

Compelling Argyll and Bute and its Administrative Areas – Initial Findings

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this paper is to provide the Committee with an update on the initial findings from the **Compelling Argyll and Bute and its Administrative Areas** research study.
- 1.2 The research has confirmed that the overarching challenge for Argyll and Bute as a whole is to reverse the overall decline in population while rebalancing from aging to young/working age residents by achieving positive net migration.
- 1.3 It paints a picture of an economy with many challenges as well as a number of opportunities, but with a longer term potential of decline unless action is taken to address them now. It also highlights the need to generate greater ambition among and across all parts of the region and communities.
- 1.4 There is already an awareness of the impact of physical infrastructure and the research has underscored the crucial nature of addressing these issues as a minimum standard required to support the move forward.
- 1.5 It highlights a focused policy approach around strategic rebalancing of the economy in terms of population; jobs, businesses; education; skills and enterprise. It also recognises that the “compelling” aspect is valid and should form part of any future approach.
- 1.6 It also presents some potential areas for intervention across eight thematic areas where, together with partners, the council will be able to begin to reverse the economic trends and support a more vibrant and successful economic future for the region.
- 1.7 The following recommendations are for the EDI Committee to consider:
 - To note the content of this report as initial findings.
 - To note that once the Compelling study is signed off and finalised, a detailed report on proposed solutions, next steps and implications for Argyll and Bute Council activity is brought to a future meeting.

Compelling Argyll and Bute and its Administrative Areas – Initial Findings

2.0 INTRODUCTION

- 2.1 The purpose of this paper is to provide the EDI Committee with an update on the initial findings from the **Compelling Argyll and Bute and its Administrative Areas** research study.
- 2.2 The commissioned research sought to better understand and develop solutions to addressing a key priority within the Argyll and Bute Community Planning Partnership (CPP) Single Outcome Agreement and the Argyll and Bute Local Development Plan, namely that *‘Argyll and Bute’s economic success is built on a growing population’*.
- 2.3 The research was commissioned through and financially supported by, a Steering Group comprising, Argyll and Bute Council, Highlands and Islands Enterprise, Skills Development Scotland and Argyll College UHI. It has been conducted using a mix of primary economic research and secondary inquiry, including undertaking an extensive interview programme which included businesses, inward investors, school and further education (FE) students and teachers, community groups, major infrastructure providers and key public sector stakeholders. In all over 500 individuals have been engaged through the research programme.
- 2.4 The main objectives of the research were:
- to undertake a detailed economic profiling and analysis, with a particular focus on skills development issues; and
 - to develop ‘compelling’ propositions/promotional action plans for Argyll and Bute and each of its four sub-areas.
- Further key objectives were:
- to examine good practice examples of addressing rural de-population;
 - to identify initial opportunities and factors of competitive advantage; and
 - to prepare promotional action plans, including resources implications (staffing and financial).
- 2.5 The research phase is now completed and a suite of detailed reports have been produced covering: Compelling Argyll and Bute Strategic Overview report; Argyll and Bute Economic and Skills Profile; Argyll and Bute Sub Regional Economic and Skills Profile; Compelling Argyll and Bute Primary Research Analysis; and Compelling Argyll and Bute Addressing Rural Depopulation.

- 2.6 The research has also identified an approach to addressing the demographic challenges, built around a policy concept of *Strategic Rebalancing* and through delivering actions across a number of strategic themes, such as:
- Further and Higher Education - expand provision and make more relevant to meet future demand;
 - Rural Enterprise and Entrepreneurship – increase the level of enterprise/entrepreneurship skills and activity in Argyll and Bute;
 - Argyll and Bute Key Sectors – increase the relative employment and economic value of identified sectors;
 - Businesses of Scale – increase the growth and levels of ambition across all Argyll and Bute;
 - Generic Skills Development – ensure effective and efficient working of local labour markets;
 - Public Sector Employment – support rebalancing while offering new higher level opportunities;
 - Compelling Argyll and Bute – agree approach to marketing and selling Argyll and Bute to wider markets; and
 - The Hygiene Factors – ensure the basic infrastructure is in place to support the strategic rebalancing.

