alliance in its efforts to close the attainment gap, improve the health and well-being of children and

young people and enhance employability skills that promote sustained positive destinations for all young people.

### *Economic and quality employment opportunities*

17. Highlands and Islands Enterprise has a long-standing focus on four economic and employment priorities:

- Supporting businesses and social enterprises to shape and realise their growth aspirations
- Strengthening communities and fragile areas
- Developing growth sectors, particularly distinctive regional opportunities
- Creating the conditions for a competitive and low-carbon region

18. That remains valid and should continue. However, the strategic focus of the work commissioned by COHI helped identify two substantive new opportunities.

19. Annex E invites COHI to endorse and support the development of a new regional strategy that would optimise our marine (or blue) economy and thereby achieve more value to the Highlands and Islands, Scotland and UK economy.

20. As outlined in Scotland's Economic Strategy, Scotland's National Marine Plan sets out strategic policies for the sustainable use of Scotland's marine resources out to 200 nautical miles. The Plan establishes a presumption in favour of the sustainable use of the marine environment and aims to promote the growth of marine economic sectors. In the Highlands and Islands, there is potential for marine planning to be delivered at the regional scale via a suite of regional marine plans for Argyll, West Highland, Outer Hebrides, North Coast, Orkney, Shetland and the Moray Firth. A Highlands and Islands Marine Economy or Blue Growth strategy would complement and directly contribute to the national plan.

21. The Scottish Government's draft Energy Strategy is first of a kind in that it takes a whole system view, considering our energy needs across electricity, heat and transport. It seeks to decarbonise our energy supply through greater renewable deployment and transform our energy use through enhanced energy efficiency and low carbon transport. Also, there is clear ambition for Scotland to lead in the development of smart local energy systems and in doing so create a new Scottish export industry. Lastly, communities are firmly at the heart of the energy agenda.

22. As Annex F confirms, the Highlands and Islands has played a major role in Scotland's energy past, and looking beyond 2020, is set to play an increasingly important role in the evolution towards a low carbon system. The draft strategy plays exceptionally well in to the strengths of the Highlands and Islands. Opportunities for significant job creation and retention exist in the era of maximising oil and gas recovery and as we reinforce the region's lead in decommissioning. Increasing renewable energy deployment to meet national targets will require a mix of technologies (established and emerging) drawing on the expertise and capabilities of people and companies throughout the Highlands and Islands. Out of necessity, we have as a region, and in particular our island communities, proved to be an ideal test bed for development of local energy systems, and this places the region in strong

position to influence and design the required technology integration and business models.

23. For the region as a whole, the energy opportunities can be summarised as follows:-

- Build on our world leading status on marine energy
- Establish region as a Centre of Excellence in Subsea and Decommissioning
- Fully exploit Offshore Wind supply chain opportunities
- Develop industry expertise in Local Energy Systems
- Lead the ambition on community owned energy
- The H&Is as an Exemplar in Energy Efficiency

24. COHI is therefore asked to endorse

- HIE and local authority work to address grid constraints matter, thereby maximising the economic and community benefits from energy developments across the region.
- Co-ordinated support for Scottish Islands Interconnection, including a CoHI responses to future consultation on remote island wind definition and community benefit;.
- high energy efficiency rating for the H&Is across both domestic and commercial properties.

### *Community*

25. Housing is a key enabler for economic growth, and retaining and growing populations in the Highlands and Islands. The right housing in the right place is also essential in addressing future challenges of an ageing population and inequalities, providing opportunities for people to move to and live in small communities, and positively impacting on the wellbeing of the people in our communities.

26. The Scottish Government has already made firm commitments to deliver as much affordable homes as possible in the Highlands and Islands over the next 4 years. COHI's challenge is to use that cleverly and flexibly to deliver appropriate solutions to match the wide variety of needs throughout the communities of the Highlands and Islands.

27. COHI is asked to recognise and make a case for flexibility in national approaches , to simplify the process around housing provision at a regional level and help increase the pace of delivery against national targets. In addition, as financial modelling and decisions based on revenue expectations currently act as constraints on house building in peripheral areas, COHI is urged to approve joint work to identify approaches which enable greater risk taking.

### Priorities and recommendations for approval

28. **COHI members are asked to discuss and endorse those plans, and in particular agree that collaborative partner actions should be set in the context of growing vibrant communities across the Highlands and Islands by [2025/2030] through:**

- population growth, attracting new residents to the region, with a particular emphasis on attracting new residents to the mainland periphery and to island communities, and skills which will drive business growth and innovation;
- inclusive growth, boosting the regional economy and fair work, creating new jobs in key sectors including on the mainland periphery and in island communities;
- investment in communities and infrastructure, improving digital and transport connectivity and in particular building new homes on the mainland periphery, in island communities, and to support sustainable economic growth.

29. **COHI members are also invited to approve further work by the COHI Senior Officer Group** to refine associated deliverables, risks and resource implications, co-ordinate delivery and **provide an annual summary report on implementation progress.**

October 2017

**HIGHLANDS AND ISLANDS POST 2020 - DIGITAL****Overview**

The importance of modern, high quality, affordable fixed and mobile services has never been greater. The influence of digital technologies reaches across all sectors making excellent connectivity essential for economic growth, education and everyday living. Consequently, expectations of businesses and consumers are high and they look to the commercial sector to roll out comprehensively and offer competitive services and the public sector to step in promptly to address any gaps - anything less than universal coverage is now considered inadequate. The issue is also one that exercises both local and national politicians as a significant proportion of their mailbags are complaints about inadequate coverage and service. Not surprisingly then, improving connectivity is major part of the Scottish Government's digital strategy, Community Planning Partnerships' Single Outcome Agreements and HIE's Operating Plan.

**Nature of opportunity and / or scale of challenge**

In keeping with its long-standing role in improving regional telecommunications infrastructure, HIE procured, and is currently delivering, the Highlands and Islands element of the Digital Scotland Superfast Broadband (DSSB) programme to push availability of fibre-based broadband as far as possible to meet the national Scottish target of 95% by the end of 2017. In addition, HIE is managing the Scottish-wide delivery of Community Broadband Scotland on behalf of the Scottish Government which was designed to support communities not being reached by the DSSB.

Much has been achieved since 2012. The contract between HIE and BT for Phase 1 of the roll out is now in its final stages, achieving the original target of 84% (~200,000) of premises across the Highlands and Islands having access to the fibre network. Not all of these can access superfast speeds (>24Mbps) but some 75% of all premises in the region can now achieve superfast speeds. However, the position varies across Local Authority areas (see table 1 below) with the three island areas having the lowest levels of coverage by a significant margin.

Additional funds available through gainshare (clawback through higher than forecast levels of take up) and "Extended Reach" (through efficiencies in the contract to date) have been reinvested in the project and additional coverage will be delivered. HIE is currently finalising a second tranche of extended reach which will continue the build programme into 2018. Currently the project is expected to reach ~86% of premises in the region by December 2017. But crucially, there is insufficient funding to reach the 90% target set out in the original tender or the 96% coverage expected within the Rest of Scotland DSSB.

## Local Authority Coverage

	Fibre Broadband Coverage	New anticipated fibre coverage	Commercial Only
Argyll and Bute (part) and (HIE)	82%	85%	23%
Highland	84%	87%	25%
Moray	93%	94%	27%
Arran and Cumbrae	90%	90%	0%
Orkney	75%	75%	0%
Shetland	76%	80%	0%
Western Isles	70%	76%	0%
<b>Overall</b>	<b>84%</b>	<b>86%</b>	<b>21%</b>

*Table 1: Estimated coverage by percentage of premises (homes and businesses) connected to the fibre broadband network by the end of 2017.*

Community Broadband Scotland (CBS) has been working directly with communities to connect premises since 2012. CBS has connected over 1400 premises and is exploring alternative business models to help delivery in the most remote and dispersed areas where the business case for a sustainable solution is weakest. However, this programme is currently only funded until March 2018.

Already focus is turning to “Reaching 100%” (known as R100) the Scottish Government’s commitment to bring superfast broadband to all premises in Scotland by 2021. The core of this programme is a large scale national procurement, being led by the Scottish Government’s Digital Directorate, which is anticipated to attract a commercial provider or providers to deliver connectivity to the majority of premises in Scotland which do not yet have access to superfast broadband (now defined as >30Mbps).

At a national level, the UK Government and Ofcom are considering the introduction of a broadband universal service obligation (USO) that would give everyone a right to a basic broadband connection on reasonable request. The recommendation, at the moment, is that the minimum speed for the connection would be set at 10Mbps which BT have suggested they may fund on a voluntarily basis. However, it is currently unclear how and when the USO would operate in Scotland given the more ambitious objectives of the Scottish Government’s R100 project.

Recent press coverage has highlighted that the Highlands and Islands has greatest proportion of premises receiving low speeds. Currently, one in five premises in the region has speeds of under 10Mbps and one in twenty receives less than 2Mbps.



