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POPULATION AND DEMOGRAPHIC PROJECTIONS FOR LOCHABER

November 2018

CONTEXT
ECONOMIC & SOCIAL RESEARCH

ekosgen

HIE
Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

CONTENTS

1 INTRODUCTION

OVERVIEW

1.1 In June 2018, ekosgen and Context Economics were commissioned by Highlands and Islands Enterprise (HIE) on behalf of the Lochaber Delivery Group to undertake a detailed socio-economic profiling of Lochaber, including population projections for the period 2017 to 2041. Steering group representation included Highland Council and NHS Highland. The study was undertaken in the context of a number of major development projects, across housing, infrastructure and industry, which will have a significant impact on the Lochaber area. This includes the GFG Alliance (Liberty) purchase of the Lochaber aluminium smelter, and the proposed development of an alloy wheel factory on an adjacent site, which is expected to lead to the creation of up to 400 jobs.

1.2 The purpose of the study is to provide an analysis of how these changes will impact on local demographics, labour market, wage levels and service delivery. There will be a number of implications for service planning and prioritisation as a result of these developments, and the findings will be used to inform the planning process. They will also be used in proposition development for the area.

OBJECTIVES

1.3 The objectives of the study are to:

- Develop a comprehensive socio-economic baseline for the Lochaber area, providing comparisons with the wider Highlands and Islands region;
- Analyse the socio-economic context for the Lochaber area, outlining historic trends and proposed developments and how these may impact on future growth of the region in the period to 2040;
- Provide a range of population projection estimates by age band for the Lochaber area, taking account of development plans and looking at the short, medium and longer term;
- Assess the likely impact of developments on the wider labour market, including on average wage levels for the Lochaber area; and
- Consider broader implications of these developments, trends and projections on local service provision in Lochaber, in the short, medium and longer-term, reflecting the type, nature and scale of provision that might be required to meet the needs of a growing population base in the years ahead.

STUDY APPROACH

1.4 The study methodology was based around three strands of activity:

- Consultation: Consultations were carried out with ten stakeholders from key strategic organisations in the area. Details of stakeholders consulted with are provided at Appendix 1.
- Desk research: Desk research consisted of a policy and programme review followed by gathering and analysis of data sources on current and projected population figures, past and planned house building and current and projected school rolls.
- Projection modelling and impact analysis: From the data gathered and analysed, and using the information gained from the consultations, impact analysis and projection modelling was carried out, using the baseline analysis from the desk research to calculate the potential impact of the Liberty development and other associated activities in the Lochaber area.

REPORT STRUCTURE

1.5 The report is structured in the following way:

- **Chapter 2** contains a socio-economic profiling of the Lochaber area ;
- **Chapter 3** sets out current intelligence on existing projections and perspectives on potential additional investment projects;
- **Chapter 4** presents revised population projection models, detailing scenarios for different growth profiles for Lochaber based on the Liberty investment and other scenarios involving different levels of additional public sector investment; and
- **Chapter 5** sets out our conclusions and implications for strategic policy to inform delivery.

1.6 The following appendices are also included

- **Appendix 1** sets out the stakeholders and key informants consulted with to inform this study;
- **Appendix 2** provides additional detail on Lochaber's population structure, and expected changes to this; and
- **Appendix 3** contains a comparative analysis of population projections and mid-year estimates.

2 SOCIO-ECONOMIC PROFILE AND CONTEXT

Headline messages

- The population of Lochaber has declined in recent years, driven by a decrease in the working age population, whilst the older population has increased.
- Future projections estimate that Lochaber's population will continue to decrease over the next 20 years, but there will continue to be an increase in people aged 65 and above. However, there is a disparity between population projections and mid-year estimates that suggests that forecast decreases are over-estimated.
- Employment rates in Lochaber are high, and are above the regional and national average, indicating a tight labour market.
- Housing completions are projected to significantly increase in the short-term, and this could be sustained in the long-term if demand is maintained.
- Lochaber schools are currently at around 80% capacity. School rolls are projected to increase overall. This growth is concentrated within the Lochaber High School catchment area.

INTRODUCTION

2.1 This chapter sets out the socio-economic profile of Lochaber. It is based on the data gathered and analysed as part of the desk research. It is important to note that this chapter sets out the baseline 'policy off' scenario, i.e. not taking account of the anticipated impacts from the Liberty development or public sector investments. The chapter starts by providing information regarding current population trends and workforce profile in the area. It then goes on to give an overview of existing projections in the area for population, employment, school rolls and housing completions.

SOCIO-ECONOMIC PROFILE

Overview of Lochaber

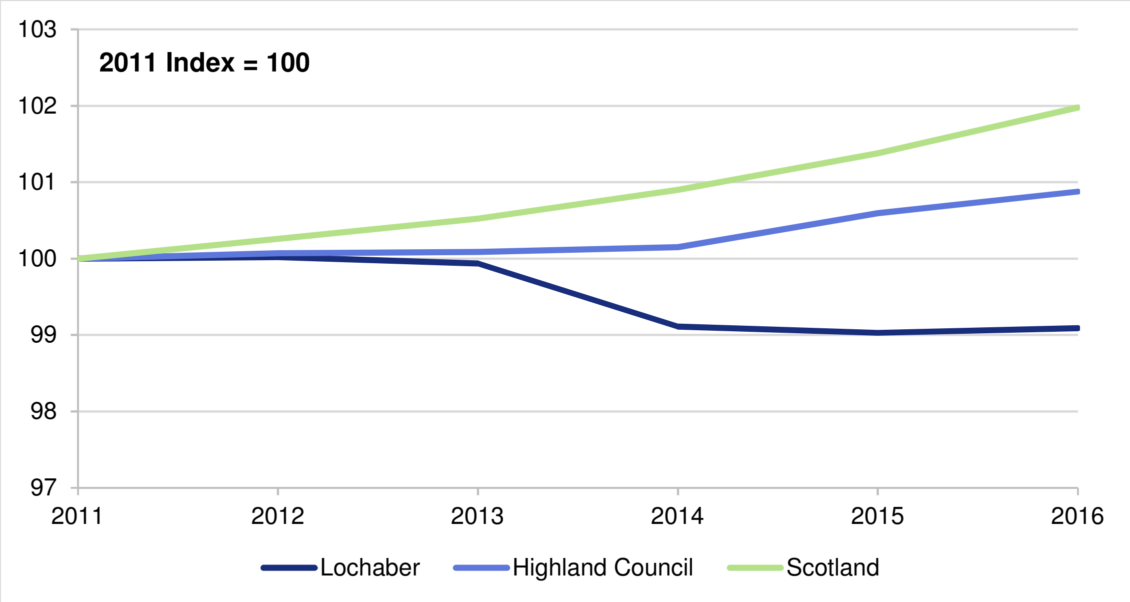
2.2 Lochaber is a large area in the West Highlands, which is known for its scenery and is a major centre for tourism and outdoor activities. Fort William is the main urban centre and has a population of around 10,000. Outside of Fort William there are a number of rural, fragile areas that have more limited connectivity and access to infrastructure. The population is ageing and has been declining. Lochaber has also experienced particularly high rates of out migration of young people. Employment is particularly concentrated in the retail and accommodation and food services sectors, reflecting the importance of tourism for the area.[1]

Population trends

2.3 In mid-2016 Lochaber's population was estimated to be just over 19,800 representing a 1% decrease since 2011. Lochaber accounted for 8% of the total population of Highland Council area. Over the same period there was a 1% increase in the Highland population to 234,770, and a 2% increase nationally (Figure 2.1).

[1] HIE (2018) *Lochaber Labour Market and Skills Review*

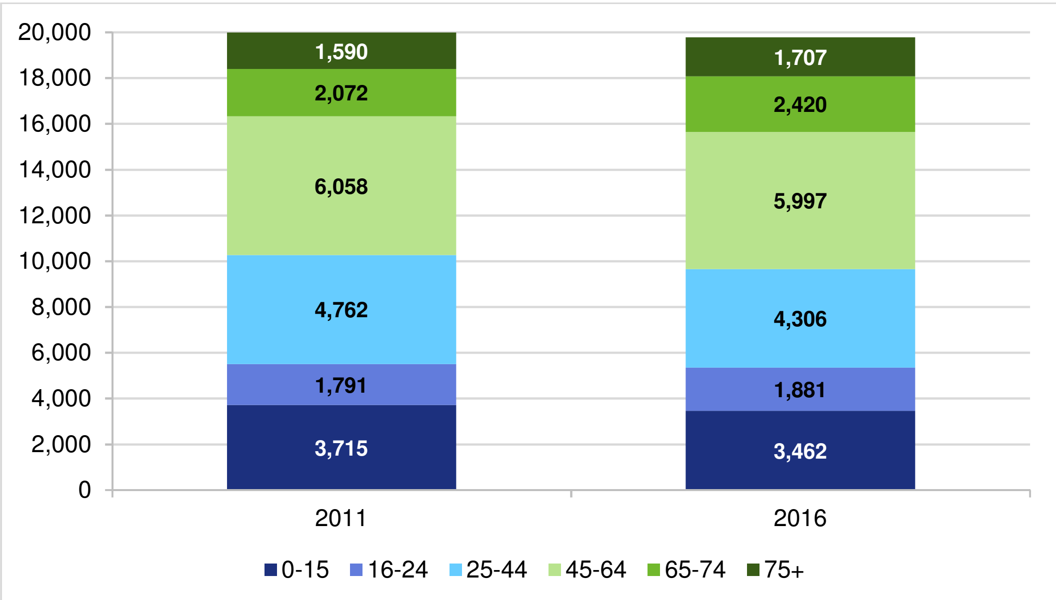
Figure 2.1: Index of population, 2011-2016



Source: National Records of Scotland (2018)

2.4 Figure 2.2 shows the population age structure of Lochaber in 2011 and 2016. In line with the national picture, the population is ageing – from 2011 to 2016 there was a 13% increase in 65-84 year olds and an 18% increase in residents aged 85+. Within most other age groups there was a decrease, except for 16-24 year olds where there was a 5% increase. In total, the working age population (16-64) in Lochaber decreased by 3% between 2011 and 2016. In terms of population structure, this meant that in 2016, 17% of Lochaber's population was aged 15 or under, 62% were of working age (16-64) and 21% were aged 65. Over half (51%) of the population was female, although there has been a greater decrease in the female population since 2011 at 1.6%, compared to a 0.2% increase for males.

Figure 2.2: Lochaber population structure, 2011 and 2016



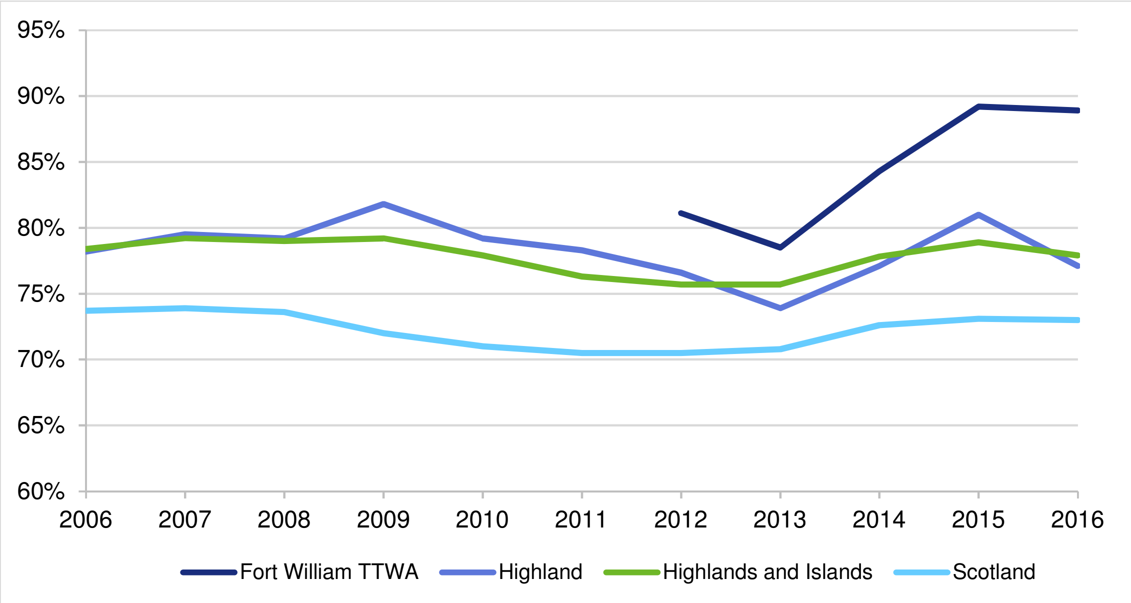
Source: National Records of Scotland (2018)

Workforce profile

2.5 In 2016 the working age population of Lochaber was estimated to be just over 12,000, representing a 3% decline since 2011. As mentioned above Lochaber's working age population was

62% of the total population in 2016, the same as across Highland Council area, but slightly below the Scottish national average of 64%. In the Fort William Travel to Work Area (TTWA) there was a total working age population of approximately 10,000 in 2016 and an employment rate of around 89%, higher than both the wider Highland Council area (78%) and national (73%) averages (Figure 2.3). Whilst this figure should be treated with some caution as it is based on a small sample of the Annual Population Survey, data have consistently shown the Fort William TTWA to have an above average employment rate and anecdotal evidence supports these findings. There has been an upward trend in the employment rate in the area, with an eight percentage point increase from 2012 to 2016.