3.0 RECOMMENDATIONS

Members are asked to:

- 3.1 Note the content of this report as initial findings.
- 3.2 To note that once the Compelling study is signed off and finalised, a detailed report on proposed solutions, next steps and implications for Argyll and Bute Council activity is brought to a future meeting.

4.0 DETAILS/ KEY FINDINGS

- 4.1 The overarching challenge for Argyll and Bute as a whole is to reverse the overall decline in population while rebalancing from aging to young/working age residents by achieving positive net migration.
- 4.2 Key economic and skills research headlines:
- Argyll and Bute has a declining and aging population although this is not consistent across all age groups or sub regions. The implications of this are, the potential of a spiral of decline leading to:
 - a lower regional economic output and contribution;
 - a less attractive business location with a smaller workforce;
 - lower earnings with less money to spend on local goods services;
 - change in demand for public services e.g. less schools more health; and
 - an overall decrease in economic demand and activity within the region.
 - Argyll and Bute has been losing jobs at a slightly higher rate than Scotland as a whole, particularly in the retail and public sectors:
 - lost 1,400 jobs since 2009 to mirror the decline in population;
 - losses uneven across sub regions/sectors e.g. greater impact in Bute and Cowal;

- high incidence of part time/seasonal/low paid/skilled jobs;
 - key sectors continue to be major employers;
 - very high levels of self-employment; and
 - big decrease in public sector jobs –impact of defence not yet clear.
- Argyll and Bute business base comprises mostly micro/small and sole traders with very few business of scale:
 - majority businesses in primary; retail, construction; tourism;
 - significant sub regional variations;
 - majority very small or micro – lifestyle businesses; and
 - base is in decline which is opposite of national picture.
- Argyll and Bute is becoming a lower earning/ lower output economy – it is less productive:
 - wage levels lower compared to Scotland reflecting lower value jobs;
 - Gross Value Added (GVA) per head and average wages have decreased in key sectors;
 - wages increased at 8% (Scotland) compared to 0.1% for Argyll and Bute; and
 - value of jobs has declined, albeit with some sectoral differences.
- Argyll and Bute has a higher qualified workforce than Scotland but with fewer vocational level occupations and skills (including Modern Apprenticeships (MA)):
 - better educated workforce compared to Scotland;
 - more school leavers go into higher education (HE) with fewer into FE;
 - main occupations skilled trades/associated and technical;
 - lower levels of professional jobs; and
 - limited Vocational Qualifications (VQ)/MA activity.

4.3 Key stakeholder views and opinions:

- the business community:
 - positive business performance, particularly among accounted managed companies;
 - main weaknesses- broadband/mobile/skills/property/business costs;
 - minimum requirements for infrastructure to support future growth;
 - limited linkage between the education and business community;
 - relatively bullish view of future employment and sales performance;
 - but mainly for low/ no skilled jobs exception being larger companies;
 - good levels of optimism, but low levels of ambition;
 - young people do not believe appropriate FE/HE or jobs to return to; and
 - limited knowledge of local employment or career opportunities.
- other key stakeholder thoughts:
 - overall consensus that addressing the demographic issue is key;
 - all agree that lack of (high quality) jobs is a key driver;
 - consistent agreement around infrastructure issues;
 - lack of education (FE/HE) local provision is a key driver;
 - place and the spatial dimensions for intervention important;
 - inward investors pleased with location decision;
 - more joined up working – limited resources; and

- Argyll and Bute must be more pro-business in all its dealings.

4.4 Some strategic implications:

- jobs/skills are a key driver to address demographics - must be a future focus;
- Argyll and Bute has low ambition and is punching below weight;
- focus on strategic rebalancing of the Argyll and Bute economy;
- there are real and clear strengths and opportunities – but need focus;
- spatial place issues – agglomeration or not – where to focus intervention;
- marketing and image - regional as well as thematic branding; and
- the compelling Argyll and Bute story, but bound in reality

