

Model of Opportunity 1: Building greater employee ownership in Argyll and Bute

Vision – Grow and develop the number of employee-owned businesses in the Argyll and Bute economy

Objectives

- Explore the development of different models of employee ownership in Argyll and Bute.
- Support a model of business that disrupts wealth extraction, develops a healthier private sector and builds an economy for the future.
- Support local businesses to progress a Fair Work agenda.
- Investigate how CPP members' activity can support these sectors through procurement, land and assets and finance.

Background

The Argyll and Bute economy faces a number of challenges which requires a step change in the approach to local economic development, moving towards an approach which has community wealth building firmly rooted at its centre, and one that celebrates and embraces the unique rural economy of much of the region.

In a local economy dominated by SME's, with a strong social economy, this model of opportunity pulls together a number of strands of community wealth building to develop a platform for 'Doing business in Argyll & Bute' with a focus on developing understanding and implementation of a programme of support around employee ownership.

Employee ownership brings a variety of opportunities and benefits to the Scottish economy including job security, Fair Work practices and the embedding of people within place¹. Research shows that in rural areas retaining and expanding existing businesses is often the best strategy for economic development². By supporting employee ownership it not only supports economic development but also population decline as businesses and people remaining in the communities they are anchored to. Employee owned businesses also provide considerable benefit to the economy, collectively the turnover of the 146 Scottish registered employee owned businesses in 2022 was £691 million, with employee ownership leading to increased productivity, increased employee engagement, lower staff turnover and an improved retention of talent³.

¹ Scottish Enterprise (2021) Employee-owned business demonstrate resilience and boost the Scottish economy. [Link](#)

² University of Minnesota (2022) Retaining rural businesses through employee ownership. [Link](#)

³ Insider (2022) Scotlands 146 employee-owned businesses have a combined turnover of £691 million. [Link](#)

As part of the National Strategy for Economic Transformation, the Scottish Government has set an ambitious target of 500 employee owned businesses in Scotland by 2030. Argyll and Bute is fertile ground for leading the rest of Scotland in this due to a combination of a number of factors including, a high proportion of SMEs, an ageing population and with it business owners getting closer to retirement age and communities that want to play an active role and have a stake in the local economy.

‘The way that modern economies have been grown has distanced people from their lands, their culture and their identity. Community Wealth Building essentially repatriates communities back to this. CWB gives communities a say again’ – Argyll & Bute citizen.

There is a precedent for employee ownership in the tourism sector with a number of hotels across Scotland having transitioned to this business model. Within the food sector there are a number of employee owned enterprises and the growth in employee ownership across Scotland demonstrates the resilience this business model can provide to local communities and the businesses themselves.

Model of Opportunity

About Employee Ownership

An employee owned business is one where the employees, rather than external shareholders, hold the majority of the shares – this can be done directly or through an Employee Ownership Trust which will buy the shares on behalf of the employees. There is not one prescribed employee ownership model and the structure can be shaped to fit the company.



Direct employee ownership

Employees become registered individual shareholders with the employees-owners having a majority shareholding in their company. Under these models, business decision making can sit with all employee-owners as a collective or via an elected body.

Indirect employee ownership

Shares are held collectively on behalf of employees. This is usually done through an employee ownership trust (EOT). This is the model adopted by firms such as John Lewis and Partners, where all major decision-making powers are delegated to the trust.

Combined direct and indirect ownership

A combination of individual and collective share ownership. This can be a model adopted when a financial partner is invited to assist a worker buyout and either party can retain a significant ownership share and decision-making rights.

Management buyout

A purchase by a portion of employees (this is not an all-employee approach).

Many employee-owned enterprises trade in goods and services and generate surplus/profit. However, in contrast to investor owned business, that surplus/profit is not taken by outside shareholders. Employee ownership can take different forms and can be conceived as existing on a scale of diversity of ownership and democratic decision-making. This diversity of ownership also correlates with the generative potential of a business. As opposed to where wealth is extracted, generative businesses are those which are broadly held, locally rooted, recirculate income, put communities first and provide people with opportunity, dignity and well-being.