These premises are scattered across the region and are by no means confined to fragile areas or small islands. One of the less desirable outcomes of the value for money approach of the DSSB projects has been the widening of the digital divide in rural Scotland where close neighbours can experience 50Mbps or 0.5Mbps.

Development of improved mobile connectivity is an essential complement to fixed services as some communities have been unable to get even a 2G voice service. HIE has recently provided Local Authorities with the twice yearly update on the progress of the range of mobile developments.

In summary, the Mobile Network Operators are making rapid progress through a number of separate initiatives with 4G now available in many communities for the first time.

- The industry is upgrading circa 680 existing infrastructure sites to 4G
- A further 252 new sites are being built through the Emergency Services Network (ESN)
- The industry are building a further 45 commercial sites
- The Home Office are progressing plans for 65 sites in the most challenging areas in the HIE area
- The Scottish Government through the Mobile Action Plan (4G infill) is currently progressing survey and procurement work through Scottish Futures Trust and in consultation with the industry for a further 28 sites in the HIE area specifically addressing recognised not-spots in conjunction with Ofcom predicted coverage data. A second phase of sites is also under consideration.
- Scottish Futures Trust has built a site on the island of Coll and other sites are in development on Arran and in the Cairngorm National Park.

The scale of current mobile development is unprecedented creating heavy demand on the capacity of the industry to deliver. However the commercial and ESN developments are targeted for completion by the end of this year.

### **Importance to Highlands and Islands**

The importance of modern, high quality, affordable fixed and mobile services has never been greater. The influence of digital technologies reaches across all sectors making excellent connectivity essential for economic growth, education and everyday living.

The benefits of broadband access and use for economic development are well documented. Recent research from the UK broadband Impact Study (2013) cites an estimated £20 of net economic impact for every £1 invested.

Many parts of HIE's more remote and rural areas have not yet been served whereas other areas of Scotland are already realising the benefits of superfast broadband.

Good quality, reliable broadband is an essential element in attracting and retaining population in peripheral areas, allowing people the opportunity to work from home and helping businesses compete in world markets. Arguably improvements in digital connectivity are the most urgent infrastructure priority for the Highlands and Islands and the one that has the potential to contribute the greatest economic benefit.

## **National and International context**

Although telecoms remains a reserved matter and the responsibility of the UK Government, the Scottish Government is working in partnership with the UK Government, other parts of the Scottish public sector, Ofcom and with industry to extend the benefits of good quality connectivity. The Digital Strategy For Scotland highlights the importance of digital connectivity to Scotland's economy.

The strategy sets out the Government's intentions to extend backhaul capacity, adopt an outside-in approach and increase coverage through its R100 procurement that will be launched in 2017.

The strategy also underlines the Government's commitment to develop an infill programme to address mobile "not-spots".

## **Levers to influence change**

As described above there are a number of initiatives both at a UK and Scottish level to extend broadband coverage. The existing DSSB projects will continue to go as far as possible within existing budgets and CBS will continue to support existing projects. A number of privately funded fixed wireless access providers are setting up – in Arran, Ullapool, Black Isle, Orkney and Loch Ness areas. These will be encouraged and supported within the constraints of the state aid and public procurement regulations. The Better Broadband Scheme (BBS) has been of great benefit in encouraging people to sign up with these providers and it is recommended that this Scheme is extended beyond the current closing date at the end of 2017.

BT has also announced plans to extend its 21CN platform to most exchanges by the end of 2018. However, these upgrades will not meet Scottish Government's superfast target of 30Mbps. The company is also undertaking trials to extend the reach of VDSL, G.fast to increase speeds available on copper lines and, in Altnaharra and Skerry the complete replacement of copper lines with fibre for telephony and broadband services.

However, the two initiatives that will have the biggest impact on achieving improved broadband are R100 and the national USO developments. The Scottish Government is keen to see the minimum speed for the USO increased from 10Mbps to 30Mbps in line with its own aspirations.

Stakeholders in the Highlands and Islands are keen to understand the role of the USO within the context of R100 and how R100 will deliver benefits particularly to those communities who are on the very lowest speeds.

## **Key stakeholders**

Given the cross-cutting nature of digital developments and the benefits for the economy, communities and the delivery of public services, all COHI members have an interest in seeing improvements in both fixed and mobile connectivity. However, the main responsibilities for taking this forward will be the Scottish Government, Local Authorities and Highlands and Islands Enterprise. The UK Government (DCMS

and BDUK) and Ofcom are key to national developments. The full engagement of the telecommunications industry is also critical for achieving an acceptable outcome as the public sector cannot achieve this on its own.

### **Actions and options**

Although superfast broadband is now available to 75% of premises in the region, take-up within each Local Authority area is on average around 38% of those who can access the service. There is scope to encourage greater levels of take-up which would maximise those receiving benefit and increase the potential for clawback (gainshare) which would provide additional funding to increase coverage. COHI members could assist in the promoting the service where it is available. For example, Argyll and Bute Council has used the annual Council Tax correspondence to spread the message.

Some investigation has already taken place to understand how the Scottish Wide Area Network (SWAN) could be used to improve the broadband and mobile services available to communities. Also being investigated is the potential for replacement subsea electricity cables to deliver the fibre backhaul needed for broadband services in island communities.

There is undoubtedly more that can be done with greater partnership working particularly in the area of delivery of public services islands with low populations. Indeed, sharing of connectivity infrastructure and contracts may be the only way to affordably provide essential digital service to our smallest and most fragile communities.

### **Ask of COHI**

COHI members will be keen to gain a greater understanding of how R100 will be delivered within the Highlands and Islands. In particular, they may wish to seek reassurance that the main procurement will be sufficiently well funded to ensure that our homes and businesses will receive the same mainstream solutions as the rest of the country. In addition, they may wish to confirm the an expectation that the outside-in approach promised in The Digital Strategy For Scotland will prioritise early benefits to those with the poorest broadband speeds in every Local Authority area, bringing the Highlands and Islands a level of equity in coverage which is currently lacking.

## HIGHLANDS AND ISLANDS POST 2020 - EQUALITY OF ACCESS TO 21ST CENTURY TRANSPORTATION SERVICES

### Overview

This strand targets the objective of delivering a common standard of transport connectivity and affordability for like for like communities across the region. These services need to be measured to match 21<sup>st</sup> century quality of life and business standards and appropriately comparable to services across Scotland and the UK more generally.

Specifically this strand seeks to attend to the following themes:

For business to grow and to thrive – All communities across the region should be able to access / be accessed from the Central Belt within 2-3 hours by affordable rail or air, and have common standards of transport connectivity by other means for like for like communities across the region - in particular a measure of affordable and frequent connectivity with the Scottish Mainland (for islands, taking into account inter-island travel) and a city city/region (for rural areas).

For communities and individuals - There should be appropriate and common standards of affordable access to and around the nearest local centre; this might be by bus, ferry, plane, community transport, on foot or by bike, with generally a minimum of three return passenger transport journeys per weekday and seven days a week services.

For moving freight - Goods should be able to travel into and from the region and within and between communities within localities with minimal delay, with good reliability and at a reasonable and consistent cost across the region. There should be no barriers to moving produce from the region to access their market - enabling delivering inclusive growth across the region.

### Nature of opportunity and / or scale of challenge

Transport underpins 21<sup>st</sup> century life and is an essential component of local and national infrastructure and economic and social wellbeing. There are particular challenges for the region in this sector, due in part to geography (dispersed rural and island communities, distant from central belt focussed activity) but also an historic backlog in investment in key infrastructure such as ferry, road, rail and air services. It is essential to address these challenges, which also present substantial opportunities if delivered urgently, not only to unlock the potential for Scotland to prosper as an inclusive, diverse and interconnected society and business location of choice, but also to arrest the decline and prevent the loss of fragile rural and island communities which will occur without urgent change.

Some considerations:

- Transport investment positively affects economic performance. Evidence indicates that if the stock of transport infrastructure could be doubled the economy (GDP) would grow by c8.5%.
- There is good evidence of strong positive economic effects associated with regional airports. Good connectivity at a local level is also needed as this increases economic mass and productivity.
- Technology advances offer opportunities and region needs to be at forefront of development – EV's ,Hydrogen, autonomous vehicles. Transport is a major energy user and there is the opportunity to embrace new low carbon technology through infrastructure development including the specific realisable potential for rural/island communities within the region to operate as 100% green energy fuelled transportation systems.
- There are major capital investment opportunities in the region which could secure and create Scottish jobs and wealth. Investment is needed in rail, roads, ferry, aviation and active travel to support the growth of our key economic sectors
- There are 56,000 kilometres of roads in Scotland, 3,570 km are trunk roads and 52,417 km are local authority roads. Within the Highlands and Islands there are 33,454 km of roads, equivalent to 60 per cent, of Scotland's road length; that is 38 per cent of all trunk roads and 59 per cent of local authority roads in Scotland.
- Of the local authority roads, just under half (49 per cent) are unclassified, while just 13 per cent are A-roads, 13 per cent B-roads and 17 per cent C-roads.
- All of Scotland's internal vehicle ferry services operate to or within the region transporting some 6 million passengers each year.
- Challenge of bus networks, and mixed responsibility between Westminster and Holyrood for Regulation etc.
- There is a shortage of drivers for road based freight transport, estimated by SDS at up to 11,000 drivers. SDS has an action plan in place to seek to address this shortage but need to continue to explore this issue.

