

# COHI Action: Major Project Identification

A process for determining a set of priority projects across the Highlands & Islands

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October 2018



## INTRODUCTION

At the April COHI meeting in Millport, there was a presentation by Charlotte Wright HIE, Steve Barron HC and Duncan Mackison of Liberty British Aluminium on the GFG Alliance Lochaber project. The discussion that followed resulted in a draft outcome:

### ***Draft Outcome 3 – GFG Alliance Lochaber***

*CoHI members asked for an exploration into areas of engagement which can be made between CoHI and the Lochaber Delivery Group (for example regarding Oban airport) to learn lessons from the GFG Alliance experience in Fort William and to maximise the strategic economic opportunities within the wider Highlands and Islands.*

*Members recognised the value and impact of those co-ordinated actions and endorsed the ambition of applying that model in a proactive way to other strategic opportunities in the Highlands & Islands. Members agreed to reflect on what those opportunities might be, for discussion at the next CoHI. HIE will provide a paper setting out some suggestions for discussion built around assets and opportunities.*

This paper seeks to update COHI on the process undergone over the last 6 months involving the input received from COHI members and the various considerations around, and implications of, identifying local priority projects, all with the intention of informing a discussion at the October meeting.

## BACKGROUND

At the COHI Senior Officers Group (SOG) meeting on 27<sup>th</sup> April, this action was discussed and colleagues gave some feedback to Charlotte Wright in relation to potential criteria and characteristics that could be used to help determine the right kind of strategic project to take forward this outcome for the next COHI meeting. The action has been interpreted as “developing a “Team Scotland” approach to large, specific projects which can benefit from having the whole Government’s attention on them. The Lochaber project demonstrated what can be done when working collaboratively to overcome a set of obstacles, and CoHI members are keen to see what else might potentially benefit from such a collaborative, targeted way of working. HIE was tasked with co-ordinating work on a paper for the next CoHI meeting in the autumn.”

At the SOG meeting in April, the discussion pointed at the opportunity to align this process with the current work being carried out in relation to the various Deals, which also aim to identify key projects and partners, but also recognised that the DEAL process was perhaps focused on a longer-term timeline. Charlotte made clear she was looking to draw input and suggestions from each Local Authority (LA) in relation to this work. A series of points to reflect on was posed for LAs to consider: appropriate level of scale; type of strategic opportunities; possible alignment of projects (thematic, geographical); and ultimately what might a process or protocol to determine possible projects look like. It was noted that this work being taken forward by HIE will need to be unique to the LA, and will require an appetite to invest and work collaboratively.

There was broad support for HIE’s proposals at SOG and it was agreed HIE would:

- Pull together a framework approach and criteria;
- Hold one-to-one meetings with partners; and,
- Provide an update at the August SOG meeting.

In a further SOG meeting in June HIE outlined a proposed process for determining major projects across the region. This is detailed below:

## Characteristics of a Strategic Project

“The objective is for each part of the H & I to identify a key strategic project or theme which has the greatest potential to deliver the most significant impact for your area and the wider region. Clearly projects will be different across all parts of the wider region. There may already be a clearly identified priority project in your area, but if not, there are a number of key questions that could be used to support an assessment. For many, these are questions that you are already tackling in relation to your developing Growth Deals. It might be worth considering the following:

### Wider Landscape considerations:

- Growth DEALS and how this portfolio of projects can contribute significant economic impact for your area or by working with others.
- Current and planned investments – where a partnership and funding is already secured that can be leveraged
- Successful Partnerships/Consortia that are already established and therefore carry weight to support further development, particularly if they include industry
- Alignment with the Government’s Economic Strategy, and the package of sectoral strategies underlying this e.g. The Scottish Energy Strategy published in December 2017
- Alignment with the UK Industrial Strategy Challenge Funding/Sector Deals
- The degree of Scottish Government and other agencies’ support for your project
- Recognise the science and innovation assets in your region, which can also be a conduit to other funding to support regional priorities
- Ultimately, given that COHI seeks to strengthen alignment between the Scottish Government and member organisations in order to support sustainable economic growth, is there strength and momentum to be gained by working collaboratively with another area across the Highlands & Islands, supported by the Scottish Government?