Figure 2.3: Employment rate, 2006-2016



Source: Annual Population Survey (2018) and Regional Skills Assessments (2018)

2.6 Reflecting the high level of employment, unemployment claimant rates are low in the Lochaber area, at just 1% of the working population[2]. Total unemployment is estimated to be similar to the Highland Council rate of 4%. Similarly, it is estimated that the rate of part-time working are in line with the Highland Council average of 29%, which is above the national rate of 25%. Data showing the qualifications profile of Lochaber's population is incomplete due to a small sample size, but it is estimated that 30% of the working age profile hold qualifications at NVQ Level 4 or higher, whilst 13% hold no qualifications.[3] By comparison Regional Skills Assessment data shows that 9% of the working age population across Highland Council area hold no qualifications, whilst 42% hold qualifications at SCQF Levels 7-12 (SCQF Levels 8-12 are at NVQ Level 4 or higher).[4]

2.7 The most common sectors for people to work in are accommodation and food services (17%) and retail (14%). This reflects the importance of tourism to the area. By comparison with the national average, the most concentrated sectors in the area are accommodation and food services (location quotient of 2.31[5]), arts, entertainment and recreation (location quotient of 1.95) and transportation and storage (location quotient of 1.44).

[2] HIE (2018) *Lochaber Labour Market and Skills Review*

[3] Ibid.

[4] Skills Development Scotland (2018) *Regional Skills Assessments*

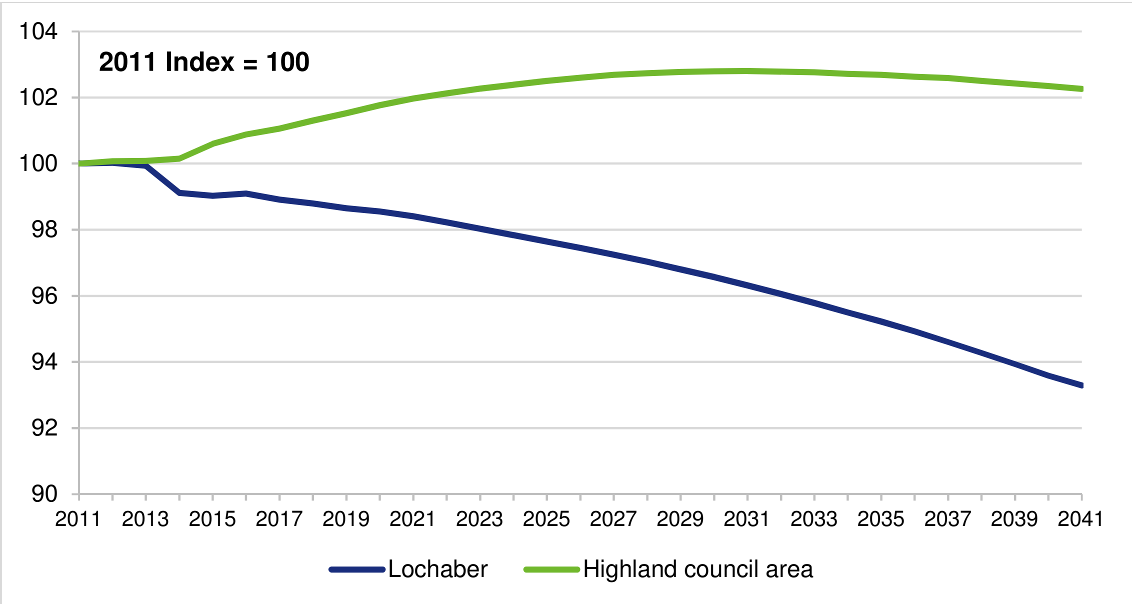
[5] Location quotients compare sectoral employment with the national average, with a location quotient greater than one indicating a higher than national average concentration.

EXISTING PROJECTIONS

Population projections

2.8 The National Records of Scotland (NRS) population projections for the Lochaber area from 2011 to 2041 estimate that the population will decline by 7% over the period (and will decline by 5.6% between 2018-41), compared with a 2% increase across the Highland Council area from 2011 to 2041 (Figure 2.4). Within the overall projections, it is estimated that there will be decreases in all age groups up to 65, whilst there will be a 37% increase in 65-84 year olds and the number of people aged 85+ will nearly triple. People aged 65+ will account for almost one third of the Lochaber population by 2041 (see Appendix 2). The working age population in Lochaber is projected to decline by 19%, compared with 12% across Highland Council area.

Figure 2.4: Index of NRS population projections, 2011-2041

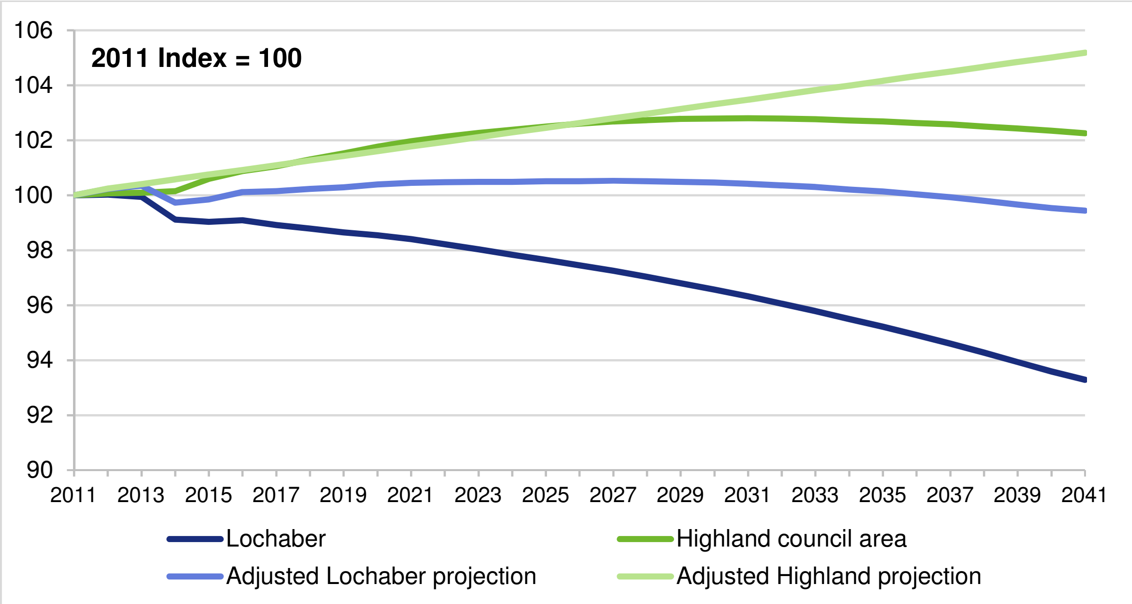


Source: National Records of Scotland (2018)

2.9 However, analysis of NRS data on population projections and mid-year population estimates shows that population projections consistently overestimate the rate of population decrease in the Highland Council area, and elsewhere in the region (see Chapter 4, paragraphs 4.3 to 4.8). Consequently, we have developed a set of adjusted population projections, in consultation with HIE and Lochaber Project Board partners. These have been calculated based on an average 6.1% difference between population projections and mid-year population estimates, to account for overestimation of population decrease. These adjusted calculations project a 0.8% decrease in the Lochaber population under a 'policy off' scenario, and a 5% increase in the Highland Council area population from 2011 to 2041 (Figure 2.5)[6] For the period 2018-2014 this also equates to a 0.8% decrease in the Lochaber population, and a 3.8% increase for the Highland Council area.

[6] From 2018 this is an adjusted increase of 3.8%

Figure 2.5: Index of adjusted NRS population projections, 2011-2041



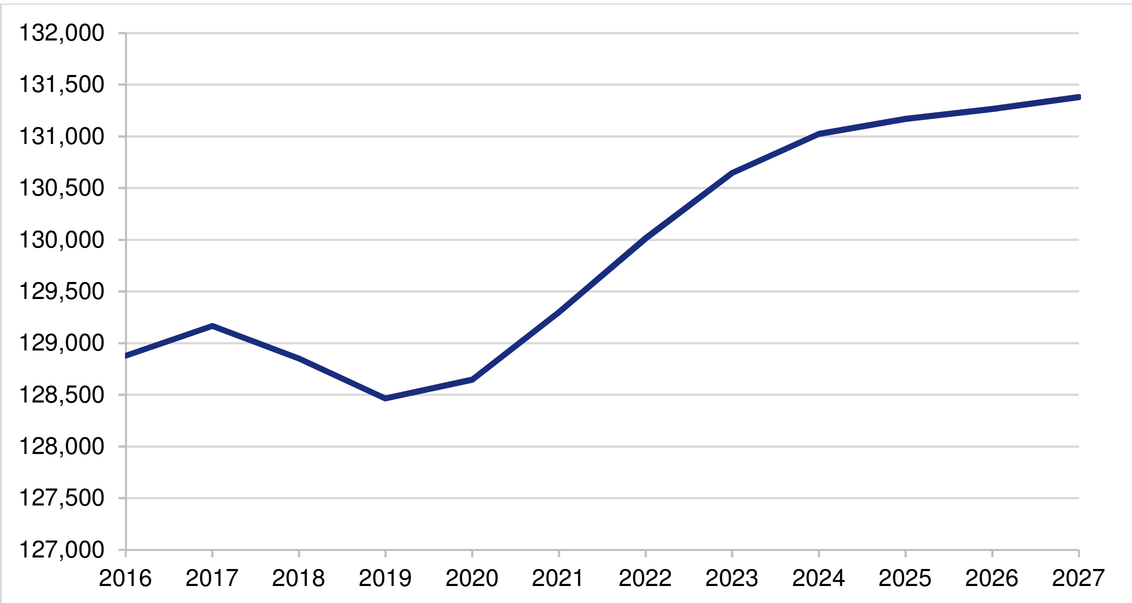
Source: ekosgen adjustment of NRS figures (2018)

Employment forecasts

2.10 Employment projections are not available at the Lochaber level but projections for the Highland Council area are provided in the Regional Skills Assessment produced by Skills Development Scotland, based on Oxford Economics forecasting. It is estimated that between 2016 and 2027 employment in the area will increase by 2,500 or 2% (Figure 2.6). However, there is expected to be a total employment demand of over 43,000 workers (both replacement and expansion) across the Highland Council area by 2027.

2.11 Particular sectors that are expected to see a significant increase in employment in the area include Construction (15% increase), Administrative and support service activities (14% increase) and Professional, scientific and technical activities (13% increase).

Figure 2.6: Employment in Highland Council area, 2016-2027

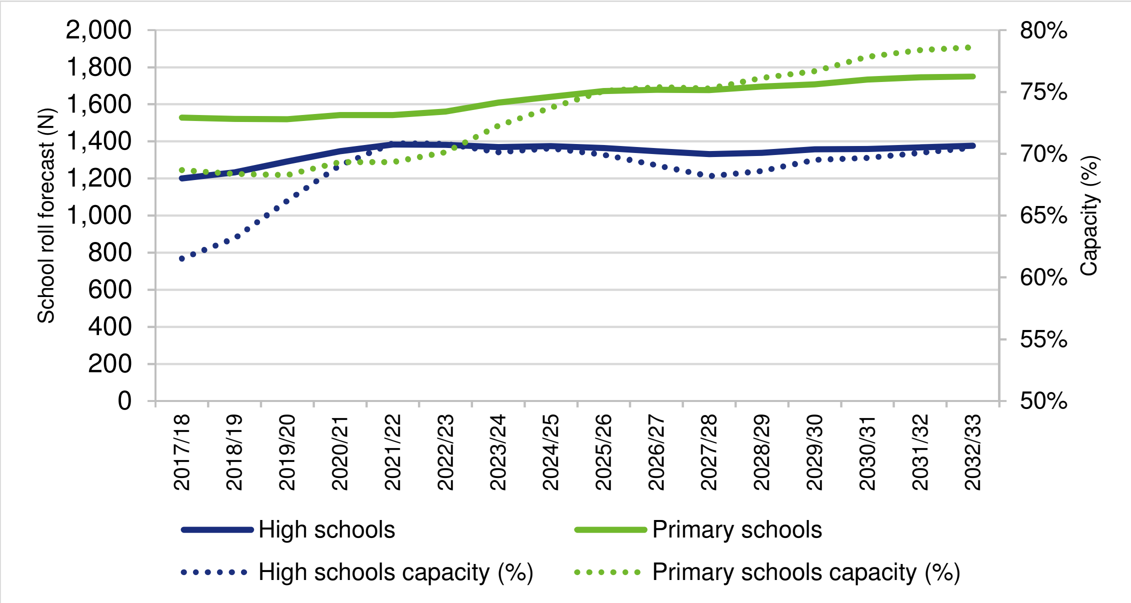


Source: Regional Skills Assessments (2018)

School roll forecasts

2.12 In total there are four high schools and 26 primary schools in the Lochaber area. Figure 2.7 illustrates that overall projections for the Lochaber school roll at primary and high school level from 2017/18 to 2032/33. Presently schools in Lochaber are at less than 80% of capacity. It is estimated that there will be a 15% increase in secondary school pupils and a 14% increase in primary school pupils. These school roll forecasts include some assumptions based on data from the Housing Land Audit (see below), programmed completion rates for Local Development Plan site allocations, GP registration figures, and Placing Request applications, as well as calculate intake numbers for Gaelic and Denominational schools.[7] As such, they are considered to be reasonably accurate projections.