## **Importance to Highlands and Islands**

As noted above, transportation is an integral and essential component of life and economic wellbeing in the 21<sup>st</sup> century. However, current transport networks and services in the Highlands and Islands are often fragile. i.e. lifeline roads or ferry services and generally low frequencies of public transport services. There are also critical gaps in provision across the region which must be addressed and so provide the platform to support other objectives across economic, health, care, education, tourism and inward investment. There is a need for a step change in consideration of these matters in order to ensure consistency in the standard of service provided within the region and to inform this there needs to be a fresh approach to generating and maintaining good baseline data to inform this. Achieving the objective of an inclusive growth agenda will be impossible without addressing transportation gaps within the region.

Transport bodies and operators need to work together to provide both integrated service provision to realise efficiencies and integrated service delivery to improve connectivity.

New advances in communication and technology provide opportunities to provide more integrated, smarter services through partnership working at a community planning and regional level.

### **National and International context**

The Scottish Government is rightly proud of its high quality of environment, economic prosperity and cultural diversity. The Government's economic strategy sets out a framework for a fairer Scotland recognising the importance of regional cohesion in achieving positive economic outcomes. Unless common, 21<sup>st</sup> century standards of transportation are delivered to all of Scotland's communities this diversity will be lost and with this, the loss of opportunity to capitalise on emerging global footloose economies which target the type of unique and dynamic environments which the Highlands and Islands offer -if they are appropriately connected to Scotland and the world.

The Highlands and Islands provides a backbone to both Scotland's tourism industry but also to vital economic sectors including energy and the UK's largest food and drink exports. All these industries rely on transport networks to reduce costs and give confidence in reliable services that can enable them to grow sustainably.

### **Brexit Implications**

As noted there is significant backlog in infrastructure provision across the Region and access to an immediate and direct replacement source of funding for ERDF and other EU structural support mechanisms will be essential. Without this, the long term planning and delivery of essential transportation systems and services to enable inclusive growth and social well-being will not be delivered. There are also a wide range of statutory/legislative provisions managing core lifeline services, e.g. Air and Marine Regulations, as well as EU procurement considerations surrounding investment decisions. It will be important to ensure that any replacement to existing EU systems and protocols are designed to recognise the particular challenges and opportunities associated with procuring services and infrastructure in rural and island settings. For example, the capacity for local companies to complete for some business (which can have marked benefit to long term economic sustainability of small communities) could provide an opportunity for change for the region. Also, the necessary investment in new infrastructure (e.g. new ferries and aircraft across the region) provides a substantial opportunity for companies providing ship building and aircraft manufacturing development services in Scotland.

### **Levers to influence change**

The Islands Bill, Transport Bill and Planning Bill all provide the opportunity to implement a legislative framework that can help realise some of this economic growth for the Highlands and Islands.

It is important that capital infrastructure developments and revenue provision are common across the region and across all transportation modes and that asset replacement, capacity and cost factors for both passenger and freight services are accounted for, including the need to account for growth sectors such as tourism.

There are significant gaps in this programme at present (as highlighted above) which need to be addressed urgently.

### **Key stakeholders**

The Scottish Government – need to reassess level of priority to transportation capital and revenue expenditure across the region. This will require greater prioritisation in financial commitment within Scottish Government spending reviews and budget setting. This to recognise the universal/underpinning nature of transport to all sectors of life and the economy in Scotland and in particular the Highlands and Islands region for example education, health, care and economic prosperity. There is a need to reach the point where there are common standards of provision, fit for 21<sup>st</sup> century living and working for like for like communities across the Region and across all of Scotland. To achieve this there requires to be growth for associated Transport Scotland baseline funding, as well as capital availability. This can be achieved in recognition that transport is critical to other more traditionally favoured budget areas such as health care and education. For without transport people cannot access these services, or be accessed through innovative “smart” approaches to service delivery.

*Transport Scotland* – Undertaking National Transport Strategy on behalf of Scottish Government. Key to influencing funding and framework of transport provision across H&I e.g.. STPR, Rail, Ferry Franchises and regional delivery models etc. This paper will also link to the National Transport Strategy review – which will also lead into the strategic transport infrastructure investment plan. This is important for directing future investment and opportunity for COHI to influence the form of the Strategy in relation to H&I priorities and infrastructure requirements, particularly in the context of Brexit.

The UK Government – to ensure appropriate level of priority in future post Brexit Intervention programmes for transportation, recognising primary importance of transportation infrastructure to the functioning of the Highlands of Islands as a Region, and within localities and also the opportunity to enhance economic prosperity and life quality and attract global footloose new economies which value these factors.

*Department for Transport* – Aviation Strategy opportunity to state importance of regional access to London and international hubs and identify levers for optimising this.

Transport Operators and providers – H&I needs to work with industry leaders to ensure that the region can lead on implementation of smarter, cleaner transport and optimises local employment opportunities.

All COHI region Local Authorities – all charged with operational responsibility for core transport infrastructure, and in some cases direct delivery of services (air and ferry) which provide lifeline connections between rural/island communities and the Scottish Mainland

Regional Transport Partnerships – supporting strategic thinking, research and delivery of specific project activities.

Community Planning Partnerships across the COHI area – key body for coordination of local services and management of outcomes/LOIPs etc.

## **Actions and options**

Support and champion all transport infrastructure and service improvement projects across the Region where these fit within the principles and aim outlined below.

Input into development of Islands bill – opportunity to island (and more generally rural) proof future legislation

Islands Bill, Planning Bill and Transport Bill – Opportunity to help shape framework for community / regional planning and partnership working which can deliver positive outcomes.

Consider options for non-trunk road developments in terms of eligibility for additional funding on a case by case basis, driven by an assessment of the additionality such investment could bring. This could include issues such as pressure on nationally significant or tourist destinations or the potential regional and national economic impact of improving transport routes in support of new commercial ventures. Such funding could be channeled through Regional Transport Partnerships.

## **Ask of COHI**

To endorse the following principles:

- Recognition of the prime importance of transportation infrastructure service levels and affordability to life and business prosperity across the region.
- That transport underpins and is essential to the delivery of an inclusive society and economic prosperity as well as direct accessibility of wide range of sectors including health, education, care, tourism and commerce across the region.
- The priority to urgently secure and then maintain common standards of transportation infrastructure and service provision for like for like communities across the Region, with reference to the objective of a comparable, fully integrated, 21st century standard of infrastructure and services across all of Scotland.
- That diversity and uniqueness of communities, geography and economic opportunities across and within the Region, (in particular the position for rural and island communities which have unique and different challenges) requires a greater level of subsidiarity, resourcing and flexibility in the specification and delivery of transportation services.

To establish the following strategic aims

- 1) *“to achieve low carbon energy based transport solutions wherever possible and the specific aspiration to identify and deliver progressively toward 100% low carbon transport systems within the region”*



- 2) *To deliver an appropriate level of infrastructure and service level provision to deliver equal access to services and governance and to enable inclusive growth opportunities for all communities across the COHI region*

It is also recommended that COHI engage directly with the review of the National Transport Strategy, and to strongly promote the setting of the future investment programme and priorities within the NTS to match the critical nature of these investments to the future of the Highlands and Islands and the overall delivery of inclusive society and economic prosperity

### HIGHLANDS AND ISLANDS POST 2020 - HIGHLANDS AND ISLANDS SKILLS INVESTMENT PLAN (HSIP)

#### Overview

The Highlands and Islands Skills Investment Plan (HSIP) was launched at Convention of the Highlands and Islands (CoHI) in October 2014 following a comprehensive analysis of socio-economic data and employer and other key stakeholder engagement. CoHI endorsed the HSIP and a Programme Board was established which includes representation from each of the six Highlands and Islands Local Authorities, North Ayrshire Council, Skills Development Scotland, Highlands & Islands Enterprise, Scottish Funding Council, University of the Highlands & Islands, Bord Na Gaidhlig, Scottish Council for Development in Industry and NHS Highland.

The key themes identified by the HSIP were:

- Meeting the current skills needs of employers
- Planning for the future
- Strengthening the employers voice in the skills system
- People attraction and place attractiveness
- Creating a region for young people

These themes are highly relevant and remain as key drivers as we prepare for the challenges in the region post 2020 and work together to ensure growth in existing businesses while encouraging inward investment across the Highlands and Islands.