### Suggested criteria to consider:

1. Spatial impact: Local, Regional/Sectoral, National (regional equity)
2. Diversification of economic opportunity
3. Employment: Value (wages levels/distribution)
4. GVA
5. Population Growth
6. Investment – cost; resources
7. Enhanced Impact through Collaboration (public, private and academia) – (low, medium, high)
8. Complexity and dependencies
9. Project readiness – concept/planned/funding secured
10. Timeline for implementation (construction, implementation, delivery)
11. Market advantage and opportunity
12. Displacement
13. Legacy – opportunity for further generated development and benefits realisation

## THE PROJECTS

Listed below is the short list of projects that were provided by the local authorities (LAs), with the exception of North Ayrshire. In some cases, two projects were provided where the LAs found it too difficult to select one, or where the geographical area was so diverse. Brief information has been provided below with project summaries in the accompanying Appendix A. Whilst it is too early for many of the projects for CoHI to be able to carry out an economic assessment, where available, the table provides an estimation of employment growth and scale of investment.

Area	PROJECT	Part of Growth DEAL	Spatial Impact: Local Regional National	Employment Impact (FTEs)	Scale of Investment	Start	End
<b>Argyll and Islands</b>	Oban and Lorne Development Plan	TBC	Regional	TBC	£40m+	2014	2026
<b>Highland</b>	Sutherland SpacePort	No	National	31	£63m	2018	2023
<b>Highland</b>	Tourism Village Development - west coast	No	Regional	400	£60m	2019	2022
<b>Innse Gall</b>	Stornoway Harbour	Yes	Regional	TBC	£50m	2019	2024
<b>Innse Gall</b>	Uist SpacePort	TBC	National	TBC	£69m	2019	2021
<b>Moray</b>	Boeing Lossiemouth	Yes	National	4000	£3bn	2019	2029
<b>Orkney</b>	Scapa Flow Harbour Development – including International LNG Distribution Hub	Yes	National	100+	£95m	2019	2025
<b>Orkney</b>	Tourism development – including Orkney World Heritage Site and Gateway Initiatives	Yes	Regional	100+	£33m	2019	2024
<b>Shetland</b>	Ultra-Deep Water Decommissioning Facility - Dales Voe	Yes	National	TBC	£35m-£45m	tbc	tbc
<b>Shetland</b>	Shetland Space Centre in Unst	TBC	National	TBC	tbc	tbc	tbc

It has to be said, at this stage, that this list should not be misinterpreted. It is NOT a list of THE top priority projects for the LAs. It is NOT a list of equals – in scale, type - what is appropriate for one area is not relevant to another. It is NOT a list of projects which will provide the greatest economic or inclusive growth impacts for the region. For example, CoHI is aware of the serious Housing challenges across the region – this is not reflected directly in the above list, albeit that for many of the projects, there will be a significant requirement for new housing development. It is purely a list of projects that the LAs felt that CoHI would be interested in; would be able to provide their collective support for; that are complex in their development needs; that the Scottish Government

ministers should be fully briefed on; and that will need the steady support of CoHI stakeholders in order to be successful.

The projects can be categorised into two groups:

- i. Nationally significant (as per the Liberty example) e.g. Boeing, Spaceport/Space agenda, Ultra-DEEP Water Decom Facility
- ii. Regionally/locally significant, and likely to be included in Regional Deals – Tourism, Stornoway & Scapa Flow Harbours, Oban & Lorne Development Plan

OR into themes:

- i. Space
- ii. Tourism
- iii. Aeronautics/military
- iv. Harbour/Port developments
- v. Decommissioning
- vi. Regional infrastructure/routes to market

There is some overlap in sectors which could provide an opportunity for region-to-region collaboration. This is perhaps worth further discussion at CoHI.

## OTHER CURRENT FACTORS TO CONSIDER

In order to inform a wider discussion around the value and use of such a list of projects to CoHI, it is important to consider the list in the wider context. The following section seeks to do this:

### DEALS

There are currently three Regional Growth Deals under development in Moray, Argyll & the Islands, and the Islands (Innes Gall, Orkney and Shetland). Each are at different stages of development with the anticipation that Heads of Terms are confirmed for each at various times over the next 12 – 18 months. How does this impact on the list of projects?