Figure 2.7: Lochaber school roll forecasts, 2017/18-2032/33

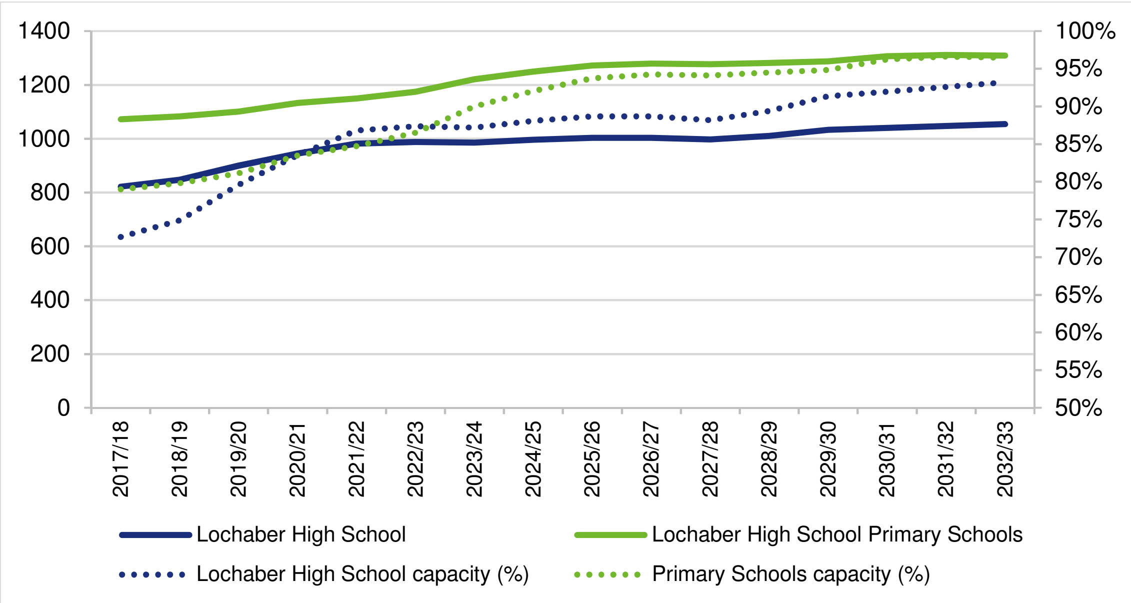


Source: Highland Council (2018)

2.13 Figures 2.8 and 2.9 show that there are significant differences in the school roll projections between different catchment areas. Some schools are close to capacity, whilst others are not. The overall increase is largely driven by Lochaber High School and the primary schools in its catchment area, which have by far the highest pupil numbers. The high school is projected to reach 93% capacity and the primary schools 96% capacity by 2032/2033. This is likely to reflect the fact that 85% of planned house building in the Lochaber area from 2018-2022 is based in Fort William. The concentration of home building in Fort William is set to continue into the long term with 98% of planned builds from 2023-2028 and 100% from 2028-2033 being based in the town. The projected increase in pupils in the catchment area is 28% for the high school and 22% for the primary schools. The other three high schools (Mallaig, Ardnamurchan and Kinlochleven) and their catchment primary schools are projected to remain below capacity, with some significantly below capacity. Several schools are projected to experience a decline in pupil numbers.

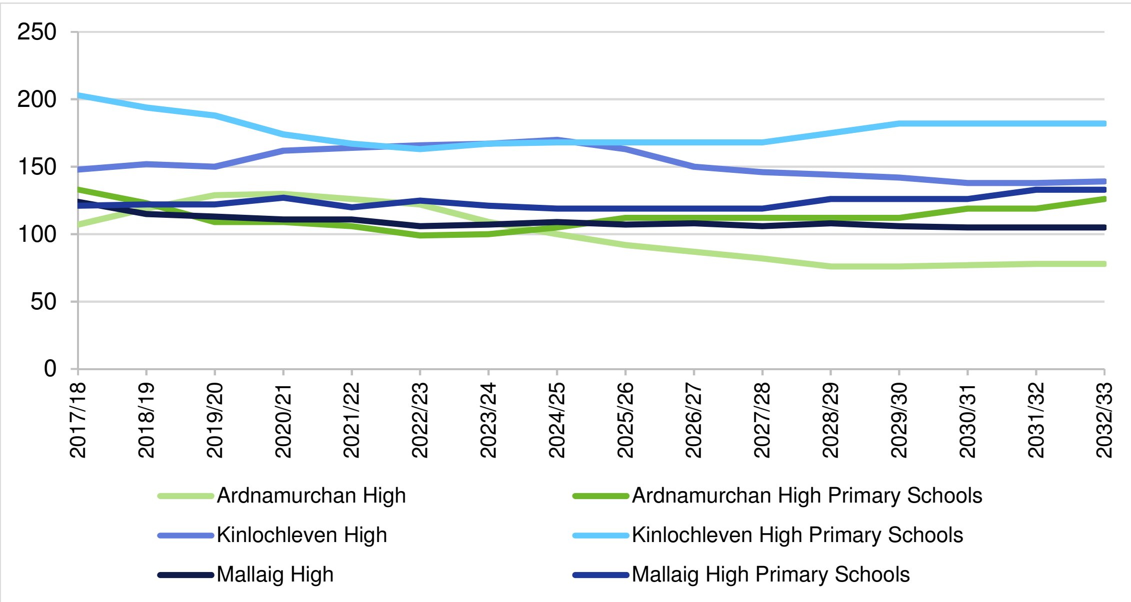
[7] https://www.highland.gov.uk/downloads/file/19257/school_roll_forecast_methodology_september_2017

Figure 2.8: Lochaber school roll forecasts:
Lochaber High School catchment area, 2017/18-2032/33



Source: Highland Council (2018)

Figure 2.9: Lochaber school roll forecasts:
Ardnamurchan, Kinlochleven and Mallaig High Schools catchment areas, 2017/18-2032/33



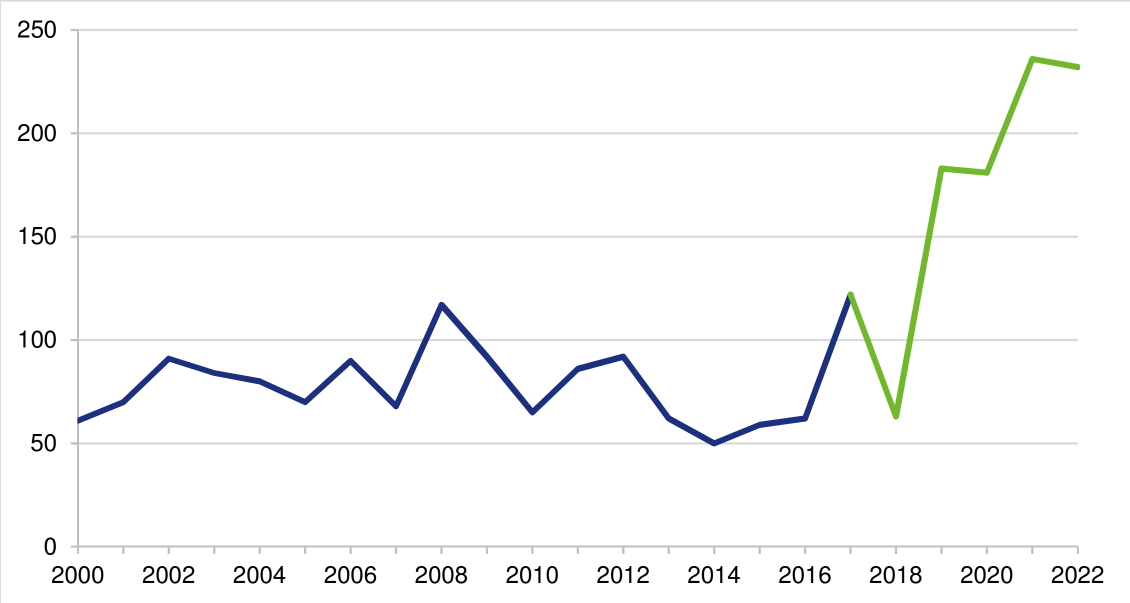
Source: Highland Council (2018)

Housing completions and programmed projections

2.14 The Highland Council's Draft Housing Land Audit 2018 provides data on completions and programmed projections for new housing developments. From 2000 to 2017 there were 1,421 housing completions in the Lochaber area, equating to an annual average of 79. As Figure 2.10 demonstrates, there is a projected short term increase in completions in the period to 2022, which is a step-change in completions compared to historic trends. There are also longer term projections of a lower level of completion for the period to 2033. These are more difficult to forecast, which is understandable given the relatively short-term nature of the housing development pipeline: these are the *known* programmed completions. It is anticipated that these forecasts will increase as more housing development comes online, and completions are programmed into future Housing Land Audits. The uplift in the period to

2022 could be sustained over the longer term if demand continues. 'Windfall' completions also comprise a significant proportion of completions in Lochaber. This suggests that there is potential for future completions to be higher than currently forecast.

Figure 2.9: Housing completions in Lochaber, 2000-2022



Source: Housing Land Audit (2018)

3 CURRENT INTELLIGENCE

Headline messages

- Major private sector investment is planned with the proposed new alloy wheel manufacturing facility in Fort William.
- There is also major public sector investment planned, including a new West Highland College Science and Technology Centre and the replacement of the Belford Hospital.
- Further investment is planned and underway to increase the number of houses in the Fort William area, almost all social/affordable housing.
- Further private sector investment may be realised on the back of the proposed alloy wheel manufacturing plant.
- The timing of the planned private and public sector investment is not certain in all cases, although there is likely to be very major investment in the next 2-4 years.
- The planned investment represents a 'policy on' scenario, which will have implications for the population projections of the Lochaber area over the current forecast period to 2041.

INTRODUCTION

3.1 There is a considerable level of private and public sector investment planned or under consideration in Lochaber. The exact level of investment, and in particular the timing of these investments, is not clear in all cases, and is subject to change and modification. Nonetheless, for some of the proposed investments, there is more certainty and clarity. This section provides commentary on the planned and proposed investments in Fort William and the immediate surrounding area in the coming years.

3.2 The available intelligence on the latest status of public and private investment has a bearing on the anticipated population levels in the Lochaber area, as well as the population profile. Views on how the proposed investments are likely to affect the socio-economic baseline described in Chapter 2 are therefore also captured in this section.

PERSPECTIVES ON INVESTMENT PROJECTS

Private sector investment

GFG Alliance/Liberty House Group

3.3 The 2016 announcement of the £330 million deal for investment in Fort William by the GFG Alliance, was the most significant proposed investment in the area for several decades. The proposal is for a new alloy wheel manufacturing facility, designed to make use of the proximate aluminium smelter, now operated by Liberty British Aluminium. The capital expenditure for the facility alone is estimated as £70m.

3.4 The initial announcement was for 400 jobs at the alloy wheel manufacturing facility. During the course of this study the language used has been 'up to 400', indicating that the full 400 jobs may not be required. It is expected that 200 workers will be required within a short timeframe, i.e. with 6-12 months of the new plant opening, with expectations at the time of reporting that consent for the factory will be 2019, and that the facility may be completed in 2021. This is anticipated to take place over two recruitment phases of 100 workers each, the first phase in advance of opening, with employment growth more slowly thereafter.

3.5 At the time of reporting, the intention was for a contractor to be on site in early 2019, although there remained some uncertainty as to the start date for the actual plant construction, and the actual timing as to when Liberty would be on site. There were still a number of pre-planning conditions to be satisfied which were being worked through.

3.6 Full details of the composition of the workforce at the new facility are not available. However, indications are that around a third may be managers and professionals, a third skilled, notably product and process engineers, advanced maintenance and supervisory roles, and a third lower skilled, although this may vary as the project develops.

3.7 To meet their recruitment needs, Liberty are planning to recruit their workforce from the UK, including from the local area[8]. It is expected that employees, particularly those in higher paid positions, may be prepared to commute significant distances locally. In addition, it is anticipated that many workers will re-locate to the area to take positions at the new wheel factory, or to take up other opportunities in the local economy that become available, boosting the population of the area significantly.

3.8 The workforce requirements at the liberty plant will draw on a range of sectors where people may have relevant skills (construction, engineering, etc.). Liberty's approach is to target workers with adaptable skills (i.e. a 'train and change' approach), and they expect women to form a major part of the workforce. Liberty anticipate that it will be the recruitment of operatives that will be the greatest challenge for the business, with an expectation that it will be easier to attract higher paid workers (as in their experience, re-locators are typically the main wage earner).

Other private sector investment

3.9 There are a number of other large businesses in the Fort William area, including BSW, Nevis Range, Newco and the existing Liberty Group-owned smelter. A detailed review of business and investment plans of these companies was outwith the scope of the study. However, these will need to meet the ongoing challenges of retaining their workforce, recruitment of new staff and increasing their competitiveness, to ensure sustainability or growth. The smelter itself has recruited around 50 persons in the last 12-18 months (as those in their 50s take retirement packages) which has already caused displacement from other employers in the area.

3.10 Liberty is also aware of the need to ensure the existing smelter operation is effective and maintained. There is recognition that the workforce needs of the smelter will need to be taken into consideration when developing a recruitment strategy for the new wheel manufacturing facility.