A great deal of hard work has been undertaken to deliver on many of the HSIP actions. This includes significant progress on developing a robust evidence base that supports skills planning across the region, improved co-ordination on research and analysis, enhancing the college and university structural and academic infrastructure to advance the learner experience and provide skills that meet the needs of the economy, innovation towards awareness raising in STEM in schools, communities and the University of the Highlands and Islands and innovative pathways in Foundation, Modern and graduate pathways on offer in school curriculum, college/university settings and in workplace. A full report on 2017 HSIP progress report is available in the CoHI Oban delegate papers

Whilst there have been significant progress in implementation of HSIP action plan, the region still faces a major challenge from a lack of working age population through continued out migration of young people and an inward flow of older people moving in for a quality of life retirement experience. The potential impact of BREXIT will undoubtedly exacerbate an already concerning situation with regard to accessing a skilled workforce in all geographical areas and sectors of the economy, particularly in many of the traditional and growth sectors such as agriculture, aquaculture, fishing, tourism and hospitality. The ageing demographics, evident in all communities in the Highlands and islands, are also increasing pressure on the delivery of services across remote areas and are compounded by issues around recruitment of health and social care staff.

Whilst some progress has been made on efforts to develop a co-ordinated approach to Talent Attraction, with the commissioning of a Highlands and Islands Talent Attraction Strategy and Action Plan, there is still some work to do to ensure that the urgency to create a region for young people, people attraction and place attractiveness achieves the region a successful outcome.

### **Nature of opportunity and / or scale of challenge**

Key to delivery of a workforce that met the needs of existing and the emerging economy of the region is access to a sustainable skilled population. This is under threat due to the potential to lose access to the highly skilled and mobile EU migrant workforce as well as EU employability skills and infrastructure funding streams.

The Highlands and Islands, similar to other regions, are dependent on the EU Migrant workforce to fill vacancies in food production, fishing, tourism and hospitality, health and social care and other traditional and key sectors. As a region, food and drink production and tourism have benefited from existing trade agreements and ease of travel across EU states.

The University of the Highlands and Islands has invested in courses, infrastructure and research projects with EU funding support and benefits from the attendance of non-UK EU staff, researchers and students. Many of these students have the opportunity to remain in the region to live and work and are a valuable source of talent attraction.

Local authorities have accessed EU funding that has enhanced and advanced the socio-economic learning and living environments of the fragile and more remote communities across the region.

Currently, a whole series of national and local in depth assessments into the impact of BREXIT are underway and it is essential that the HISIP action plan reflects the recommendations and actions that will emerge from the research and analysis of the challenges ahead.

### **Importance to Highlands and Islands**

As well as preparing for the challenges faced by the impact of BREXIT, the HISIP actions will provide renewed focus and ability to respond to emerging skills issues:

- Implementing the Scottish Government Enterprise and Skills Review –leading to even greater integration and co-operation to ensure alignment of education and skills provision towards the needs of the economy
- Supporting Developing the Young Workforce and the ability for employer groups to engage more fully with schools and education provision to influence the curriculum, skills for the workplace and awareness of local employment opportunities
- Integrating actions from skills analysis of need in Gaelic Labour market and key sectors such as Energy, Manufacturing, Early Years and Childcare, Agriculture and Aquaculture

- Ensuring skills needs are met through the delivery of Inverness city deal and development of Islands', Moray and Argyll & Bute Growth Deals
- Maximising the skills alignment potential from the University of the Highlands and Islands Regional Outcome Agreement in support of retaining and attracting a talented skilled workforce across the region
- Supporting the efforts to ensure continued improvements in education attainment, reducing inequality in educational outcomes and ensuring supporting enhanced employability skills and positive destinations for school pupils, all young people and learners

## **Education and Attainment in Highlands and Islands**

The Scottish Government is committed to continued improvement in educational attainment and reducing the attainment gap. Across the Highlands and Islands, Directors of Education and Children's services work together, through The Northern Alliance, to identify and co-ordinate a programme of continuous improvement in delivery of positive outcomes through innovative, effective and efficient education services. The Northern Alliance brings together Comhairle nan Eilean Siar, Aberdeen City, Aberdeenshire, Highland, Moray, Orkney and Shetland Councils and it is anticipated that Argyll & Bute will join in the near future

The Northern Alliance believes that the ability to draw on shared learning and wider expertise makes it better placed to deliver on the National Improvement Framework priorities:

- Improvement in attainment, particularly in literacy and numeracy;
- Closing the attainment gap between the most and least disadvantaged children;
- Improvement in children's and young people's health and wellbeing; and
- Improvement in employability skills and sustained, positive destinations for all young people

The poverty-related attainment gap is a particular focus as many challenges across the region relate to rural poverty. The Northern Alliance is committed to eradicate the attainment gap, through accelerating targeted improvement activity in literacy, numeracy and health and wellbeing.

Its main areas of work for the coming year are:

- As part of strengthening the "middle", establishing a Regional Improvement Forum and a Regional Improvement Advisory Forum (involving partners) to provide leadership and expertise.
- Moving forward with a leadership programme, and scaling this up across education and children's services.
- Scaling up the well-established emerging literacy initiative, and establishing a similar programme for numeracy.
- Exploiting the opportunities afforded by the Esgoil and other distance learning developments, to ensure the broadest possible curriculum for our learners, including through Gaelic medium education.
- Further developing the professional networks that have been established to date, around: early learning and childcare; 1+2 languages; Additional Support Needs; and integrated Children's Services Planning.

- Continuing to look with partners at new approaches to address the challenge of staff recruitment.
- Developing new initiatives, likely to include: data collection and attainment in mathematics
- DYW development and business engagement that helps to shape the curriculum

The Northern Alliance looks forward to establishing new partnerships in the wider education and children's services community. This includes reaching out into the world of business and employability, to progress the significant priority of Developing the Young Workforce, building on activities to promote STEM subjects, and using the evidence base to help shape curriculum towards the growth sector opportunities that our region can offer.

The HISIP and regional skills planning partnership will support the work of The Northern Alliance through:

- Representation from the Northern Alliance on the HISIP Programme Board to ensure on-going development in education are aligned to the needs of employers and the opportunities within the region
- Raising awareness of skills needs, issues and opportunities through the Regional Skills Assessments, Local Skills Plan and the wider national/regional skills evidence base
- Involvement in the continued development of innovative attractive pathways which encourage young people to remain in the region to learn, train and work and creates clarity on the journey from school to Further and Higher education to the opportunities in the workplace
- Consistent implementation of the Career Education Standards to ensure clarity, aspiration and ambitions through the career decision making processes by young people, their parents/carers, teachers and other key stakeholders

### **National and International context**

HISIP - fuelling a skilled Highland and Islands economy post 2020 will:

- Provide renewed focus on a skills planning partnership approach that responds to the Scottish Government Economic Strategy and provide the region with a strategic approach to ensure it is able to invest in its people, capitalise on workplace and economic innovation, promote inclusiveness and ensure it's Education, research, employment and economy has an attractive internationalised offer.
- implement the recommendations of the Scottish Government Skills and Enterprise review to ensure a simpler and more coherent enterprise and skills system that is driven by robust evidence and increased skills alignment between enterprise and skills
- assist the on-going efforts to close the Attainment Gap and ensure sustained positive destinations for young people across the region
- where appropriate, incorporate the recommendations and actions being developed through the Scottish Government's ambitions in support of Innovation, Digital, STEM, Energy and Early Years and Childcare policy

## **Levers to influence change**

The HISIP has outlined the main challenges facing the region and set out five key themes and a set of actions to address the challenges and opportunities. Despite evidence of progress, efforts to ensure a sustainable population from which to draw down a skilled workforce remains a challenge that is being exacerbated by BREXIT looming on the horizon. The HISIP – fuelling skills in The Highlands and Islands Post 2020 should embed the skills related actions that will emerge from national and regional research to address the potential impact of BREXIT.

The HISIP, and work of the Programme Board, should enable a more aligned approach on regional education and skills provision that informs and supports the improvements taking place in pre-school, broad general education and the senior phase education to ensure that academic achievement, educational attainment and work based learning keeps pace with the changing and challenging workplace.

## **Key stakeholders**

Scottish Government, HISIP Programme Board, all Highlands and Islands local authorities and North Ayrshire Council, HIE, SFC, SDS, SCDI, UHI, Bord Na Gaidhlig, and NHS Highland. Private, Third and Community sector representation and The Northern Alliance.