### Regional Sector Priorities

There is some compatibility between our list and our priority sectors, however, there are also some gaps such as Renewable Energy, Life Sciences, Food and Drink. This does not mean, however, that there isn't a significant amount of activity happening in these sectors. Also, Space is emerging as a new sector of importance to the H & I.

### Recognised CoHI priorities

CoHI has identified 8 key post 2020 priorities - Transport, Housing, Talent Attraction, Energy, Marine Economy, Skills, Digital & BREXIT. How does the list align with these?

### The Rural Economy

All parts of the region contribute significantly to Scotland's rural economy. The projects identified are not concerned directly with the well-recognised rural sectors such as agriculture, fisheries or forestry. What bearing does this have on our list of projects?

## **Inclusive Growth Agenda**

From a place-based perspective, this approach to ensuring that there are strategic projects driving growth across all parts of the region is entirely aligned with Scotland's Inclusive Growth agenda. The intersection of people, place and productivity will naturally result in differently constructed projects in different parts of the region. All of the projects will be challenging due to the nature of the PLACE they are being delivered in, and all of them cannot be achieved without ensuring that growth is spread as equitably as possible.

## **Marine Economy**

It is worth referencing the recently concluded MAXiMAR (Maximising the Marine Economy of the Highlands & Islands) Science & Innovation Audit (SIA) which captures the uniqueness of the region's marine economy, in a UK context. The audit has been followed through with a £46m UKRI Strength in Places Fund bid which awaits confirmation of getting into Stage 2 of the funding process at the end of October. Success will enable leveraging of other funding into, particularly, the west coast and northern isles.

## **UK INDUSTRIAL STRATEGY (Innovation focus)**

Current Challenges are in Robotics & AI, Ageing, Clean Growth and Mobility. IS Themes are: Advanced Manufacturing Engineering & Materials; Digital & Data; Energy & Environment; Food & Agritech; Health and Life Sciences; Transport. How do these projects align with the potential for UK Industrial Strategy funding?

## **DISCUSSION**

In addition to the above areas for consideration, some further suggested areas for CoHI to discuss are:

1. Are these the type of projects that CoHI expected to emerge through this process? If so, how can COHI coalesce around these projects and direct its combined energy and support to help them succeed? What added value can CoHI bring to these projects?
2. If the list falls short of expectations, what lens should we use to rethink this?
3. Is there a different set of criteria that would help us come up with a different set of projects?
4. Is the spread of projects across the region appropriate – recognizing some areas have more than one project?
5. What opportunities are there for regions to work more collaboratively where projects are aligned?

## APPENDIX A

Area	PROJECT	SUMMARY
<b>Argyll and Islands</b>	Oban and Lorne Development Plan	This project aims to unlock the full economic growth potential of Oban and wider Lorne creating an economic growth pole, through the delivery of improved transport connectivity to unlock constrained development land for new housing and business expansion in key business sectors.
<b>Highland #1</b>	UKVL Sutherland SpacePort	The UKVL Sutherland spaceport will provide the infrastructure to launch satellites from a site near Melness, Sutherland to a low earth orbit. It will also serve as a hub to attract service companies and other supply chain into the area and region. This is a new project. Concurrently with the development of infrastructure is the organisation and development of supply chain, skills and STEM activity. There will also be an attraction of other launch and supply chain companies into the Region.
<b>Highland #2</b>	Tourism Village Development - west coast	<p>Development of a new tourism village. This is at a very early stage of development. Planning consent has not been submitted and plans are not in the wider public domain at this time. However, the Project has potential to be a key visitor attraction in the west highlands with increased in visitor numbers, significant job creation (initial projections of circa 300 jobs) and the resulting significant spend within the local economy of Lochaber</p> <p>This is a single project which will be phased over a period of up to 3 years. The proposers of the project also have other tourism business interests in the Lochaber Skye and Wester Ross area, but this proposal is seen as a stand-alone project.</p>
<b>Innse Gall #1</b>	Stornoway Harbour	Stornoway Port Authority (SPA) Masterplan – Deep Water Port, Goat Island Marine and Port Regeneration: In 2017, SPA released a Port Masterplan which sets out the framework for the physical development of Stornoway Port for the next 20 years. The masterplan provides a basis for SPA to develop strategies that allow the Port to meet challenges to existing markets as well as develop new markets, and safeguard the crucial role that the Port has in supporting the economy of Stornoway and the Islands. Through supporting such economic growth and diversification, the local economy will become stronger and more robust in the face of any downturn in a particular sector.