3.11 There are also longer-term investment proposals, which may also impact on the economic performance and service needs of the Fort William and Lochaber area. These include the potential for establishing a mains gas network, for which a feasibility study is underway, and to develop Corpach deep-water port, which has the potential to be developed for in-bound raw materials and possibly the export of bulk goods.

The health sector

3.12 The major investment with respect to the health sector is the planned new hospital to replace the existing Belford Hospital. The new hospital is expected to be a capital project costing in the region of £20-£30 million. Latest intelligence suggests that construction on the hospital may commence in 2021, with completion and the opening of the hospital in 2022/3.

[8] A comparison was made with commuting journey times into London which are commonly 90 minutes, time that would enable one to commute to Fort William from almost as far as Inverness. Therefore 'local' in this context includes areas within a 60-75 minute travel time to work.

3.13 Overall, Health and Social Care provision is particularly challenging in remote and rural areas. This is a result of the dispersed nature of the population, and older demographic compared to urban areas, and transport issues. Further, NHS Highland faces recruitment difficulties and higher than average vacancy rate for posts outside of its Raigmore Hospital workforce.

3.14 The recruitment challenges faced by NHS Highland are particularly acute in Lochaber. Across the Belford's establishment of 10 consultant posts, including three general surgeons, three consultant physicians and three anaesthetists, there were eight vacancies (47%).[9] In addition, there are 80 posts that need to be filled across Lochaber each year as a result of staff turnover. Despite these vacancies, there is not currently expected to be a significant change in the total numbers employed. However, the composition of the workforce may change. The Belford hospital development is at the centre of a wider service redesign, in response to changing need and demand, demographic change, and technological development. As a rural general hospital, there will continue to be a high demand for services placed on the Belford hospital, including specialist facilities (e.g. in relation to accommodating mountain rescue admissions). Replacing its estate to ensure ongoing functional suitability is therefore imperative.

3.15 What remains clear is that Lochaber is experiencing the increasingly complex challenges associated with an ageing population, and health inequalities that are being seen elsewhere. Currently one in five are over the age of 65 but this is expected to increase to almost one in three in the Lochaber area by 2035. The area also has particularly high incidences of respiratory, cardiac and alcohol misuse-related illness.

Education

3.16 The major new development in relation to education is the planned investment for West Highland College to create a new £12-£15 million Centre for Science and Technology. The headline numbers proposed in the Business Plan are: 150 full-time students and 250 part-time students. These are additional students to the current West Highland College numbers of circa 3,500 across its Fort William and Portree campuses and eight learning centres, which represents an increase of around 10% in student numbers.

3.17 The Centre is expected to include a broader and more advanced curriculum and facilities, along with construction, engineering and wider design and ICT/digital course provision.[10] The College considers there to be significant potential demand amongst local construction and engineering companies, and are therefore looking to support required Continuing Professional Development (CPD) and other forms of skills and training development, not least Modern Apprenticeships. Indeed, the College has already undertaken employer engagement work to gauge levels of interest and ensure provision meets local business needs.

3.18 At present, modelling of student numbers by age or by other characteristics has not been carried out. However, the College expects that the up to two thirds may come from the local area, which may play a significant role in helping to retain young people who currently the leave the area to attend College.

[9] As of August 2018

[10] Outline Business Case, July 2017. Specifically, the WHC Centre for Science and Technology has four aims:

- To deliver FE/HE curriculum in Science, Technology, Engineering and Mathematics (STEM) subjects, linked to local business needs, and offering progression to further study from school-based learning to technician and degree levels.
- To play a key part as a regional hub for the UHI School of Health
- To deliver commercial courses in STEM subjects, offering Continuing Professional Development (CPD) opportunities to businesses and people in work.
- To inspire and boost interest among children, young people and the wider community in technology, design and science and professional careers in these areas.

3.19 The plans for the new Science and Technology Centre also include a Centre for Health Science/School of Health (which may provide some training ward facilities for the new Belford Hospital) and additional student accommodation.

3.20 There has already been considerable investment in the schools in Lochaber, which has increased local capacity and enhanced the local schools offer. Further investment in schools may also occur into the medium term, including the possible expansion of the Gaelic primary school and/or a new primary school at Blar Mhor.[11]

Housing

Social housing

3.21 There has been, and continues to be, major investment in housing in Fort William, the main focus of housing investment in Lochaber, as well as some investment elsewhere in the area. This is almost entirely affordable/social housing development led by the public sector, with no large scale private sector investment planned at present. The key planned social housing developments are the Blar Mhor site, expected to be 250 houses, and at Upper Achintore, at c.400 houses. A number of smaller housing developments are also under construction or have recently been completed, including 60 homes at the former Lochyside school site, and 21 houses at the former distillery. There is approximately £50 million of investment in housing development projects in the short term.

3.22 The Blar Mhor site is the most advanced. Phase 1 is expected to see 115 houses, a mix of 1, 2 and 3 bedroom properties, although the precise mix is not yet clear. These are all expected to be affordable or mid-market rental homes. The site is the large former Tesco site, now in public ownership following its purchase by Highland Council in 2015. The site is expected to include the new Belford Hospital and West Highland College's new Centre for Science and Technology; the new Police station, already on an adjacent site, is to be accompanied by the proposed housing.

3.23 For Upper Achintore, the 400 units are again affordable housing units. The timescales for development here are less clear, and these may slip beyond the short-term programmed completions; given the need for further site investigation works, it may be 12-18 months before construction commences. The development is being brought forward by Lochaber Housing Association, with LINK as the development partner. Latter phases may include some private housing.

3.24 There is certainly demand for social housing, stakeholder consultations identified that there are around 800 people currently on Highland Council's waiting list. This is a high number even allowing for the fact that many place themselves on the list just in case a better property becomes available.

Private sector housing

3.25 In terms of the private sector, the key indicator for volume housebuilders is the rate of change in the second hand market, and their profit margins after costs. In the case of the second hand market, private developers have not yet seen enough movement to encourage them to invest.

3.26 The principle barrier for private sector housing developers in the Fort William area are infrastructure costs. These largely relate to the increased costs of peat removal. The sites for development are limited given the Nevis range and the Mamores to the East and South of Fort William, and Loch Linnhe and Loch Eil to the West. However, even with available sites, private sector developers cannot get the 20%-25% margins they are seeking, and which they can achieve elsewhere. The cost–to-value ratio is not sufficient. The lack of a major local construction sector also drives up their costs and reduces their margins. That said, anecdotal evidence from stakeholders indicate there has been a recent upturn in private sector housing developer interest, in light of the scale of proposed total public and private sector investment.

[11] West Highland and Islands Local Development Plan Proposed Action Programme, May 2017.

3.27 There is certainly a perception amongst businesses that housing is a barrier to their recruitment. The Chamber of Commerce has recently conducted a survey on the issue with its members. Evidence of the lack of housing acting as a barrier to recruitment would help strengthen the case for increased public sector investment in housing and/or site assembly.

3.28 The Liberty Group themselves have expressed a desire to provide housing for their workforce. However, their sites are not currently considered viable for housing, and there would need to be a joint venture with the public sector if they were to release any government funding to support these proposals.

Transport

3.29 A Strategic Transport Study for Fort William (pre-STAG appraisal report) has been completed and published[12]. This provides a baseline, and in line with STAG guidance, defines the transport issues for the area. It also provides a strong case for change to the Fort William transport network, setting out a shortlist of options for more detailed consideration. These include a new A82-A830 link road (possibly including a link road to Caol), an integrated travel hub at Banavie, improvements to public transport services and the sustainable (walking and cycling) travel network in the area, and travel information and behaviour change initiatives. Subject to Transport Scotland progressing the next stages of the STAG for Fort William, these major road infrastructure and transport investments can form part of the mix of solutions to overcome transport capacity issues in Lochaber.

3.30 Although the STAG process has not yet progressed beyond the pre-appraisal report stage, there is an increasing recognition of the range and scale of investment (both public and private) likely to come forward in the Lochaber area. There is also a recognition of the growth in tourism across the west Highlands, and the effects this has on the volume of traffic in the area, e.g. on the A82 through Fort William.

3.31 No decisions have as yet been made; however, the forthcoming update to the Scottish Government's Strategic Transport Projects Review provides an opportunity to make the case for national investment in Fort William's transport network. There is also the potential for proposed transport investments to be incorporated into the Local Development Plan process.

OBSERVATIONS ON EXISTING PROJECTIONS

3.32 The general view amongst stakeholders is that the current 'policy off' population projections are not suitable or appropriate for service planning purposes, given the extent of planned investments. Although a number of the investments described are still provisional, there is enough certainty around proposals for stakeholders to want to take into account 'policy on', rather 'policy off' projections.

3.33 The desire to take into account the 'policy on' is reflected in the fact that some projections are already taking planned developments into account. Notably, this extends to the school roll data where the forecasts for school roll numbers already account for some of the private and public investment planned.

3.34 The view is also strongly expressed that the NRS long-term projections persistently under-estimate the populations in the Highlands and Islands. This specific feedback has been factored into the population projections in the next section.

3.35 It would also be helpful for specific employment projections to be generated, based on industrial sectors, and accounting for expansion and replacement demand. This is not readily available, or easily generated at sub-local authority level; however given the unique circumstances in Lochaber some sub-local authority employment forecasts under a 'policy-on' scenario may be helpful.

[12] https://www.highland.gov.uk/download/meetings/id/74111/item_10_-_fort_william_strategic_transport_study

4 SCENARIO MODELLING FOR GROWTH

Headline messages

- The major private and public sector investment planned will have a significant impact on the population of Lochaber over the forecast period to 2041.
- The effects of the investment in the new wheel manufacturing facility alone could reverse forecast population decline of -0.8% and lead to a 3.1% increase in the population of Lochaber (612 persons) over the period to 2041.
- Factoring in the new College Centre for Science and Technology, including associated additional spend from attracted and retained students, and from additional construction worker spend, may result in a population increase of 9.7%, or 1,943 persons.
- With the new Hospital and housing construction spend included, the population increase to 2041 may rise to 16.3%, an increase of 3,263 persons. This is without additional private sector investment that may be levered in following the initial wheel plant investment.
- Population growth at this scale will require planning by all partners and agencies to ensure that their needs are met, which is likely to include further housing requirements.
- The population forecasts use the latest intelligence available for a policy on scenario, however there are a number of assumptions inherent in the projections.

INTRODUCTION

4.1 This section seeks to develop more realistic, and therefore more helpful, projections for the Lochaber area. Chapter 3 sets out investment that is planned by both the private and public sectors, and the extent to which this means that the existing 'policy off' projections are not credible. Taking into account the planned investment creates more realistic projections, which in turn will be of greater benefit and use for future investment and service planning.

4.2 There are some caveats to the scenario modelling set out in this section, since information available to the review is partial. In some instances, this is because no further information is available at this stage or in other instances, the level of detail required is not available. This has required a number of assumptions to be made in developing the scenarios; these are set out in the commentary.

ADJUSTING FOR NRS PROJECTIONS

4.3 The previous chapter indicated that a number of stakeholders in the Highlands and Islands consider the NRS population projections to be overly pessimistic, and that they routinely under-estimate the long-term population, a point of view borne out by the analysis set out in Chapter 2 (Paragraph 2.8 and Figure 2.5).

4.4 The NRS mid-year population estimates are based on historic trends. They take into account birth rate, death rates and net migration, i.e. the difference between in-migration and out-migration. It is the in-migration data that is generally regarded as an under-estimate in the Highlands and Islands, and so records higher levels of net out-migration than should be the case.

4.5 Migration estimates are derived from three key sources of data: National Health Service Central Register (NHSCR); Community Health Index (CHI); and International Passenger Survey (IPS). The NHSCR is used to calculate moves between NHS Board areas within the UK, with migration at council area and below estimated using anonymised data from the CHI. The IPS provides information on overseas moves into and out of Scotland, and on asylum seekers.

4.6 Appendix 3 presents analysis into the differences in the NRS long-term population forecasts and the actual population. This has been produced in detail for the Highland and Eilean Siar local authorities. The analysis highlights that the 2002-based estimate for 2015 (latest data at the time of the analysis) under-estimated the actual 2015 mid-year estimate in Highland by some 15.9%, and in Eilean Siar by 19.6% (as set out in Table 4.1). The 2004-based estimates were slightly more accurate, but still these under-estimated the population by 7.4% and 9.6% respectively.

Table 4.1: Comparison of NRS population projections and mid-year estimates, Eilean Siar and Highland

Year estimate for 2015	Population estimate for 2015	Actual mid-year estimate 2015	Under-estimation (N)	Under-estimation (%)
Eilean Siar				
2002 estimate for 2015	22,638	27,070	4,432	19.6%
2004 estimate for 2015	24,707	27,070	2,363	9.6%
2006 estimate for 2015	26,103	27,070	967	3.7%
2010 estimate for 2015	25,827	27,070	1,243	4.8%
2012 estimate for 2015	26,037	27,070	1,033	4.0%
Highland				
2002 estimate for 2015	201,967	234,111	32,143	15.9%
2004 estimate for 2015	218,007	234,111	16,103	7.4%
2006 estimate for 2015	226,872	234,111	7,238	3.2%
2010 estimate for 2015	231,799	234,111	2,311	1.0%
2012 estimate for 2015	230,010	234,111	4,100	1.8%

Source: HIE analysis of NRS population projections and mid-year estimates

4.7 It is not possible to accurately assess the under-estimation in long-term population projections for Lochaber, given the levels of uncertainty associated with those forecasts, however neither is it right to assume the NRS population forecasts (currently available to 2041) fairly reflect the policy-off scenario.