## **Actions and options**

- Individual members should be aware of the work to deliver the actions of the HISIP detailed in the 2016/17 Progress Report provided to CoHI in October 2017
- Members should approve the proposal to commit resources and combine efforts towards the implementation of the regional talent attraction strategy
- Members should provide appropriate representation and resources to help identify and support delivery of HISIP actions that fuel a skilled economy in the Highlands & Islands Post 2020

## **Ask of COHI**

CoHI is therefore asked to

- Renew a commitment, across partners, to implement a strategic, cohesive and co-ordinated regional talent attraction approach to ensure a sustainable workforce
- Continue to endorse the HISIP as the mechanism for collaboration and co-ordination on an effective response to the skills needs of the region
- Approve the HISIP, its evidence base and a regional skills planning approach to work proactively in support of the aims of The Northern Alliance in its efforts to close the attainment gap, improve the health and well-being of children and young people and enhance employability skills that promote sustained positive destinations for all young people

## HIGHLANDS AND ISLANDS POST 2020 - HIGHLANDS AND ISLANDS TALENT ATTRACTION, RETENTION AND RETURN STRATEGY AND ACTION PLAN

### Overview

The overarching objective of the Highlands and Islands Talent Attraction and Retention Strategy (revised Action Plan June 2017 appended) is to:

- increase the number of working age people living and working in the region;
- reverse the forecast decline in population while rebalancing from aging to young/working age residents by achieving year on year positive net migration;
- ensure that business located in (or locating into) the Highlands and Islands are able to access an appropriate scale and scope of skilled future talent;
- develop a co-ordinated approach across the Highlands and Islands to talent attraction and retention

### Nature of opportunity and / or scale of challenge

The Highlands and Islands region is faced with a number of challenges such as:

- a tight labour market with limited pool of resources – H&I typically has a low level of unemployment however there are high levels of underemployment across the rural, remote rural and islands communities;
- a deficit of skilled people of working age – in particular 15-39 year olds; and
- an out-migration (although maybe temporary) of young people to pursue higher education

The region spans seven local authorities and covers areas that are very different in nature i.e. sectoral make up, island and mainland locations. As such, there are a number of local authority area approaches to talent attraction and retention developed to provide a local response to individual skills issues.

There is a shared and clear focus from across the entire region around a number of aspects, including:

- young people;
- employability and skills development;
- business growth and key sector development;
- the recent and potential future impact of having a new university fully based in the H&I, particularly with the dispersed nature of provision
- image and perception; and
- the wider regional offering

From the Regionals Skills Assessments and supporting labour market forecasts an estimated additional 4,500-7,500 jobs could be created in the region. These figures may underestimate the likely demand as it does not take into account replacement demand i.e. people leaving the market or changing careers.

Recent data details net migration figures to be heavily dominated by an out-migration of 1,100 people aged 25-34 years old, furthered by c.50 aged 35-54 (2013/14).

Ageing demographics coupled with the falling net migration has resulted in restricted working age population. At the same time, the number of businesses has increased.

### Number of Business and Growth Rates

	Highlands and Islands		Scotland	Great Britain
Year	Number	% change	% change	% change
2010	19,765			
2011	19,685	-0.40	0.06	-0.93
2012	20,240	2.82	4.01	3.42
2013	20,235	-0.02	0.43	0.92
2014	20,585	1.73	3.75	7.75
2015	21,750	5.66	7.34	5.24

The supply side is also competing for talent. The school roll is estimated to decrease by 7% by 2018 (roughly 1,900 pupils).

As the majority of students attending HEIs within H&I reside in the area: competition between universities, colleges and MA providers to attract individuals will increase. There is therefore a rationale for HE and FE to better promote their unique courses to attract more individuals from out with the H&I to study.

The combination of the above results in the needs to:

- attract new talent into the area;
- re-attract those that left that are likely to return; and
- increase promotion of current and future employment, education and training opportunities for young people that would like to remain however are unsure of their options

As such, it is clear that the issue of talent attraction and retention is a clear and present challenge for the Highlands and Islands.

It is important to recognise that the Action Plan focuses on delivering some regionally consistent activity supported by a range of local actions, some of which are already in place. Therefore the Action Plan is additional to local activity.

### **Importance to Highlands and Islands**

Talent attraction and retention is a national issue and the competition for skills and labour is now global both inwards and outwards. It is important therefore that the Highlands and Islands is capable of presenting itself as a competitive region of Scotland in addition to having strong localised propositions.

Talent attraction and retention is not just a skills issue. Instead it is about the “whole package” and a number of “hygiene factors” need to be in place for individuals to stay or locate in an area.



For example, having good quality jobs with good career prospects may be a pull factor, a lack of appropriate and affordable housing will act as a push factor. These wider factors include:

- a range of employment opportunities;
- opportunities for career progression;
- appropriate employment opportunities for spouse/partner;
- a range of housing and tenure options;
- good quality education facilities for children (particularly primary and secondary education);
- access to higher and further education across the region in both a rural and urban environment and the use of blended learning
- access to mobile and broadband of sufficient speed and coverage;
- access to good transport facilities such as road, rail, sea, and air; and
- social and leisure amenities

Jobs, housing and education are seen as the most important factors although all elements should be in place for maximum success.

### **National and International context**

A competitive region with a strong labour market and skills base is essential not only to the region itself but to the bigger Scottish picture, demonstrating a spread of sustainable and high quality opportunities across the entire country.

A region with a good education offer supported by career opportunities across all skills levels and sectors is in line with Scotland's Economic Strategy and the supporting strategies of Scotland's Labour Market, Developing Scotland's Young Workforce in addition to individual growth sectors and key subject area strategies that share the ambition to raise productivity and inclusivity across the board.

### **Levers to influence change**

The region has achieved much over the decades to arrest and transform the Highlands and Islands from an area of economic deprivation to an increasingly competitive, globally connected part of Scotland and the UK. However there is still much to do to maintain and develop our economic position and the focus on talent should never stop.

The region must always keep an eye on the wider context in which it operates and also competes, and evolve its response to working age population to include a macro as well as a micro suite of activities and incentives.

As a region that depends heavily on migrant labour, the yet unknown effects of Brexit and changes to VISA legislation, particularly Tier 2, will undoubtedly make the attraction and retention of talent even more challenging.

### **Key stakeholders**

A multi partner approach at a local, regional and national level is essential to the success or failure of the region's ability to attract and retain talent and skills.

Continued involvement and communication will be crucial to ensure the momentum and interest.

The strategy document recommends that implementation of the Action Plan follows a model comprised of two levels of engagement; strategic guidance from at a regional level and then individual work streams for delivery.

The key partners that will drive this forward are those organisations represented on the HISIP Programme Board. As that group is a 'skills' group, whether or not the correct parts/remits of those organisations that can come with authority to act on decisions around the regional talent plan, possibility requires further probing/discussion.

The transfer of responsibility and accountability particularly around the consistent development and delivery of the local focused actions from the regional plan does need to be discussed further and an agreement reached as to which LA with lead on which strand and report back to the overseeing steering group/board.

Regional activities and the continued evolution of the regional strategic approach is straight forward in terms of establishing a lead partner as this would sit under the responsibility of the regional and national development agencies. Depending on whether the strategy and plan (which has origination from within the HISIP) extends to include or dovetail with the other development areas working in parallel – a new forum specifically looking at talent in its entirety may need to be created.

## **Actions and options**

The Strategy and Action Plan has been created and further sense checked (June 2017) across the HISP partners. The immediate action required is to land on a structure for taking the actions forward with responsibility and therefore accountability to be agreed. The action plan will undoubtedly have a resource implication in terms of building and delivering the various activities. At this juncture however, this would be limited to partners' staff time. As the plan progresses out of the planning stage – a better understanding of the combined resource implication will become evident. By and large, most of what is needed is either already being done or in planning however is not yet working collaboratively across the region.

The attached action plan addresses the different work strands spread across the four key themes of regional information, marketing, attraction and retention of talent. Broadly – these themes and actions have been devised to take account of the following;

- establishing governance framework to oversee delivery;
- detailed place mapping for each local authority e.g. housing, infrastructure, connectivity etc. linked with the local authority RSAs;
- develop a regional and sub-regional offer which can be used as a promotional tool;
- develop a single regional marketing campaign;
- better promotion of employment and career progression opportunities;
- better promotion of MA opportunities and MA expansion plan;

- better promotion of UHI USPs and other HEIs in the region
- sector specific opportunity;

We would also highlight four further actions for consideration:

- Further analysis of the latest SDS employment forecast data to review supply and demand co-efficients to establish the potential scale of the challenge in more detail.
- The creation of a measurement framework tied to numerical targets which align with key data from the Regional and Sub Regional Skills Assessments (which are published annually).
- Comparison of regional outmigration with other Scottish regions. This will be drawn from such evidence bases as Scottish Government School Leaver data, SDS Participation Measurement reporting and HMRC Employment Data
- Research and contingency planning around the implications of Brexit.

### **Ask of COHI**

CoHI is therefore asked;

1. to endorse the Regional Strategy and Action Plan
2. to endorse the recommendation for the ownership and governance of the Talent Attraction Strategy and Action Plan to remain with the HISIP Programme Board with partners represented by officers that have the authority to lead on talent attraction activities at a local and regional level.
3. structure for taking it forward
4. discuss the option of providing a Talent Attraction Champion from each representative organisation / partner with appropriate authority to speak, decide and act of its behalf in relation to the local and regional actions and the continued evolution of the regional talent partnership

## HIGHLANDS AND ISLANDS POST 2020 - DEVELOPING A MARINE ECONOMY STRATEGY FOR THE HIGHLANDS & ISLANDS

### Overview

This paper proposes the development of a regional strategy that would optimise our marine (or blue) economy and thereby achieve more value to H & I, Scotland and UK economy.