What makes employee-owned business an exciting prospect for Argyll and Bute is that they are often defined by their relationship with a locality and they often develop due to a strong connection between the business operation and a specific place and community. We know that communities across Argyll and Bute have a strong connection to place and there is a desire to ensure this remains.

This can take many and related forms — for example, employees may all live in the town or neighbourhood and/or the business has a close attachment with a specific geography. This means that there is the potential for the benefits of the business's development to flow back into the local community in the form of jobs, income and investment.

The democratic governance structures associated with employee ownership, depending on the specific model, can mean that a higher proportion of people are involved in the management process than in a conventional business of the same size. This potentially creates opportunities for management skills, competencies, responsibilities and expertise to be more widely shared amongst employees. This can

provide the potential for businesses to be more aware and responsive to the needs of employees and the local community rather than the priorities set by investors and financial institutions who may not have a close connection to the specific locality where a business is based. Shared ownership between employees also allows for the share of profits/surplus to be distributed more evenly than in traditional private investor-led models.

Next Step Actions

- Conduct an audit of businesses across Argyll and Bute that are looking for an exit strategy and explore employee ownership as a viable option
- Develop understanding on how employee ownership could help to tackle challenges across Argyll and Bute, including depopulation, ageing population and help grow growth sectors including food and tourism
- Help support employee owned business to start/grow through an Affordable Workspace Strategies
- Support business owners at start-up, or early evolution to adopt an employee owned or worker co-operative model
- COOPsUK are rolling out the ownership hub model and would welcome a conversation with Argyll & Bute for a first Scottish based hub in 2025, this would involve upskilling business advisors and local accountants/solicitors to help business owners start, scale up or convert to employee and worker ownership

Case Studies

Auchrannie Resort

In 2017 the Auchrannie resort on the island of Arran became the first Scottish resort to transition to a model of employee ownership. The model was agreed upon as an exit strategy for the former owners to enable the business to continue to flourish whilst maintaining the company ethos.

New efficiency targets for the business, agreed by the 'new owners', enabled the resort to become a Real Living Wage Accredited Employer in 2018. There was a recognition that the introduction of the wage would support further financial benefits. These included lower staff recruitment costs (due to higher retention), greater productivity and increased occupancy from an improved reputation.

Aquascot

Originally founded in 1983, Aquascot is one of the largest employee owned businesses in Scotland and a large-scale salmon farming business in the UK.

The business was sold to a global seafood business in 2000, but bought back by committed local shareholders in 2004. The journey to employee ownership then began in 2008 and by 2016 the company was 100% employee owned.

Aquascot have progressive goals around sustainability and employee training and progression which may not have come to pass without their employee owned model. The business recognises they hold an important place in the local economy and within the local community and being employee owned cements that further.

Swansons

This food wholesalers from the north of Scotland has been in employee ownership since 2021. It was originally established in 1991 and grew from a single greengrocers to a wholesale business with over 40 staff and depots in three locations. After turning down a sale offer from a large wholesaler based in another part of the country the owner then decided to begin thinking of the exit strategy from the business.

The transition to employee ownership, with support from Co-operative Development Scotland, encourages staff involvement, loyalty and shows to the local area the business's commitment to it.

Where To Go For More Information

[Employee Ownership Association](#)

[Co-operative Development Scotland](#)

[Social Enterprise Scotland](#)

[COOPSUK Ownership Hub](#)

Model of Opportunity 2: Building community and shared ownership of the energy transition

Vision – Capture the economic potential of community and shared ownership of renewable energy infrastructure in Argyll and Bute.