4.8 What we have assumed therefore – and this is a key assumption – is that the NRS population forecasts for Lochaber under-estimate the population by 6.1%, or 1,230 persons, over the period 2011 to 2041.[13] Adjusting for this suggests the overall population in Lochaber would decline by -1% by 2041, rather than the forecast -7% (as set out at Figure 2.5).[14] **Given what we know about Highland and Eilean Siar – where a 12-year population forecast was more than 10% below the actual mid-year estimates – our NRS adjustment of 6.1% over 30 years for Lochaber may be a conservative adjustment**.

[13] This is a cautious adjustment, given there is no definitive basis for adjusting the NRS projections. The 6.1% adjustment is based on the midpoint of the 2004 and 2006 under-estimations for 2015 for Highland and Eilean Siar.

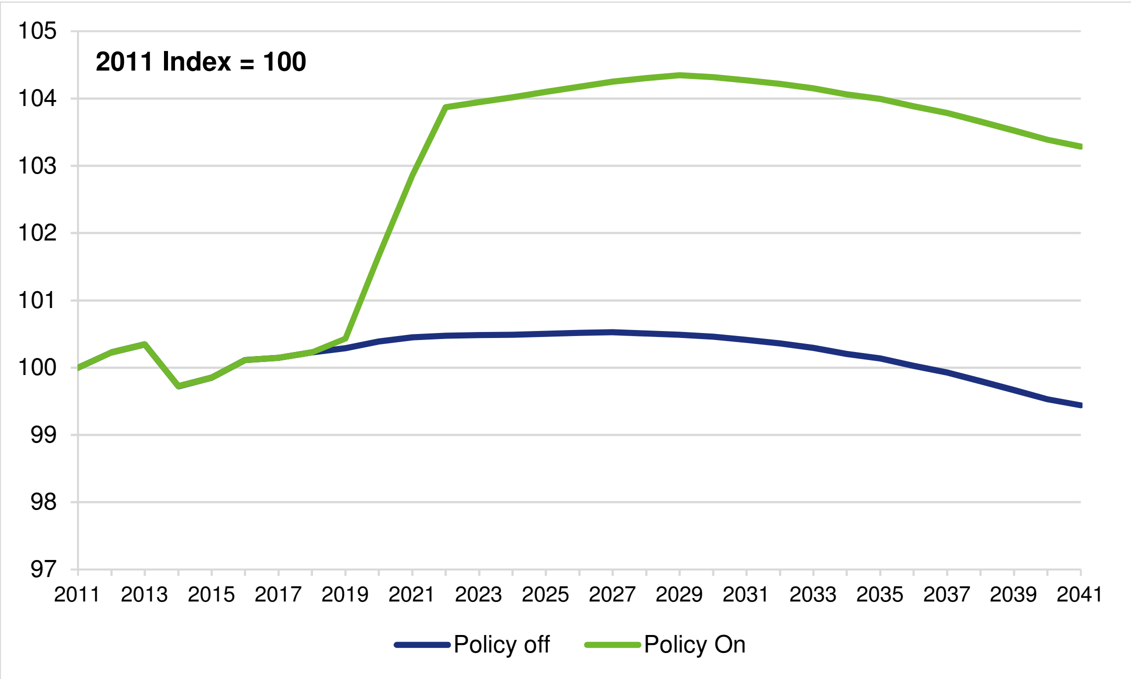
[14] Note, for clarity: the decline is -1% (adjusted) and -7% non-adjusted *2011-2041*; the decline is -0.8% (adjusted) and -5.6% (non-adjusted) *2018-2041*. The following scenarios consider change over the period 2018-2041.

LOW IMPACT: LIBERTY INVESTMENT ONLY

4.9 Chapter 3 indicates the range of private and public investment planned for Lochaber. However, if we consider the impact of the proposed Liberty investment only, we can see the long-term effects on population.

4.10 The new wheel manufacturing development alone could see the total population increase by +3.1% (612 persons) over the period 2018 to 2041, compared to the NRS adjusted policy off scenario, which indicates a population decline of -0.8%. The +3.1% increase compares to a population decrease of -5.6% based on unadjusted NRS projections.

Figure 4.1: Population projection scenario, Liberty investment only



Source: ekosgen/Context Economics calculations based on adjusted NRS projections

4.11 Given that much of the existing intelligence is based on partial knowledge, including understanding of what the actual composition of the workforce at the new Liberty facility will be, there is a degree of uncertainty regarding where these employees will be drawn from and their age profiles. Consequently the forecasts adopt a number of assumptions, for example in relation to birth rates.[15]

Liberty investment only assumptions:

- That there will be demand for 300 workers at the Liberty wheel manufacturing facility – 225 of these jobs will be filled by those directly relocating to work in the alloy wheel factory or to backfill jobs that arise elsewhere in the economy, and 75 by those staying in the area to take up jobs in the wheel factory or elsewhere (who would otherwise have left). It is assumed that 100 of those that relocate will have families (based on half of those working in the alloy wheel factory having families, and a third of those taking up posts in other parts of Lochaber's economy having families), as will half of those retained. Of these 300, the rate of jobs take up will be 100 per year over the period 2020 to 2022;

[15] It should be noted that because there is little intelligence regarding the likely age and sex of in-migrants, assumptions on fertility rates are subject to a degree of uncertainty.

- That the average number of people with the relocating or retained main employee is 2.3, i.e. those with families have an average of 3.3 per household, compared to approximately 2.2 for Scotland and the Highland Council area as a whole[16];
- That there is a modest short-term (10-year) increase in births per 1,000 population (25 per 1,000 versus national average Scotland 11.3 per 1000), associated with families moving into the Lochaber area;
- That there is a very modest uplift in the death rate towards the end of the forecast period;
- That there are 86 jobs induced by the additional spend, both from the additional and retained Liberty plant workers, and from the additional posts in other parts of the Lochaber economy. We have adopted a modest assumption that there are 1.5 persons attracted/retained in the area per 1 induced job (in this scenario 129 in total), with the induced jobs profiled over a 10 year period; and
- That there are 83 construction jobs (10 year Full Time Equivalents (FTEs)) that are additional to the area, based on the Liberty investment build, profiled from 2019-21. This is based on the assumption that 15% of the 555 temporary construction jobs become permanent jobs in the Lochaber area.[17] The 555 construction jobs uses £126,000 turnover per employee (from the Scottish Annual Business Statistics) and is based on £70 million of capital investment. It is assumed half of the 83 permanent construction jobs are taken up by those new to the area (over the assumed three-year capital build period 2019-2021) and half are taken up by those retained in the local area (over the same period).

4.12 In reality, the effects on the population of Lochaber arising from the Liberty investment alone may be higher than these stated. There are a number of modest assumptions, including a key one that just 225 workers relocate to Lochaber, when this figure may be higher if a greater proportion relocate and fewer are recruited locally. What we also know is there is considerable additional planned investment in Lochaber which will increase the local population further. The following scenarios reflect planned public investment at different levels.

[16] https:///statistics.gov.scot/home

[17] It is noted that this assumption of 15% of the temporary construction workers becoming permanent residents in the Lochaber area may require some supportive policies/actions to encourage larger construction companies to establish a permanent base e.g. the establishment of a regional construction office in Lochaber.

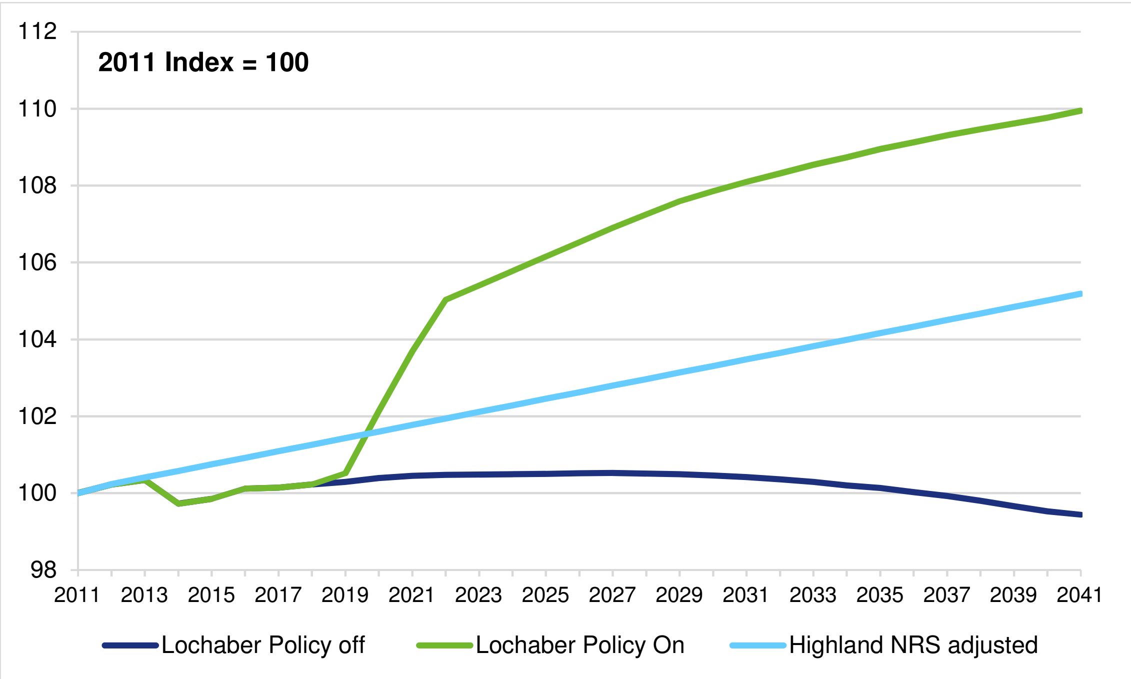
MEDIUM IMPACT: LIBERTY AND SELECTED PLANNED PUBLIC INVESTMENT

4.13 The medium impact scenario also presents the forecast impact once the NRS adjustment of 6.1% over the 2011-2041 period has been applied. It also takes into account some, but not all, of the planned public sector investment, that is, the proposed £12-£15 million West Highland College Centre for Science and Technology. Under the medium impact scenario (2018-41), there is:

- An increase in population in the Lochaber area of +9.7%, or +1,925 (the Lochaber medium impact policy on scenario); compared to:
    - The Lochaber 'policy off' scenario of -0.8%, or -157; and
    - The Highland 'policy off' scenario (also NRS adjusted) of +3.8%.

4.14 The medium impact scenario shows a population increase in percentage terms more than double that for the Highland Council area as a whole. As indicated earlier, the NRS adjusted Highland Council-wide projection is a policy off scenario, and does not include the effect of the Liberty investment, or other planned investment in the Highland Council geographic area.

Figure 4.2: Population projection scenario, Liberty (base) plus selected planned public sector



Source: ekosgen/Context Economics calculations based on adjusted NRS projections

4.15 There are again a number of key assumptions for these forecasts.

Liberty and selected planned public investment assumptions

- The Liberty investment assumptions remains as above, which indicates 225 re-locators, 100 with families, and 75 retained, again half with families;
- That the new College Centre for Science and Technology has a total of 20 additional staff (based on the latest West Highland College estimates), from 2020;
- That of the 150 extra full-time students expected at the new Centre for Science and Technology, 15% of these are retained in the area long-term per annum each year from 2020 and over the forecast period to 2041, (23 persons per annum) and of the 150, 5% are attracted to the area to stay long-term (8 persons per annum over the forecast period to 2041);

- That of the 200 extra part-time students, 10% each year are retained in the area long-term, (20 persons per annum 2020 to 2041) and 2% are attracted to the area to stay long-term (4 persons per annum);
- That there is an increase in births per 1,000 population to 33 per 1,000 versus 11.3, which is the national average. This reflects the increase in the number of younger people retained/attracted to the area as a result of the College development and expansion, as well as the increase in births as a result of families moving in the area for work;
- That the induced spend generates an additional 102 jobs (154 persons in total), based on the additional/retained Liberty workforce, the additional spend from new workers elsewhere in the Lochaber economy, plus the additional spend by College staff and the additional/retained College students; and
- 98 FTE construction jobs, arising from the £82 million capital investment in the College (£12 million) and Liberty build programmes (£70 million), and again assuming 15% of 651 temporary construction jobs created are retained long-term in Lochaber.

HIGH IMPACT: LIBERTY (GROWTH) AND FULL PUBLIC INVESTMENT

4.16 The High Impact scenario assumes that there is a greater impact from the Liberty investment on the local population, and assumes that more of the planned public sector investment occurs. The high impact scenario therefore factors in the planned capital build of the new Hospital, and also considerable investment in housing (assumed to be £50 million, although in reality this may be higher still).