### Nature of opportunity and / or scale of challenge

The Highlands & Islands is internationally recognised for its unique marine and coastal assets. The region celebrates these and is doing much to optimise them to create economic growth – jobs, science and innovation infrastructure, new businesses etc. However, we tend to do so in silos, where we focus on sub-sectors, for example Aquaculture, Marine Biotechnology, Wave & Tidal, or in sub-region specific approaches like Orkney and the Pentland Firth, the European Marine Science Park in Argyll. By taking this approach, we are missing the bigger picture and the bigger opportunity of presenting and promoting the region to greater effect. This work strand suggests that the development of a Strategic approach to the region's vast marine proposition would present significant dividends, not least of which would be making clear investment decisions for the future to help propel the sector, taking care to do so in a sustainably responsible manner.

An example of where this is being done well is: "Tromso – The Hot Spot for Cold Biotech" <http://biotechnorth.no/sites/biotechnorth.no/files/publications/prospects2.pdf>

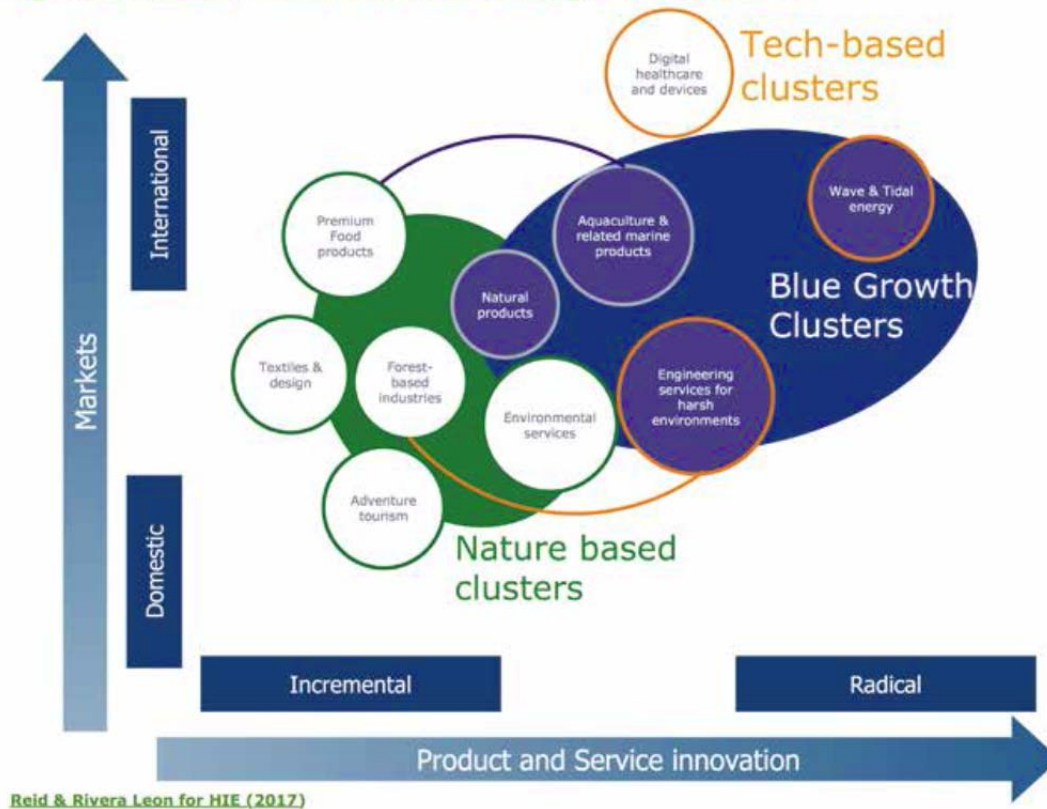
### Importance to Highlands and Islands

The development of a regional Marine Economy or Blue Growth strategy would harness all the unique physical and biological assets and shape new ways of thinking about how we optimise them. This could create new partnerships across the region, and influence new ways of working. By bringing the spotlight on our collective marine economic strengths this would enable us to show the impact that the region is able to bring to the Scottish economy and gain better recognition in Scotland and the UK.

The Highlands & Islands has a 'natural competitive' advantage in both physical (e.g. wave/tidal) and biological (land and marine ecosystems) resources for the development of new blue growth businesses in the region. We also already have well established world leading academic and business agencies and institutions in the region which are leading, and could continue to take on enhanced role in, this sector moving forward (e.g. EMEC, Heriot Watt, SAMS, UHI etc.). The majority of Scotland's coastline is also encompassed within this region and there is a vast wealth of tradition and applied skills in the marine profession and supply chain and marine infrastructure which are all fundamental and essential to this sectors development. This sets it aside from the rest of the UK. Growing the research capacity and the linkages to business networks, there is the potential to develop the

region as a base for innovation-intensive natural resource based business models. A key focus would include aquaculture, marine biotechnology, wave and tidal power and marine tourism. Figure 1 below shows Blue Growth a key strategic cluster for the Highlands & Islands. Successful implementation of a regional strategy will result in more jobs, more education, more businesses, more innovation in the region, impacting significantly on our economy.

## Highlands & Islands Strategic Clusters



Whilst the focus of the paper is on optimising the value of the marine economy, it is vital that we align this with wider environmental policies to ensure that the pace, scale and type of growth is compatible with regional, national and international commitments for socially responsible and long-term environmentally sustainable outcomes. In the particular case of the Highlands and Islands, the relative sensitivities of remote coastal and island communities, economies and ecology is important context to developing the strategy. This should include an appreciation of the dependencies of people in these areas on the on-going quantity, quality and resilience of their surrounding natural environment for their sustained prosperity, well-being and quality of life.

### National and International context

At present, whilst there is recognition of the outstanding marine and coastal areas of our region, we lack a collective approach that harnesses the total contribution that we make to the Scottish economy. It is recognised that our region is at the leading edge in developments of marine renewables, marine planning and the aquaculture industry, but whilst we divide our impact into sub-regional and sub-sectoral agendas, the overall impact of a regional strategy is lost.

As outlined in Scotland's Economic Strategy, Scotland's National Marine Plan sets out strategic policies for the sustainable use of Scotland's marine resources out to 200 nautical miles. The Plan establishes a presumption in favour of the sustainable use of the marine environment and aims to promote the growth of marine economic sectors. In the Highlands and Islands, there is potential for marine planning to be delivered at the regional scale via a suite of regional marine plans for Argyll, West Highland, Outer Hebrides, North Coast, Orkney, Shetland and the Moray Firth. A Highlands and Islands Marine Economy or Blue Growth strategy would complement and directly contribute to the national plan.

The strategy could be usefully positioned alongside the growing application of natural capital concepts by businesses and corporations, thereby building a progressive approach to sustainable economic growth that fits with Scotland's leading role in bringing together public, private and voluntary sector organisations to protect, rebuild and sustain benefits from Scotland's natural capital. [See Scottish Forum on Natural Capital and World Forum on Natural Capital]

The strategy could inform robust Regional Marine Plans, which can be a vehicle for economic growth that is compatible with the protection and enhancement of the natural heritage – reference SNH's Marine Planning Position Statement.

The UK Government's Green Paper on the UK Industrial Strategy [https://beisgovuk.citizenspace.com/strategy/industrial-strategy/supporting\\_documents/buildingourindustrialstrategygreenpaper.pdf](https://beisgovuk.citizenspace.com/strategy/industrial-strategy/supporting_documents/buildingourindustrialstrategygreenpaper.pdf) does not make much reference directly to 'marine' although areas of focus include developing skills; upgrading infrastructure; cultivating world-leading sectors; driving growth across the whole country; creating the right institutions to bring together sectors and places; investing in science, research & innovation. By not having a defined strategy, it is possible that the region's strengths and opportunities are not fully sighted by the UK government. If we want to access the funding that will be directed through the new UK Research & Innovation body (which combines the Research Councils and Innovate UK – UK R&I), it will be important that we can articulate this.

In EU terms, the Blue Economy is a major policy area. Within this context, the profile of Scotland, and the H & I in particular, could be significantly raised. The EU Blue Growth agenda looks to reinforce the role of marine and coastal areas as a driving force for economic development with an ambition to secure greater Gross Value Added (GVA) primarily by exploiting new coastal and marine resources and creating new jobs. The Europe 2020 strategy intends that Blue Growth will contribute to the EU's international competitiveness, resource efficiency, job creation and new sources of growth whilst safeguarding biodiversity and protecting the marine environment, thus preserving the services that healthy and resilient marine and coastal ecosystems provide.