Objectives

- Increase in community ownership, or shared ownership of renewable energy infrastructure in Argyll and Bute
- Explore land and estate mapping of CPP members to unlock energy opportunities in the region across all renewable sectors
- Explore the potential for the development of a regional social enterprise installing renewables across the public and private estate
- Address the skills and employment gaps to ensure a local pipeline of good work
- Investigate CPP members' energy purchase, and align where possible to local suppliers

Background - Argyll and Bute has a wealth of natural resources which can and are generating energy within the region⁴. Local communities, however, should benefit from their natural resources. To ensure that they have ownership of renewable energy generation and infrastructure, this would ensure that the wealth generated stays within Argyll and Bute and provides long-term opportunities for sustainability of communities across the region.

“There is a huge amount of wealth extraction from our rural communities – be that forestry, wind, fisheries”

This model of opportunity explores how, through a community wealth building approach, local communities in Argyll & Bute can take ownership of the energy transition, directing the wealth created back into local communities. ⁵.

Model of Opportunity

Community Ownership

There is a long history of community ownership in Argyll and Bute, with the Gigha 'dancing ladies' being the first community owned windfarm in Scotland⁶. Much of Argyll and Bute is currently covered by

⁴ Argyll and Bute Council (2019) Argyll & Bute in Numbers. [Link](#).

⁵ Platform (2023) Public Ownership of Energy generation in North East Scotland. [Link](#).

⁶ Isle of Gigha Windmills. [Link](#).

community benefit payments from renewables projects⁷. Whilst these community benefit payments are voluntary, there may be an opportunity to advocate region wide for higher than the standard £5,000 per megawatt for communities. Furthermore, as discussion over community benefits from the Energy Transmission Network are under discussion, there may be further opportunities for communities in the region⁸.

When communities have the opportunity to own their own energy projects, the scale of benefit to the local area drastically increases. The research conducted on behalf of the Point and Sandwick Development Trust in 2019 indicates £170,000 per installed megawatt, compared to the £5,000 industry standard for community benefit⁹. We recognise the funding landscape for community ownership of renewables projects has changed with the retraction of Feed-in-Tariffs (FITs), however, as demonstrated by the ATTIX turbine plans in North Ayrshire there are opportunities for communities to leverage blended finance models of investment to own their own renewable energy projects¹⁰. Community energy projects have the power to contribute to Scotland's National Just Transition Outcomes¹¹ and make up a key component of the Scottish Government's plans for the energy transition¹².

Shared Ownership

Shared ownership of energy projects could provide an alternative model for greater ownership of the energy infrastructure across the region, without the financial challenges and responsibility challenges of community ownership. Shared ownership is any structure which involves a community group as a financial partner over the lifetime of a renewable energy project¹³. The three most common structures are;

- **Joint ventures** – developer and community work in partnership to develop, own and manage a project. The company may be referred to as a Special Purpose Vehicle.
- **Shared Revenue** – Developer agrees to provide a share of project revenues or profit. Community has a financial stake but does not own an asset.
- **Split ownership** – developer and community own separate distinct entities – one turbine out of five.

Shared ownerships can bring a number of benefits to communities including developing a sustainable income stream, creating strong partnerships and building resilience in a local area. It can also have benefits for the developer including increased community engagement, accessing rate reliefs and potentially supporting planning applications. There may also be opportunities for the public sector to look to develop their own projects, thus shoring up a regular income stream and offering regular community funding for strategic, regional projects.

Next Step Actions

⁷ Argyll and Bute Renewables Community Benefit App. [Link](#).

⁸ Department for Energy Security and Net Zero (2023) Community Benefits for Electricity Transmission Network Infrastructure. [Link](#).

⁹ Aquatera (2021) A comparison of the financial benefits arising from private and community owned wind farms. [Link](#)

¹⁰ Social Investment Scotland (2023) Scottish community group secures over £5 million in investment. [Link](#).

¹¹ ClimateXChange

¹² Energy Savings Trust (2022) Community and locally owned energy in Scotland: 2022 report. [Link](#)

¹³ Scottish Government (2019) Shared Ownership of Onshore Renewable Energy Developments. [Link](#).