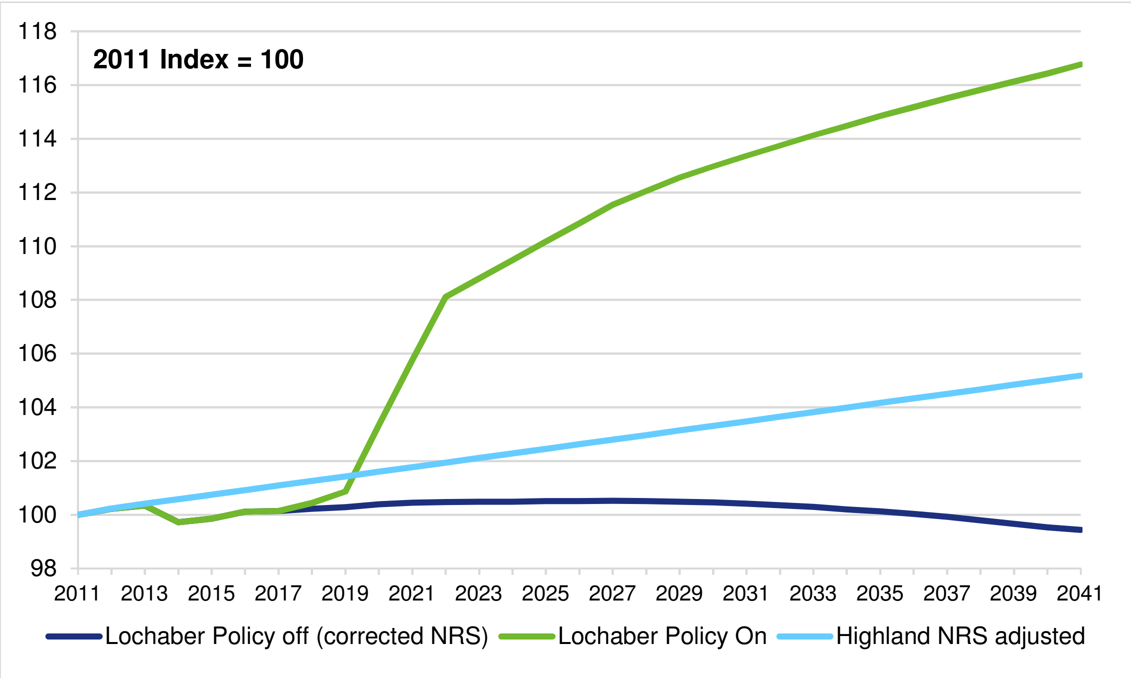
4.17 It is worth noting that whilst this is termed the High Impact scenario, it still *does not* take into account further potential investment. This includes, for example, the potential provision of mains gas across the town, or the development of Corpach port. Additionally, it does not factor in any major transport investment and development.

4.18 Nonetheless, considering the Liberty investment, the College, the Hospital and planned housing development alone, we can see under the High Impact scenario (2018-2041) that:

- There is an increase in population in the Lochaber area of +16.3%, or +3,263 (the Lochaber high impact policy on scenario); compared to:
    - The Lochaber 'policy off' scenario of -0.8%, or -157; and
    - The Highland 'policy off' scenario (also NRS adjusted) of +3.8%.

4.19 The high impact scenario shows a population increase in percentage terms of more than four times that for the Highland Council area as a whole. Again, the NRS adjusted Highland Council-wide projection is a policy off scenario, and does not include the effect of the Liberty investment, or other planned investment in the Highland Council geographic area.

Figure 4.3: Population projection scenario, Liberty (growth) plus full public sector



Source: ekosgen/Context Economics calculations based on adjusted NRS projections

Liberty (growth) and full public investment assumptions

4.20 The key assumptions are that:

- There are 400 workers required for the wheel factory, profiled over the three year period 2020-2022, - 325 relocating to work directly in the alloy wheel factory and taking up employment elsewhere in the Lochaber economy (to replace local workers recruited to work at the factory), and 75 retained in the local area working at the facility who would otherwise have left the area;
- The high growth scenario assumes two thirds of those retained and relocating as a result of the alloy wheel factory have families, higher than the 50% assumed in the other scenarios;
- That the new College centre has a total of 20 additional staff (based on the latest West Highland College estimates), from 2020;
- That the additional 150 full-time College students leads to 20% being retained long-term each year (30 per annum, over the period 2020 to 2041) and leads to 10% being attracted to stay in the area long-term (15 persons per annum over the same period);
- That the 200 additional part-time students leads to 10% being retained long-term each year (20 per annum over the same 2020-2041 period) and leads to 5% being attracted to stay in the area long-term (10 persons per annum);
- That the new Hospital is developed, but that there is no net change in the total workforce, or profile of the workforce;
- That there is an increase in the number of births per 1,000 of the population (34 per 1,000 versus 11.3 national average), as per the medium growth scenario;
- That there are 118 induced jobs arising from Liberty workers' additional spend plus that from those taking posts elsewhere in the Lochaber economy, at 1.5 persons per job, a total of 177 persons. This is higher than the medium growth scenario given that more of the Liberty workforce are expected to relocate to Lochaber under this scenario;
- That there are 77 induced jobs from additional College spend by the long-term attracted and retained students, plus the College staff and from additional construction worker spend, 115 persons in total;
- 181 FTE construction workers, again based on 15% of the construction workforce retained locally and based on £152 million in capital investment, comprising £50 million housing, £20 million for the new Hospital, £12 million for the College and £70 million Liberty. The construction workers attracted and retained in the area are profiled over a 10-year period for the housing and hospital construction, and over five years for the Liberty and College construction.

4.21 As with the low and medium impact scenarios, many of the assumptions are conservative, even under this High Impact scenario. For example, the scale of the capital build investment may well be closer to £200 million over 10 years (the estimate of £50 million for housing is at the conservative end of the spectrum), and it may well be that more than 15% of the construction workforce is retained permanently in the Lochaber area.

INITIAL IMPACT ASSESSMENT

4.22 The increase in population in the Lochaber area is expected to translate into very considerable net economic impacts for the local area. There will be both significant numbers of net additional new jobs, and a considerable injection of expenditure into the local community.

Employment impacts

4.23 In terms of employment impacts, the following can be anticipated:

- Between 375 and 475 direct jobs arising from the new Liberty facility, including additional posts created elsewhere in the Lochaber economy. Liberty anticipate recruiting their workforce from the UK, including the local area, although the balance between locally recruited persons and re-locators will not be fully known until Liberty has completed its workforce recruitment. However, it is expected that the jobs created by local workers recruited will be backfilled;
- 20 direct jobs at the new West Highland College Centre for Science and Technology – this is the estimated number of additional staff required;
- 181 FTE construction jobs – as per the High Impact scenario above this is based a total of £152 million of capital build investment (£102 million Liberty/College/NHS + £50 million housing), and assuming 15% of all construction jobs are retained locally;
- 86 induced jobs, based on the expenditure associated with 225 Liberty plant related re-locators; rising to 118 jobs (for 325 re-locators), and including the induced jobs arising from the spend by those in posts in other parts of the economy; and
- 62-77 induced jobs, arising from the additional long-term additional College students staying in the local area, and arising from the additional spend by construction workers. The range indicates the difference between smaller and greater numbers of full-time and part-time students staying on in the local area post-study.
- This provides net additional and retained jobs of between 724 and 870 jobs

4.24 It is also worth noting that this does not include further additional jobs possible through subsequent private sector investment, for example at Corpach Port. Neither does it explicitly take into account additional jobs that may be created in the supply chain. The new wheel manufacturing facility is unlikely to have a significant supply chain, other than a small number of maintenance jobs and additional services jobs in catering and sundries, although any such jobs created will increase the number of net additional jobs. Similarly, further jobs may be created in the supply chains for construction companies and others involved in delivering the large capital build programme anticipated.

Expenditure impacts

4.25 The annual additional expenditure in the Lochaber area is expected to comprise:

- £3.0-£4.1 million annual additional spend in the local economy arising from the new Liberty facility and posts elsewhere in the economy – again this is based on 225-325 re-locators and 75 persons retained. The annual expenditure figure assumes that the Liberty workforce is a third professional/ managers (at an average annual gross salary £40,000); a third are skilled workers (at £30,000 per annum[18]); and a third are lesser skilled (at £20,000 per annum, based on a modest uplift on the average factory worker pay of £18,465 per annum[19]). We have

[18] £30,292 is the average annual gross salary for a mechanical engineer in Glasgow https://www.payscale.com/research/UK/Location=Glasgow-Scotland%3a-Glasgow/Salary

[19] https://www.payscale.com/research/UK/Job=Factory_Worker/Hourly_Rate

assumed that 30% of wages are spent locally, and have assumed one part time worker for each additional Liberty employee.

- £0.3 million College (staff only) rising to £0.8 million for students who stay long-term in the local area having been attracted or retained post study. We have not taken into account the additional annual spend from additional/retained College students whilst they are studying;
- £2.4 million annual additional spend from construction workers, at an average of £25,000 per annum gross, and based on 15% of the total construction workforce retained locally, as per the population projection scenarios. We have not included any expenditure associated with temporary construction workers;
- Which provides total ongoing net additional local annual spend of somewhere between £5.7 million and £7.3 million.

4.26 The additional annual expenditure in the local economy is therefore likely to exceed the upper end of the range above of £7.3 million. In particular, with as many as 1,200 construction jobs created to deliver the £152 million in capital build works over the next 10 years, there will be additional expenditure in the local area from temporary construction workers, over and above the 15% who may stay on in the area into the longer term.

Salary impacts

4.27 The additional employment set out in the scenarios above is likely to have an impact on average salaries in the area. The average (median) salary in Ross, Skye and Lochaber in 2017 was £20,836, based on Annual Survey of Hours and Earnings (ASHE) data.[20] Assuming the direct employment impacts above –additional employees at Liberty at the occupational balance set out plus employment created elsewhere in the local economy as a result of the Liberty development, additional college staff, and construction employment retained in the Lochaber area – then there will be an increase of around £17.3 million in total salaries in Lochaber, which equates to an uplift in average salaries of between 1 and 2% across the whole Lochaber area.

[20] No data on salaries is available below either the Highland Council or the Ross, Skye and Lochaber constituency areas

5 CONCLUSIONS AND IMPLICATIONS

INTRODUCTION

5.1 As the analysis has demonstrated, there are a number of opportunities that can be capitalised upon to improve the economic and demographic outlook for Lochaber. However, there are undoubtedly challenges and implications that will need to be addressed in order to realise ambitions for the area.

5.2 The key implications relate to where new workers to the area – and workers who choose to stay to take advantage of new opportunities – will live; what the impact on service provision will be; and what the projected increase in population and employment will mean for transport, traffic management and other essential infrastructure.

POLICY IMPLICATIONS: POLICY OFF

5.3 As the report sets out, the 'policy off' scenario shows that, even taking adjusted NRS projections into consideration, the population of Lochaber is forecast to decline over the period to 2041. Trends to date indicate that the population structure will also continue to age which will have a number of implications for service delivery.

5.4 An ageing population structure means an increase in demand for health and social care services. This will be compounded by a shift in the dependency ratio (the ratio between those of working age, and children and pensioners), and the lag between expected increases in life expectancy, and healthy life expectancy. More people will be living longer with ill health and, therefore, with increased and changing health and care support needs. This will put increasing pressure on public expenditure and demands on services such as Personal and Nursing Care, which has already increased significantly in recent years.

5.5 Along with an ageing population, projections indicate a decrease in demand for school and other education services. Outside of Fort William, Lochaber's schools are not operating at full capacity, and a reduction in demand for places will exacerbate this. The 'policy off' scenario indicates continued out migration, especially those of working age, a trend that has been a feature of the Lochaber economy over the recent decades. Between 2011 and 2016, Lochaber's working age population decreased by around 3%.

POLICY IMPLICATIONS: POLICY ON SCENARIOS

5.6 The three 'policy on' scenarios detailed in Chapter 4 will have a number of consequences for the area's demographic profile. The most important of these is that for all three scenarios, there will be a shift from population decrease to population increase. This will be driven by an increase in the working age population as a result of retention and attraction of workers in Fort William and the wider Lochaber area and associated increase in birth rates. This will have a number of policy and service provision implications and the principal ones are discussed in the following sections.

Dependencies and uncertainties

5.7 There are a number of dependencies and uncertainties around the 'policy on' projection scenarios. Many of these are linked to the proposed Liberty development.

5.8 At the time of writing, the proposals for the new alloy wheel processing plant have not met all planning conditions, so development cannot commence. However, these conditions are anticipated to be in place by early 2019 which would enable construction to start shortly afterwards, with production coming on stream during 2021/22, scaling up to full capacity by mid-2020s.

5.9 The opening of the new processing plant will bring a number of recruitment challenges – the Lochaber labour market is already tight. The high employment rate means that recruitment from the local area is challenging, though it is acknowledged that, in some sectors at least, there is a degree of underemployment.

5.10 The Liberty development – and subsequent industrial/sector developments – will necessarily attract workers from other sectors. This is a particular concern for engineering, where there is already a shortage of skills, and strong competition for engineers in the region. As well as engineering companies, employers in other sectors such as aquaculture have struggled to fill engineering vacancies. While the scenarios make a number of assumptions net increases in employment, there is clearly a potentially negative impact on the local and regional economy – not least on Liberty's likely supply chain of contractors. There is therefore a degree of uncertainty as to whether Liberty will manage to recruit large numbers locally. However, the Liberty development is a significant employment opportunity, and one which may attract and retain young people in the local area. A greater number of young people choosing to stay in or move to the area to work may offset any negative impact from Liberty's recruitment in the local area.