The map below (Fig 2) identifies the Highlands & Islands region as highly specialised in the Blue Growth field in the UK and Europe.

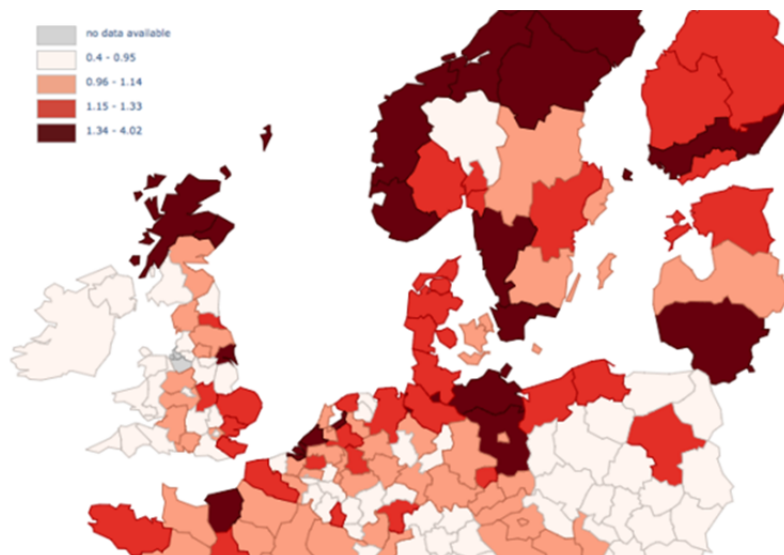


Figure 2: Source: European Cluster Observatory, extracted April 2016, specialisation over 1 indicates a relative specialisation compared to EU average – Blue Growth

### **Levers to influence change**

A Science & Innovation Audit (SIA) bid was submitted to the UK Government in January 2017 around 'Maximising the Marine Economy of the Highlands & Islands'. See attached appendices. We await a decision on this. Success would see an audit being carried out and a resulting report that would outline how the region could accelerate activities in the marine economy. If this gets the go-ahead, the audit would be carried out from January to July 2018 with a resulting report in August 2018. COHI could use this as the lever to create a regional strategy. If not successful, a consortium already exists and can be widened to carry out this audit or strategy scoping work that would underpin the strategy.

New Regional/Island 'Deals' also provide the opportunity to focus on the marine economy, however, aligning approaches will be challenging.

The UK Industrial Strategy, it's Challenge Funds and any further policy direction taken by UK R & I, will require our region to have a strong strategic approach if we are to attract funding. While we continue to act at a sub-regional level, we run the risk of diluting the impact of any funding applications.

### **Potential Impacts of having a regional Marine Strategy**

The development of a regional marine strategy would deliver a number of impacts:

- ensure alignment of priorities across organisations, thus reducing risk of duplication and identifying opportunities for greater value add
- position the H&Is as a global leader in the marine economy
- attract increased public and private investment into the H&Is (R&D, manufacturing, innovation, inward)
- create a stronger affinity/place-based pride to be part of the H&Is marine economy
- stimulate the workforce of the future, meeting needs of the marine economy
- demonstrate the role of the marine economy in inclusive growth

- Identify infrastructure requirements

The implementation of a strategy is likely to result in a more co-ordinated and therefore cohesive set of actions, thus strengthening the regions position in Scotland and the UK.

### **Key stakeholders**

The SIA consortium includes Highlands & Islands Enterprise, Marine Scotland, European Marine Energy Centre (Orkney), Scottish Aquaculture Innovation Centre, Industrial Biotechnology Innovation Centre, Scottish Association for Marine Science (SAMS UHI, Dunstaffnage), Wave Energy Scotland, National Oceanography Centre (Plymouth). Local authorities and other stakeholders (e.g. SNH, Heriot Watt University, Industry reps etc.) would join this grouping to ensure full engagement across the region. HIE could potentially take a lead role in a COHI-supported strategy development process. The role of our academic experts would also be vital.

### **Actions and options**

- Individual members should consider the important role of the various marine activities in their region or sphere of influence, and how these could form part of a wider regional strategy.
- Members should consider their appetite (time and energy) for being fully engaged in the development and implementation of a regional strategy. This could involve setting up a strategy group that would report into COHI.
- Funding may be required to scope and implement the strategy. Joint funding by regional stakeholders would be an effective statement of intent.

### **Ask of COHI**

- At the October meeting, COHI members should consider whether or not the development of a marine economic strategy for the region was an appropriate and worthwhile action to take forward.
- We anticipate a decision on the SIA by October at the latest. If successful, the Consortium will appoint the necessary resource to carry out the audit. COHI could usefully add this work strand to the March and October (2018) agendas to monitor the audit, contribute to and endorse the work. Alongside the work of the consortium, a group of regional stakeholders could be formed to develop the wider strategy going forward. If not successful, COHI members could usefully meet in the next 3 – 6 months to discuss a joint effort to develop a regional strategy. Given the close fit with HIE's sectoral and regional development agendas, HIE would be a natural lead for this work. The collective support and strategic imperative that COHI endorsement would give to this would be hugely helpful in optimising the impact of such a strategy across the whole of the region.



## HIGHLANDS AND ISLANDS POST 2020 - ENERGY

### Overview

We are at a very interesting time in Scotland's energy story – the past decade has been described as a “quiet disruption” – however, the Scottish Government's draft Energy Strategy charts a new course – one that has potential to be even more transformational for our people, businesses and communities.

In summarising the strategy, it is first of a kind in that it takes a whole system view, considering our energy needs across electricity, heat and transport. It seeks to **decarbonise our energy supply** through greater renewable deployment and **transform our energy use** through enhanced energy efficiency and low carbon transport. Also, there is clear ambition for Scotland to **lead in the development of smart local energy systems** and in doing so create a new Scottish export industry. Lastly, **communities** are firmly at the heart of the energy agenda.

Notable targets include **equivalent of 50% of all energy consumption from renewable sources by 2030 (that's up from 15% today); 2GW of community owned energy by 2030; 40% of all new car sales being ultra-low emission vehicles** by 2030.

The Highlands and Islands has played a major role in Scotland's energy past, and looking beyond 2020, is set to play an increasingly important role in the evolution towards a low carbon system.

### Nature of Opportunity/Scale of Challenge

The draft strategy plays exceptionally well in to the strengths of the Highlands and Islands. Opportunities for significant job creation and retention exist in the era of maximising oil and gas recovery and as we reinforce the region's lead in decommissioning. Increasing renewable energy deployment to meet national targets will require a mix of technologies (established and emerging) drawing on the expertise and capabilities of people and companies throughout the Highlands and Islands. Out of necessity, we have as a region, and in particular our island communities, proved to be an ideal test bed for development of local energy systems, and this places the region in strong position to influence and design the required technology integration and business models.

For the region as a whole, the opportunities can be summarised as follows:-

- Build on our world leading status on marine energy
- Establish region as a Centre of Excellence in Subsea and Decommissioning
- Fully exploit Offshore Wind supply chain opportunities
- Develop industry expertise in Local Energy Systems
- Lead the ambition on community owned energy
- The H&Is as an Exemplar in Energy Efficiency – let's strive for an A rating!

The many advantages our region has to offer the energy sector are by virtue of its location and legacy developments (resource, skills, infrastructure) yet these too can

present challenges. Fuel poverty remains prevalent and the prospect of harnessing the full potential of the natural resources is hampered by severe grid constraints and lack of island inter-connection.

Fuel poverty rates are amongst the highest in Scotland, as illustrated in Table 1 below. Eradicating fuel poverty is a priority for SG and whilst increases in energy efficiency will go some way to addressing this inequality, it is recognised that a large part of the cause is fuel prices – largely out with the control of SG.

Table 1: Fuel Poverty Rates in the H&Is

<b>Local Authority</b>	<b>% Fuel Poor</b>	<b>% Extreme Fuel Poverty</b>
<i>Argyll and Bute</i>	48%	16%
<i>Eilean Siar</i>	59%	25%
<i>Highland</i>	56%	21%
<i>Moray</i>	46%	13%
<i>Orkney Islands</i>	65%	30%
<i>Shetland Islands</i>	52%	19%
<b>Scotland</b>	34%	9%

*Source: Scottish House Condition Survey Local Authority Analysis 2013-2015*

*Extreme fuel poor is a subset of total in fuel poverty*

Grid constraints and charging for use, at both distribution and transmission levels, in the Highlands and Islands remain significant barriers to renewable deployment, hindering our ambitions on marine energy, offshore wind, test and demonstration of local energy systems and more emerging technologies e.g. Floating Wind. Whilst multi-billion pound investment in grid infrastructure has been made by SSEN (Beaulay-Denny, Caithness-Moray), these serve to meet existing demand or limit any new capacity until 2022 or beyond.