- Ascertain where CPP members buy their energy from and the collective annual energy requirement today and forecast this into the future
- Develop understanding of the collective role of the CPP members in the renewable energy supply chain, including understanding business support, use of land and property, skills development services and apprenticeships
- Learn from existing community owned renewable energy projects to build more sustainable forms in the future
- Develop an understanding of who owns land that could support community ownership of renewable infrastructure
- Assess how the existing local financial architecture would need to evolve to support community ownership of renewable infrastructure in the region
- Argyll and Bute Renewable Energy Alliance to act as a mechanism to explore a higher threshold payment in community benefit, or shared ownership as standard across the region
- Identify projects in pipeline that could use shared ownership model

Case Studies

[Edinburgh Community Solar Cooperative](#)

ECSC was formed in 2013 to address the low volume of solar panels in the city and give residents the opportunity of collectively owning a means to generate power. With the assistance of Energy4All, the City of Edinburgh Council and other organisations, ECSC launched a share offer to raise funds to install solar panels on assorted council buildings throughout Edinburgh. With £1.4 million raised, the share offer was successful and solar power generation commenced in 2016, totalling over 1.1GWh of electricity in the first year of operation.

A Power Purchase Agreement was signed with the City of Edinburgh council, meaning that some of the electricity generated through the solar panels is provided to those same buildings at a reduced rate, compared to a market tariff.

A second share offer has been completed with more solar panels being installed across the area. 30 buildings in Edinburgh host solar panels with the profits distributed to share offer members directly and the community through a Community Benefit Fund.

A similar, smaller scaled project is underway in Glasgow with [Glasgow Community Energy](#).

[Knoydart Renewables](#)

Knoydart Renewables Ltd (KRL) is a wholly owned subsidiary of the charity Knoydart Foundation. Knoydart Foundation was established in 1997 to take ownership of the 17,500 acre Knoydart Estate which makes up much of the Knoydart peninsula, including the village of Inverie, on the west coast of the Highlands.

Knoydart is not connected to the National Grid and generates all of its own electricity. Over the last twenty years Knoydart Renewables has made significant locally generated investment to increase the amount of electricity that can be generated.

Knoydart Renewables Ltd. exists as a wholly owned trading subsidiary of the Knoydart Foundation charity and is governed by a board of volunteer community directors. The day-to-day operations are conducted by a dedicated local team, supported by a wider network of consultants and contractors located throughout Scotland. Knoydart Renewables Ltd secured funding from the Scottish Government's Community and Renewable Energy Scheme (CARES). It was awarded a capital grant of £2.41 million in 2021.

[Cross Dykes](#)

Crossdykes Wind Farm is one of the first subsidy-free onshore wind developments to be built across Scotland. The Crossdykes windfarm offered a £7000 per megawatt hour payment, meaning a higher than industry standard community benefit payment reaching the local communities. In addition to this the developers offered an initial 10% share in the farm to the local community, which was subsequently reduced due to local concerns and taken up at a 5% share¹⁴.

The shares were to be purchased using a loan from the Energy Investment Fund (EIF). The loan would be repaid using income from their shares over a period of about 17 years for the 10% stake, and 7 years from the 5%. It was this decrease in loan repayment time which eventually enabled the community to go ahead with the development.

In 2022, the developer decided to sell Crossdykes wind farm. Although the community had the option to keep their shares and partner with the new owner, they decided to sell. This meant they could pay off their loan immediately whilst still making a substantial profit which they could utilise for local projects.

Where To Go For More Information

[Community Energy Scotland](#)

[Local Energy Scotland](#)

[Energy4All Green Cooperative-Energy](#)

[Social Investment Scotland](#)

[Community Shares Scotland](#)

¹⁴ Local Energy Scotland. Crossdykes wind farm. [Link](#)