5.11 It is also not certain that Liberty will succeed in meeting its targets for recruiting re-locators. This is in part due to whether the employment opportunities are attractive in comparison with other sectors and locations in the Highlands and Islands, and further afield. Talent attraction is therefore critical to its overall success, and in ensuring that opportunities through the Liberty projects and other developments in the Lochaber area are more attractive in comparison.

5.12 The age profile of re-locating recruits in the 'policy on' scenarios is not certain, and has not been factored into scenarios. The population projections that we have based the scenarios on are not sufficiently detailed to include age groups of people. The age profile of re-locators is important as it will determine the specific need for services, schools, housing types and so forth. For example, whereas a younger worker with a family would require a larger family home, places at a local school, and possibly employment for another adult in the household, an older worker may require a smaller home, but could place more demand on health services over time, particularly over a longer time period. However, there is limited information regarding the likely age and sex of in-migrants, so assumptions on fertility rates are subject to a degree of uncertainty. Nevertheless, Highland Council and Lochaber Deliver Group partners should closely monitor population trends to identify any changes in the area's age profile, so that service provision can be adequately planned on accurate information.

Housing

5.13 Without accurate information on the profile of new workers and residents, it is difficult to plan the right mix of residential properties. However, it is critical to have affordable, attractive housing that meets the needs of current and potential residents to attract and retain workers and take advantage of new employment opportunities. This can contribute to addressing demographic challenges faced by the area, and the region. Poor availability of suitable, affordable housing for young people is a key barrier to employment – and a driver of out-migration from the region. Those relocating to the area for work will include those with families, and ensuring a sufficient supply of family and aspirational housing should be part of the considerations.

5.14 It is important that the mix of housing delivered both in the short and longer term meets the housing needs of Lochaber's existing population, but also anticipates the likely profile of workers who migrate into the area. Workers in different age groups will also result in different longer-term impacts on the housing market – different rates of churn, upsizing, downsizing, etc.

5.15 Housing construction and its associated employment has been factored in to the projections of the high impact 'policy on' scenarios, but even here only in a modest way. The central focus of the projections has been on developments that will drive a significant increase in *permanent* employment. It is also assumed that existing housing development is factored into the current employment and population estimates. Construction in itself may attract and retain workers in the area at rates well above those in the high impact policy on scenario, where we assume 15% of those employed in additional construction work are attracted/retained. As well as providing initial construction employment opportunities, the additional housing may also in itself enable people to stay, find more permanent employment or start a business.

5.16 The higher growth scenarios may also require more housing, and this should be factored into future iterations of the local development plan, and housing need and demand assessments. A higher volume of anticipated demand could unlock greater private sector investment in housebuilding: it may attract volume housebuilders, who currently have limited interest and activity in Lochaber, and the Highlands and Islands as a whole.

5.17 Windfall developments form a considerable component of housing completions in Lochaber, so there is a question of how best to factor this into the housing pipeline. This is particularly important given that the Liberty project, and other developments, may stimulate a higher rate of windfall housing growth. Re-locating workers, especially those on higher salaries, may see self-build as a viable housing solution, particularly in the absence of other options. Such windfall developments may occur both in Fort William itself, but also in surrounding communities.

Infrastructure

5.18 Transport is an important consideration for developments in Lochaber. New activity and additional workers and residents will mean more people and goods moving around and through the area – therefore there will be more vehicles on Lochaber's roads. The area's transport network is a particular constraint in terms of capacity, and pressure on interchanges. Stakeholders agree that it is not just a peak-season, peak-time challenge for Lochaber and the Highland Council area; however, this has not been reflected in national strategic transport planning to date.

5.19 The Liberty development is likely to attract workers from the wider Lochaber TTWA which will increase pressure on the transport network. However, proposed shift and delivery patterns for the new Liberty plant mean that travel flows would largely fall outside of normal peak hours, which may minimise the impact.

5.20 The area's existing water and sewage treatment infrastructure is adequate and can accommodate future housing and industrial development. However, sewerage pipe capacity may be a constraint in the long-term, particularly in high-growth scenarios. This should be an area of consideration for Highland Council, Scottish Water and partners to ensure that an essential component of development infrastructure can meet potential future demand.

5.21 Digital connectivity is increasingly critical for businesses, service provision and of course for individuals and households. It can prove to be a decisive factor in making an area an attractive proposition to remain in or locate to. There have been considerable improvements in digital connectivity across the region in recent years.

5.22 The Inverness and Highland City Region Deal's ultrafast broadband plans mean that there is potential to ensure that Lochaber is more capable of attracting and retaining workers. It can also potentially offset a lack of amenities available in Lochaber in comparison to elsewhere in Scotland. HIE, Highland Council and partners should continue to work to maximise the potential of broadband roll-out across the region.

Health services

5.23 An ageing population such as Lochaber's will put pressure on health and social care services. The retention and re-location of workers will mean increased demand for services, exacerbating this pressure. GP and dental registration will increase. The anticipated increase in the birth rate, even in the short term, will likely mean more demand for maternity provision. These issues are faced across the UK, but the challenge can be more acute in rural areas, where services are more expensive to deliver, and staff can be harder to recruit and retain.

5.24 NHS Highland will need to cater for this additional demand alongside meeting need from existing issues – age-related health and social care requirements, as well as those associated with health inequality and deprivation in Lochaber. Given the recruitment and retention challenges NHS Highland currently faces, there is a clear need for a more strategic approach to filling vacancies, and reducing staff turnover. This should form part of the redesign of services in the area, alongside the redevelopment of the Belford hospital.

Education

5.25 Currently schools in Lochaber are operating below capacity. Existing projections indicate that roll numbers will increase in the Lochaber High School catchment area, and remain constant elsewhere, since they assume some levels of development in the Lochaber area. However, school rolls could be significantly boosted if new workers and households are attracted in to the area and existing residents remain. In the short term, this increased demand is likely to be focused in Fort William, and in the Lochaber High School catchment area. Despite there being some assumptions on population growth built into school roll projections, a higher growth scenario will push demand close to – or above – school capacity.

5.26 Highland Council should give consideration to how these scenarios may impact on school roll projections, and the potential demand for school places. It is difficult at this stage to predict the profile of households who may move in to the area. It would therefore be helpful to consider the impact of a range of scenarios on school rolls, and so plan provision, building in flexibility where possible.

5.27 There are also implications for the provision of tertiary education. We know that the lack of availability of subjects and courses is a major barrier to retaining more young people. Though there has been some recent progress in curriculum development and networking of courses across UHI's partner institutions through remote learning opportunities, the establishment of a new Centre for Science and Technology at West Highland College will boost provision, and will retain, and potentially attract, students to the area. It will therefore play a crucial role in meeting talent retention and attraction objectives through expanded education provision.

Wider economic activity

5.28 The Liberty investment is not expected to require a significant local supply chain when the processing plant becomes operational. There is therefore a need for adequate recruitment support to ensure that there is a net increase of workers across the Lochaber economy. This will help to maintain the supply chain workforce, particularly where there are recognised skills shortages in specific roles, e.g. engineering.

5.29 Conversely, the Liberty development and other 'policy on' activities will undoubtedly provide wider economic opportunities, such as in maintenance and service provision. There is a requirement for the necessary support to maximise the opportunity for local business start-up and growth, and also to support recruitment and training needs. HIE and partners should consider ways in which this can best be achieved. Consideration should also be given to the potential to attract service companies to locate operations near Liberty, and expand the business base in Fort William and Lochaber.

5.30 The Liberty development, along with other major developments in Lochaber, will also mean a short-term requirement for construction workers which will bring a temporary boost in local employment. It may also mean an increase in demand for accommodation and other services. Previous research around housing markets and stimulating housing development in the region, and the attitudes and aspirations of young people, has shown that there is a relatively limited supply of rental properties in the area. Long term rentals can be difficult to find as holiday rentals servicing the demand from the tourism industry are more lucrative for landlords.

5.31 Recently, portakabins have been used as temporary accommodation for some construction projects in Lochaber and indeed elsewhere. Providing a more permanent solution, such as increasing rental opportunities, can help to capture greater economic impact from temporary employment.

5.32 At the same time as the new Liberty plant becomes operational, its existing smelter must be sustained, including its workforce. There is a risk that workers in the smelter will seek employment in the new alloy wheel plant. This movement of workers may be inevitable. Consequently, there needs to be a strategic, multi-agency approach to ensuring that no employer, sector or operation is detrimentally impacted in the longer term.

5.33 There is strategic added value in the successful delivery of the Liberty investment and other public sector developments, which will bring a wider set of benefits. These developments will improve confidence, stimulate new business activity and act as ‘anchors’ to attract greater levels of inward investment. The Lochaber project partners should work to ensure that these wider benefits are maximised.

5.34 In addition to existing developments, there are a number of significant projects and opportunities in the pipeline. These include the potential for the development of a deep-water facility at Corpach Port, and the provision of a mains gas network which, if taken forward, will offer significant economic development potential and have implications for employment and potentially housing, infrastructure and service provision. It is important that, along with current projects, the potential benefits of other developments are also realised.

5.35 Wider still are the ambitions associated with the masterplanning for Fort William for 2040. FW2040 envisages a wide range of ancillary improvements and investment in the area, from waterfront improvement, to environmental projects, to public realm. Given the level of proposed public and private sector investment, these additional projects to knit developments together and create additional foci will improve the quality of the experience of Fort William for residents and visitors alike, helping to ‘bed in’ the major investment proposals.

MAXIMISING OPPORTUNITIES

5.36 The scenarios presented in this report are encouraging, but growth is not guaranteed. An effective policy response from the Lochaber Delivery Group partners is required to enable current and future development. Wherever possible, partners should provide strategic support and act to de-risk investment, by helping to remove any barriers to development, for example meeting high up-front infrastructure costs in relation to housing developments. This will help realise the opportunities presented to Lochaber.

5.37 To realise the growth scenarios that the report sets out, there is a need to maximise the number of workers re-locating. This is to take advantage of new employment opportunities through development such as the Liberty alloy wheel plant, and also to take up opportunities created or arising elsewhere in the local economy, as well as to address existing skills challenges. It is therefore important to sell and promote the benefits of Fort William and the wider Lochaber area. A programme of positive communications around the quality of life and opportunity presented by Lochaber’s development plans should be put in place.

5.38 Adequate business support for start-up and growth companies should be in place. This should be allied to servicing the new investments, and taking advantage of related opportunities. There will also be a need to meet increased demand for services from households. Partners should ensure that businesses are best placed to respond to these opportunities.

5.39 Local FE and HE provision has a critical role to play in ensuring the right training and skills delivery to retain and attract workers. Local career progression pathways must be maximised, to provide as many career opportunities as possible to Lochaber’s residents, and to young people in particular.

5.40 There should also be long-term planning and support for housing and infrastructure. Securing public sector investment to de-risk housing sites will enable a greater degree of private sector investment, where there is a limited amount currently, especially from volume housebuilders. This can ultimately help to secure a higher-specification and broader mix of housing, e.g. for first time buyers, family housing, down-sizers, etc. This will help to overcome a number of housing barriers faced by young people in particular. It will also potentially lead to a more balanced pattern of growth in Fort William, and reduce the reliance on windfall housing completions.

5.41 HIE, HI-TRANS and Highland Council, in conjunction with other partners should also make the specific case for transport investment to the Scottish Government. The recently completed pre-STAG appraisal for Fort William is the first part of this process. There is a clear opportunity to ensure that future iterations of the National Transport Strategy and Strategic Transport Project Review contain scenarios that reflect the challenges and opportunities present in Lochaber.

5.42 Finally, the Liberty investment and planned public sector investment should be seen as the start of the long-term renaissance and regeneration of Fort William and the Lochaber area. The investments, on which the population projections in this report are based, could be just the start of an ongoing long-term programme of investment and growth for the Lochaber area.