A lack of island interconnection has held back development of commercial scale onshore wind, and the case for supporting interconnection has been impacted by changes to UK Government policy on renewables. Collective efforts by COHI members to make progress in this area for over a decade are beginning to bear fruit, with a potential policy mechanism (Remote Island Wind Contract for Difference) to be introduced by the UK Government by 2018.

### **Importance to the Highlands and Islands**

The energy sector is a key driver of economic growth and social development in the Highlands and Islands, and has potential to be transformational for communities throughout the region. The natural resources combined with government commitments to move towards a low carbon economy present the region with significant competitive and regional advantages. Affordable clean energy will ensure a fairer society and a growing economy.

## **National and International Context**

The region is exceptionally well placed to drive forward Scotland's transition to a low carbon economy, with its natural resources, skills and expertise. Unlocking the potential through greater interconnection will also enable the region to play an even more significant role within the UK's industrial strategy, with island wind estimated to bring an additional £1bn investment, and 2,000 jobs over the period 2018-2022.

The H&Is is internationally recognised for its role in pioneering energy developments. Advancing developments in marine energy (including further test and demonstration at EMEC and world leading tidal array development), subsea engineering excellence, decommissioning, and local energy systems (e.g. Surf n Turf in Orkney). The expertise developed in oil and gas development is already exported worldwide, and the growing knowledge in more emerging technologies is already in demand overseas (e.g. EMEC MoUs). Further, the advances being made in energy innovation in the region positions the H&Is well on an international stage, increasing the overall attractiveness of the area.

## **Levers to Influence Change**

A key driver of renewable deployment, as part of a transition to a low carbon economy, is the extent of market support available through the Contract for Difference (CfD) auction process, controlled by UK Government. This combined with cost competitiveness of the different technologies (and consenting and investment) will determine rate and mix of deployment. Influencing UK Government to recognise the industrial and social potential from H&Is renewable developments (both in terms of supporting early stage technology development and large scale deployment) is critical. Further, support towards testing and demonstration to achieve cost reduction, will contribute to the broader influencing effort.

As a National Infrastructure Priority, Energy Efficiency is one means by which Fuel Poverty can be addressed and with £0.5bn of investment available over the next 4 years through the SEEP programme, and the supply chain benefits which come with that (an estimated 4,000 jobs) early adoption should be encouraged. There is also scope for the proposed Scottish Government Owned Energy Company to be structured to support greater effectiveness in energy efficiency at both domestic and industrial levels.

## **Key Stakeholders**

- The Scottish Government
- The UK Government (BEIS, Treasury)
- All COHI Local Authorities
- Energy Savings Trust
- NHS
- VisitScotland
- SDS
- HIE

## **Actions and Options**

HIE along with local authority partners continue to work jointly to address the grid constraints matter, and are focused on maximising the economic and community benefits from energy developments across the region.

Through COHI, we propose the following additional actions:-

1. Secure UK Government cross-party and cross-departmental support for Scottish Islands Interconnection through consistent messaging on scale of industrial opportunity for the UK and scope for community benefit – this will include CoHI responses to future consultation on remote island wind definition and community benefit.
2. Publicly pledge to achieve high energy efficiency rating for the H&Is across both domestic and commercial properties.
3. Seek to influence the form and function of the proposed Government Owned Energy Company to help address fuel poverty and secure community benefit.

## **HIGHLANDS AND ISLANDS POST 2020 - HOUSING**

### **Overview**

Housing is a key enabler for economic growth, and retaining and growing populations in the Highlands and Islands.

The right housing in the right place is also essential in addressing future challenges of an ageing population, addressing inequalities, providing opportunities for people to move to and live in small communities, and positively impacting on the wellbeing of the people in our communities.

Housing provision is essential in attracting and retaining young people. If COHI does not demonstrate collective leadership on this it was unclear who would or could.

### **Nature of opportunity and /or scale of challenge**

The Scottish Government has already made firm commitment to deliver as much affordable homes as possible in the Highlands and Islands over the next 4 years.

Our challenge is to use this commitment cleverly and flexibly to deliver appropriate solutions to match the wide variety of needs throughout the communities of the Highlands and Islands.

Residents across the region have equal access to high-quality, low-cost housing.

The housing mix and flow of provision supports business growth.

Common themes for affordable housing in Highland and Island Areas are:

Positives:

- Housing currently well resourced
- Strong Government commitment
- New financial incentives e.g. Infrastructure Fund; Rural and Islands Fund
- Strong strategic framework
- Strong evidence base
- Strong evidence of housing need and growth potential for some areas including islands

Challenges:

- Areas of housing pressure around centres of population
- Evidence base not 'fine-grained' enough in small areas
- Low levels of housing need but evidence of some unmet demand in remote areas
- 'Build and they will come' doesn't work
- Demographics
- Cost of living
- Perceptions and myths
- Attracting new people to live, work, study and invest – not to retire!

- Key worker housing and gateway housing for small island communities
- The 'young and stuck'
- Small island areas – need different solutions (one step further removed)
- Available land in the right places
- Lack of “commercial scale” house build economy
- Contractor capacity to deliver
- Bureaucracy preventing SME’s from being developers
- Diversifying tenures
- Innovative solutions that are affordable/viable
- Cost of building Benchmarking costs for grant do not match actual cost, particularly the extra cost of building in the islands

### **Importance to Highlands and islands**

Housing is an important enabler for economic growth, and the CoHI workstreams of Economic and Quality Employment Opportunities; Education Research and Skills; and Community.

Reversing issues of out migration, and increasing the economically active balance of our communities is heavily reliant on availability of appropriate housing in the right place.

It is therefore essential to have a supply to allow people to move and stay, particularly small/island communities where a lack of availability of housing can prevent people being able to move to communities. “[Gateway” Housing” can assist with this in terms of a “try before you buy” approach, but there is also the need to address a longer terms supply of housing for people to “move on”. This is particularly difficult in islands which have been successful in turning around population decline, but there is no housing available to people to move to.

### **National and International context**

The national context is set out in Scotland’s Economic Strategy and More Homes Scotland Approach. Highlands and islands authorities, working in a collaborative and integrated way with utilities and all parties within the sector, to maximise the opportunities made available from ‘More Homes Scotland’ approach and deliver as much affordable housing as possible in the Highlands and Islands over the next 4 Years. This includes highlighting where the Scottish Government can help to reduce blockages in the system and where housing can help foster community sustainability.

### **Levers to Influence change**

The Scottish Government has demonstrated that the provision of new housing is a priority. The Minister for Local Government and Housing is working hard to deliver this priority.

New Islands Bill, and Planning Bill provide the opportunity to implement a legislative framework that can help realise some of this economic growth for the highlands and islands.

New Resource Planning Assumptions (RPA) were issued by the Scottish Government on 13 June. The new RPA allocated significant new resources. I don't think access to funding is the biggest issue. I think the "trick" is having the flexibility to deliver what is required for each locality within the RPA. We probably have to think more innovatively within the national policies – and be empowered to do so by Government / COHI. There is a real dichotomy between the need for strategic housing investment and demand assessments that probably only have a political answer.

Do we need to establish a strategic group which actively pursues regional wide policy developments and actions...?

### **Key stakeholders**

The Scottish Government; Policy and Funding

The UK Government; Involvement in City and Region Deals

Construction industry: Engagement and capacity to build housing of all tenures

Utilities companies: Provide support to deliver essential infrastructure and help to reduce blockages in the system.

### **Actions and options**

By making a case for flexibility in national approaches there is an opportunity for COHI to simplify the process around housing provision at a regional level and help increase the pace of delivery against national targets.

Financial modelling and decisions based on revenue expectations currently act as constraints on house building in peripheral areas. Approaches enabling greater risk taking should be explored.

In some cases, developers have bought the land but are not developing it with issues around supporting infrastructure, especially schools and teachers, an important consideration. Who pays for what is often an area of contention.

Further options include:

- Maximise the opportunities provided by the Islands Bill in for example Islands and Rural proofing.
- Planning Bill; opportunity to help shape framework for community/regional planning and partnership working which will support delivery of housing.
- Development of City/Region/Islands Deals, to include new build housing.
- Consideration of the roll out of loans for self-build properties.
- Examination of subsidy levels for council house building compared to Registered Social Landlords.
- Maximise delivery of UHI Student accommodation new build programme.
- Development of construction industry capacity in remote areas.
- Flexible approaches should recognise the natural environment in the Highlands and islands to support the regions character.
- Forestry offers opportunities to promote sustainable construction, (in some areas).

There may also be regional solutions to the housing challenges in the Highlands and islands which, in time, may also be of relevance in other areas of Scotland.

### **Ask of CoHI**

To acknowledge and endorse the following principles:

- By making a case for flexibility in national approaches there is an opportunity for COHI to simplify the process around housing provision at a regional level and help increase the pace of delivery against national targets.
- Financial modelling and decisions based on revenue expectations currently act as constraints on house building in peripheral areas. Approaches enabling greater risk taking should be explored.