<b>Innse Gall #2</b>	Uist SpacePort	Spaceport 1 – Scolpaig Vertical Launch Facility and West Camp Enterprise Park. The vision is for ‘SpacePort 1’ to be a vertical launch facility in the UK that is accessible to a range of vertical launch operators for payloads up to 500kg. It will provide a Northern hemisphere launch capability enabling both Polar and Sun Synchronous low earth orbits to be achieved. It will also support sub-orbital launches, microgravity and associated experiments, R&D and T&E. In addition to a vertical launch facility, SpacePort 1 will also provide a wide range of added value additional services and support arrangements via the proposed Enterprise Park at West Camp which will capitalise on the supply chain needs of industry. These additional services and support will encourage more work to be completed on site, and will encourage business investment from those who wish to provide these services.
<b>Moray</b>	Boeing Lossiemouth	<p>Boeing are contracted to supply and support nine P-8 Poseidon surveillance aircraft, plus others from Norway and the United States, operating from RAF Lossiemouth.</p> <p>Lossiemouth is a key strategic location for the protection of the North Atlantic, and home to Typhoon squadrons as well as the new P-8 aircraft. A Strategic Centre is currently being constructed (by Robertson Construction, HQ Elgin) as the base for Boeing, and further investment is planned. The MOD have announced a commitment of £3bn into the base over the next ten years, which will largely be on aircraft and infrastructural improvements.</p> <p>The presence of Boeing and partners creates tremendous opportunities and challenges for Moray. It is anticipated that the population of the area will grow by up to 4,000 people over the next ten years, and these new residents will have education, skills, housing and healthcare requirements.</p>
<b>North Ayrshire</b>	No project suggested	
<b>Orkney #1</b>	Scapa Flow Harbour Development – including International LNG Distribution Hub	Scapa Flow is the largest natural harbour in the northern hemisphere and has been a key national strategic asset throughout two world wars. Today, Scapa Flow is host to a wide range of commercial activity of significance to the Orkney/Scottish economy, including existing oil and gas activity (both through the Flotta terminal and via considerable ship-to ship transfers), aquaculture, marine energy research and maritime tourism. This initiative seeks to build on Scapa Flow’s strategic advantage by developing a number of strands of new/enhanced economic activity, which will be outlined in a new Orkney Ports Masterplan to be published early in 2019.

<b>Orkney #2</b>	Tourism development – including Orkney World Heritage Site and Gateway Initiatives	This project aims to maximise the benefits for the Orkney community from tourism and to ensure that the quality of visitor experience for our rapidly expanding visitor market matches the world class standard of Orkney’s key heritage assets. There are several strands to the project including capital developments to improve the preservation and management of tourists in and around key monuments within the Heart of Neolithic Orkney (HONO) World Heritage Site; to develop a much wider network of other heritage attractions right across Orkney, including a potential new showcase “Museum of the Islands”; and undertake much-needed improvements to basic tourism infrastructure; as well as a significant innovation strand, which will, in particular, will seek to capitalise on advancements in digital technology (incl. 5G and LoraWan/IoT networks) to greatly enhance the visitor experience and aid the dispersal of tourists across the islands.
<b>Shetland #1</b>	Ultra-Deep Water Decommissioning Facility - Dales Voe	Lerwick Port Authority’s (LPA) vision is to transform Dales Voe into a state-of-the-art deep water decommissioning site for single lift and reverse installation lifts to rival the standards of decommissioning yards in Norway. This option builds on the investment that has already been undertaken by the public and private sector in decommissioning infrastructure in Shetland. It also builds on the track record that Lerwick Port and the Shetland supply chain already has in the decommissioning Northern North Sea (NNS) oil and gas installations.
<b>Shetland #2</b>	Shetland Space Centre in Unst	No information provided - subject to an NDA