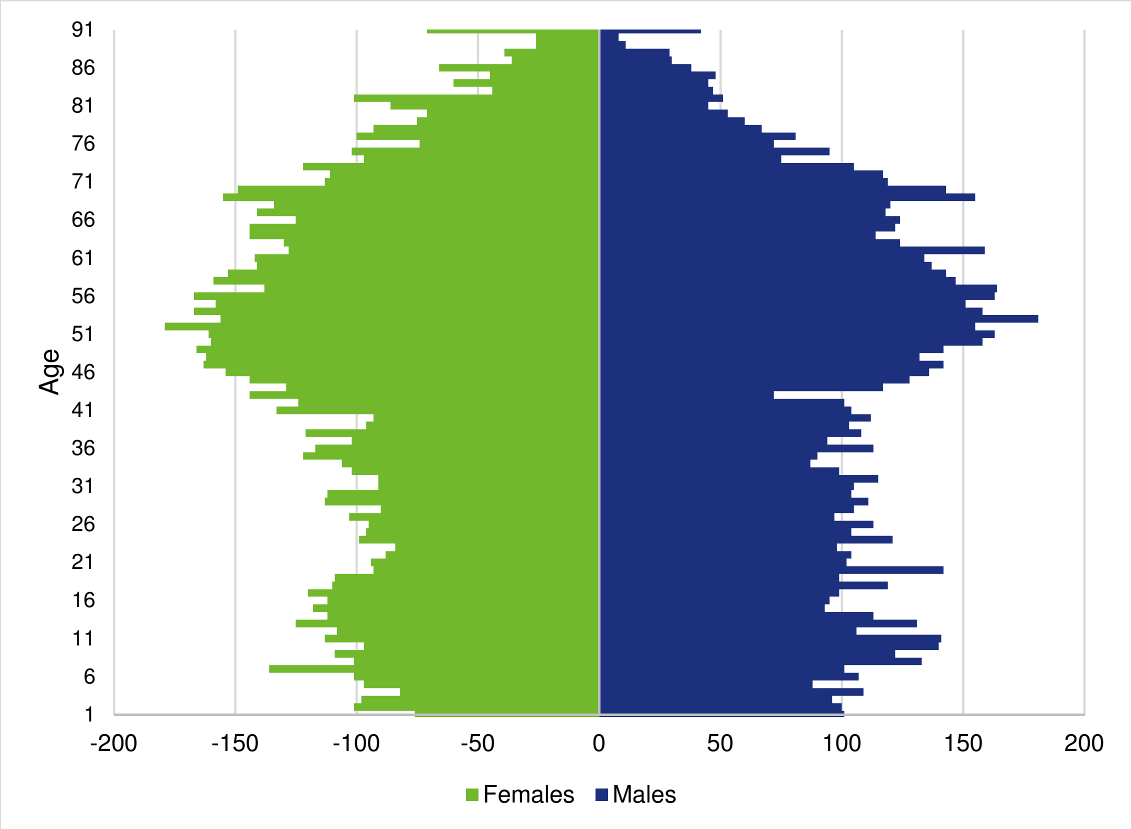
APPENDICES

APPENDIX 1: CONSULTEES

Consultee	Job title	Organisation
Lesley Benfield	Chief Executive	Lochaber Chamber of Commerce
Stuart Black	Director for Development and Infrastructure	Highland Council
Scott Dalgarno	Development Plans Manager	Highland Council
Dot Ferguson	Ward Manager	Highland Council
Brian King	Managing Director	Liberty
Ged Kilcoin	Recruitment and Talent	Liberty
Marie Law	District manager	NHS Highland
Allan Maguire	Head of Development and Regeneration	Highland Council
Matt Simpkinson	West Highland College	West Highland College
Tim Stott	Principal Planner	Highland Council
David Torrance	Senior Transport Planner	Transport Scotland

APPENDIX 2: POPULATION STRUCTURE IN LOCHABER

Figure A2.1: Population structure in Lochaber, 2016



Source: National Records of Scotland (2018)

Figure A2.2: Index of Lochaber population change by age group, 2011-2041

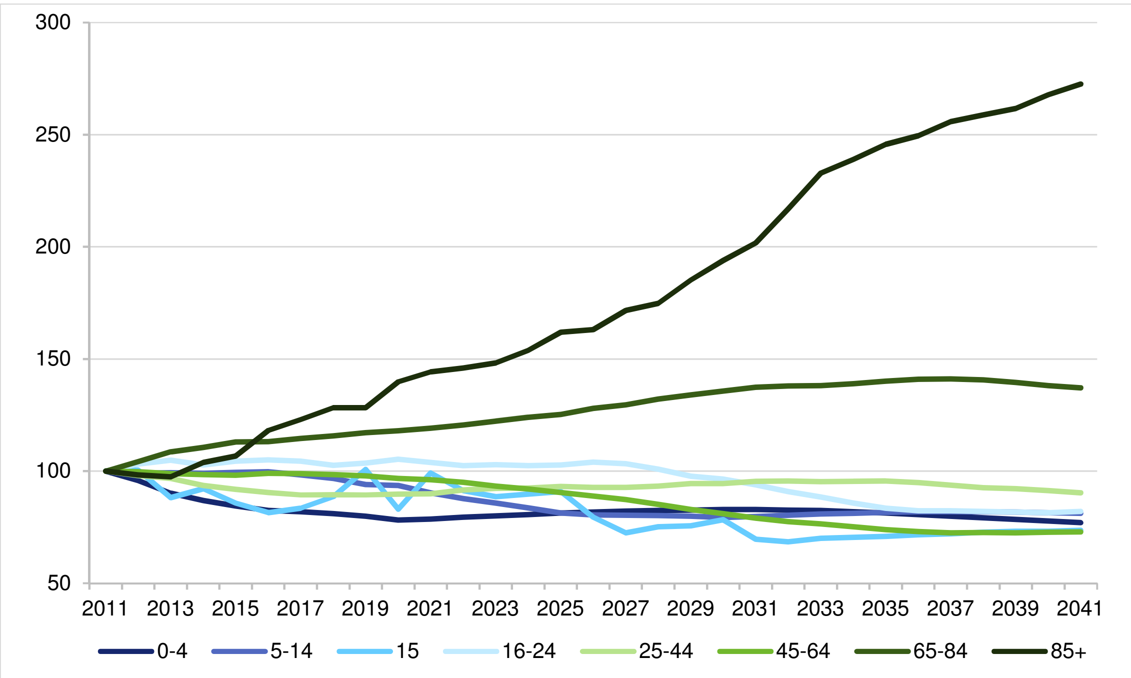
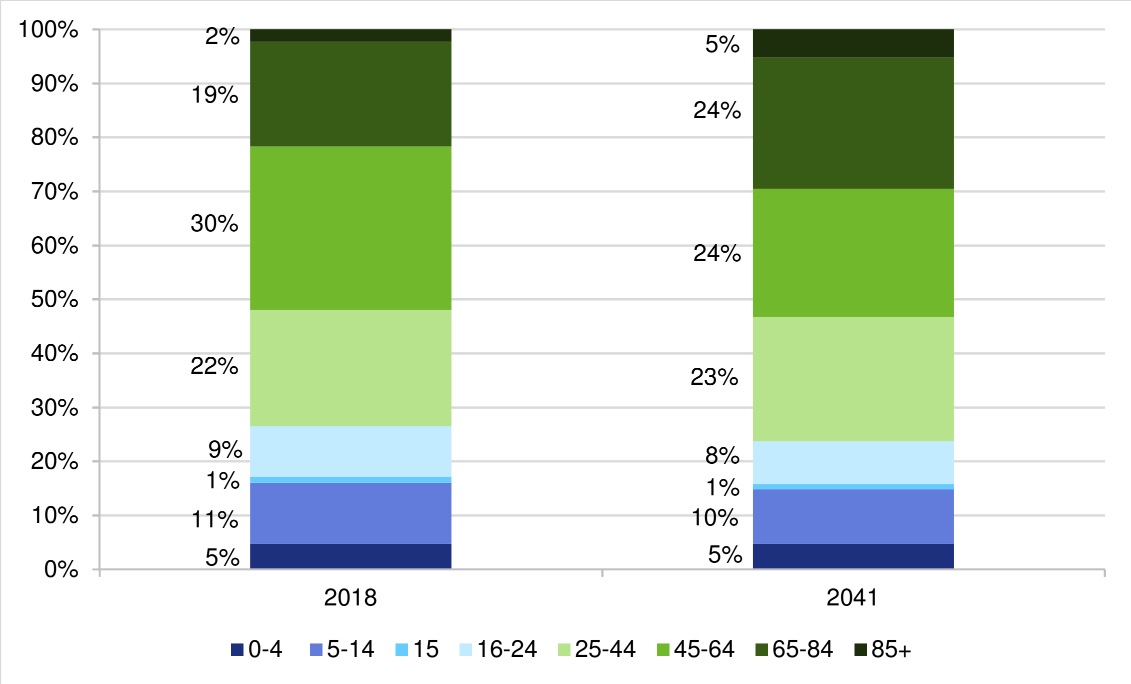


Figure A2.3: Change in population structure by age group in Lochaber, 2018-2041

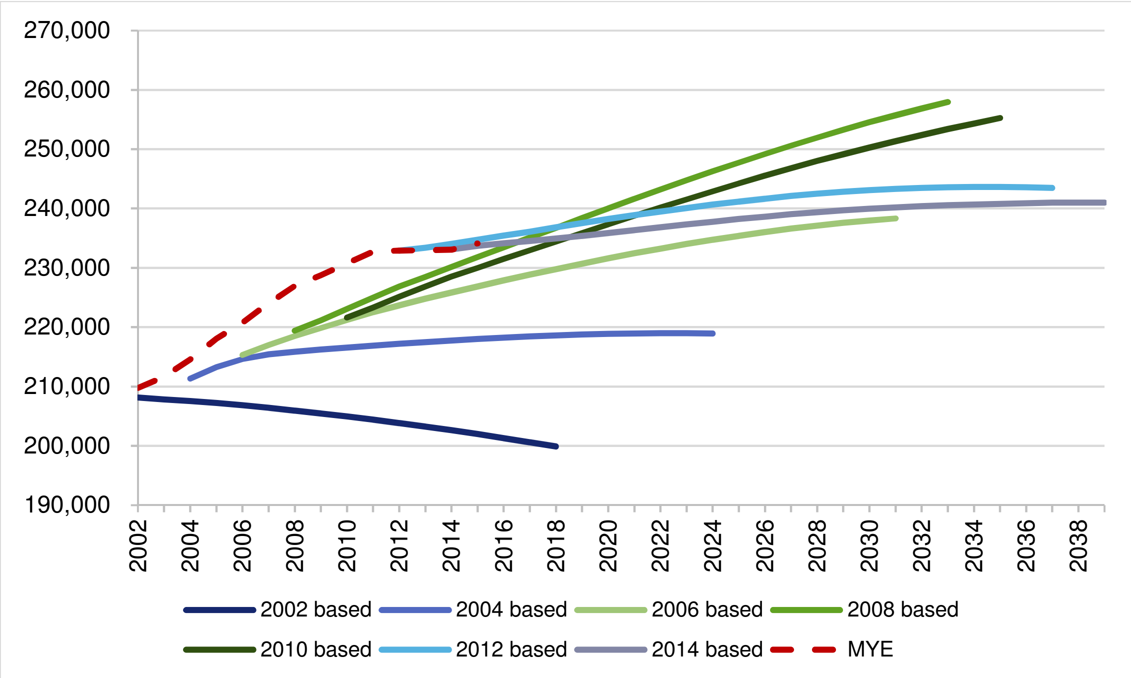


Source: National Records of Scotland (2018)

APPENDIX 3: PROJECTION/MID-YEAR ESTIMATE ANALYSIS

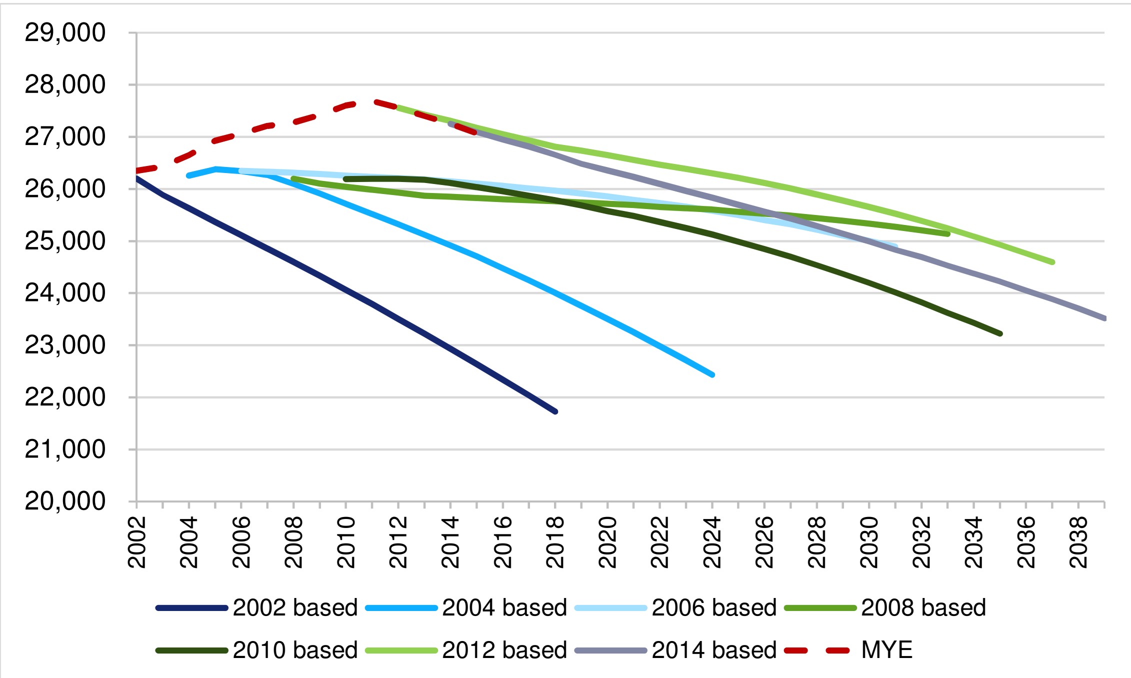
The following presents the HIE analysis of long-term population projections, for two areas in the Highlands and Islands. The first is for the Highland Council area, the second for Eilean Siar.

Figure A2.1: Population projections v. mid-year estimates, Highland



Source: HIE analysis of NRS population projections and mid-year estimates

Figure A2.1: Population projections v. mid-year estimates, Eilean Siar



Source: HIE analysis of NRS population projections and mid-year estimates

FOR MORE INFORMATION CONTACT:

T: +44 (0) 1463 245 245
E: hieresearch@hient.co.uk

Highlands and Islands Enterprise
An Lòchran
10 Inverness Campus
Inverness
IV2 5NA

hie.co.uk

HIE
Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean