

## Management Committee

**Date: 31<sup>st</sup> October 2014**

**Agenda Item: 5c**



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## Outcome 1: The economy is diverse and thriving Progress Report

### 1. Recommendations

The purpose of this report is to provide Management Committee with an update on progress for the period to end September 2014 on Outcome 1: The economy is diverse and thriving.

Overall progress against Outcome 1 is positive. All the relevant indicators have been updated by the partners within the target timescales, and of the 49 indicators under Outcome 1 in the SOA, progress is summarised as follows:

Performance ahead of target:	10
Performance 'On track':	34
Performance behind target:	5

Of those where performance is reported as being behind target this is partly related to the Pyramid reporting methodology. For example, indicators showing annual targets in each quarter (International Turnover through HIE support). Other than those highlighted within the Risks below this should be addressed by the year end.

### 2. Successes and key achievements to date for Outcome 1

Overall performance is relatively strong reflecting improved the improved economic and business climate. Examples of successes include:

- A collaborative export pilot (by Highlands and Islands Enterprise, Scottish Enterprise and Scottish Development International) for food and drink businesses has been launched and includes a number of businesses from Argyll. (Outcome 1.1.2)
- Moto Scotland a local Argyll business and client of Business Gateway and HIE was a winner of the Edge Fund competition for Scotland brightest and most innovative new businesses. (Outcome 1.1.4)
- European Marine Science Park secures its first two tenants, and a formal opening is being arranged for late November 2014. (Outcome 1.4.2)

- The first successful projects in a funding competition run by the Industrial Biotechnology Innovation Centre (IBioIC) have been announced with one of the two Scottish winners being an Argyll business. GlycoMar, located at the European Centre for Marine Biotechnology, near Oban, develops products and services for the human healthcare and personal care markets. Its project will use a microalga, a single-celled species found in sea water, to produce an active ingredient for the cosmetic sector. If successful, it will deliver the first example of a new high value product from UK marine biotechnology using microalgae for sustainable industrial biotechnology production.(Outcome 1.4)
- Business Gateway has supported 66 new business starts against an annual target of 100. (Outcome 1.7.1)

### **3. Risks**

Whilst the overall picture is positive, there remain risks to overall progress:

- Islay Tidal Array – A detailed site visit to Islay for Scottish Power Renewables and its potential marine contractor, to assist with their process of assessing suitable sites and local supply chain businesses to support deployment and Operations & Maintenance for the Islay Tidal Array. However, a number of challenges remain with this project and the consenting process has yet to be completed.
- Only 1 business has begun trading internationally in the first half year ((1.1.2). This is an ambitious target as the majority of HIE account managed clients already have export experience. However HIE is engaging with Business Gateway to identify new opportunities.
- We have increasing anecdotal evidence that increasing challenges in attracting and retaining staff are constraining business growth in a number of areas. Lack of appropriate housing has been cited as a reason in a number of cases.

### **4. Opportunities**

The Argyll & Bute Economic Summit has been arranged to take place on 29<sup>th</sup> October. A strong panel of speakers will enable debate on the opportunities and challenges facing the economy and need to increase our population. This represents a chance to develop a consensus on the key issues and further actions required.

Significant resources have been devoted to securing inward investors to Argyll and the Islands and there have been good examples of partnership working. In the past six months discussions have commenced with 12 organisations in the Food and Drink, Tourism, Life Sciences, Finance and Business Services, Aerospace and Textile sectors. Successes to date include the decision by Niri Scotland to locate its first on-shore salmon production facility at Machrihanish; a number of other enquiries remain active.

The consultation document ‘Supporting Commercial Spaceplane Operations in the UK’ issued by the Department of Transport sought views on issues relating to the potential location of a UK Spaceport. Machrihanish was one of 8 potential Spaceport locations. HIE led the preparation of a local consultation response working with Machrihanish Airbase

Community Company and Argyll and Bute Council and appointing expert consultants to provide technical input and assist with the process. We expect the next phase of work to be an invitation for bids from interested locations.

## **5. Background**

Over the first part of the year we have seen continued investment from indigenous businesses and interest from actual and potential inward investors, overall business confidence remains steady. There has been an increase in the number of business referrals from Business Gateway to HIE. We have also seen a number of significant investments coming forward, including the latest phase at Portavadie Marina, where HIE funding support of £950k has levered an investment of over £8million to provide leisure facilities at Portavadie Marina and expand the offering of the world class facility.

Unemployment across Argyll and the Islands has continued to improve with claimant count rates in each Travel to Work Area falling over the past year as a result of a general improvement in economic and business conditions. Whilst the unemployment rate in the Dunoon and Bute TTWA remains the highest in the region it has fallen from 4.5% to 3.1% in the past 12 months.

Early indications would suggest that Argyll has had a positive tourism season like many other parts of Scotland. A number of businesses have reported improvements and increases of 20% have been suggested; it has also been reported that market awareness of Argyll and the Islands has increased. We have seen visitors to the Commonwealth Games both using Argyll as a base and as a “side visit” and have also had reports of international visitors to the Ryder Cup spending time in Argyll. There is not much hard data available yet but interestingly, the latest HIAL quarterly figures (July to September) show a 16.8% increase in Tiree passengers over the previous year, and Campbeltown of 11.6%.

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