4.5 Designing the solutions:

- **Overarching Challenge**: reverse the overall decline in population while rebalancing from aging to young/working age residents by achieving positive net migration:
 - increase the overall employment base by addressing the over-reliance on the public sector and by rebalancing the economy towards growing the private and third sector;
 - increase the number and ambition of the resident (indigenous and inward investing) business base by rebalancing focus on companies of scale and with growth aspirations and those capable of moving up the value chain;
 - improve and enhance the skills profile of Argyll and Bute by rebalancing to a higher skilled workforce able to obtain higher value employment which in turn will attract higher earnings;
 - increase the quality and quantity of the local education offering by rebalancing from sources outside of Argyll and Bute to those inside the region;
 - increase the enterprise and entrepreneurship skills and capacity of all parts of the community (public and private) to rebalance away from reliance on others to self-reliance.
- **Thematic Interventions**: at this stage these are put forward for more detailed consideration among Partners and to consider the likely future implications:
 - **Theme 1: Further and Higher Education - expand provision and make more relevant to meet future demand**
 - improve and expand College estates and property
 - grow HE element and access
 - provide additional student housing
 - review/develop opportunities for new courses in tourism/ food/ marine/ care/ primary/ construction
 - review/develop new teaching/training options – split courses/ qualifications;

- **Theme 2: Rural Enterprise and Entrepreneurship – increase the level of enterprise/entrepreneurship skills and activity in Argyll and Bute:**
 - create centre for rural entrepreneurship to be based within College
 - promote enterprise/entrepreneurship in schools/ college
 - provide support for community/ voluntary/ third sector
 - review opportunity innovation centred approach/ enterprise hubs
 - develop approach for linking education/students with employers;

- **Theme 3: Argyll and Bute Key Sectors – increase the relative employment and economic value of identified sectors:**
 - develop agreed partnership approaches covering tourism; food/drink; aquaculture; renewables; defence; care; construction; agriculture/forestry
 - promote opportunities for inward investment
 - key sector joint Action Plans
 - develop/promote MA/VQ and career pathways approach
 - marketing and promotion of key sector strengths/opportunities;

- **Theme 4: Businesses of Scale – increase the growth and levels of ambition across all Argyll and Bute:**
 - identify individuals/micro businesses with ambition as key target group
 - review/increase level and type of support available
 - use digital as future strength including digital tourism/ health
 - increase support for sustainability/aftercare
 - opportunities for local mentoring programme (complement not duplication existing support);

- **Theme 5: Generic Skills Development – ensure effective and efficient working of local labour markets:**
 - promotion of local employment opportunities as route from education
 - support education/employer linkages
 - provision of market intelligence to inform supply and demand sides
 - promotion of MAs as a route to employment to both employers and employees
 - local leadership and management at a small scale;

- **Theme 6: Public Sector Employment – support rebalancing while offering new higher level opportunities:**
 - develop public sector graduate return programme
 - develop central employment clearing house for public sector employees
 - seek to support (higher level/ professional) MAs
 - review opportunities for conversion/ shared professions programme
 - develop local procurement initiative to support local jobs;

- **Theme 7: Compelling Argyll and Bute – agree approach to marketing and selling Argyll and Bute to wider markets:**
 - develop/agree generic regional branding messages
 - opportunities for thematic messages/branding
 - target specific – information sheets/ database
 - spatial/ place/ infrastructure issues

- strong focus on employment and skills promotions;
- **Theme 8: The Hygiene Factors – ensure the basic infrastructure is in place to support the strategic rebalancing:**
 - continue to push for improved communications infrastructure
 - ensure/promote an appropriate housing mix
 - investment in education as a priority for Argyll and Bute Council
 - continue to invest in and improve town centres
 - Argyll and Bute Council as business champion – a dedicated politician/senior officer.

4.6 Consideration has also been given to how we could go about measuring progress and in defining some key indicators as detailed **Table 1** below.

Table 1: Argyll and Bute Measurement Framework

Objective	Headline Measure	Sub Measures
Reverse population decline	Total population	Number of young/ working age Net migration
Increase private sector employment	Private sector jobs	Ratio public/private employment Jobs in key sectors
Increase economic output	GVA output per head	Average wage levels Output in key sectors
Enhance the skills base	Higher level qualifications	Location of skills base Number of modern apprentices
Improve education infrastructure	Number in FE/HE	Business engagement Number of courses
Build rural entrepreneurship	New start businesses	Number engaging Type engaging

Source: Compelling Argyll and Bute and Its Administrative Areas study, June 2015

4.7 **Next Steps.** The research has presented a number of strategic conclusions and identified an approach and potential interventions that, together, will address our challenging demographics.

On the basis that the EDI Committee is content with the suggested strategic policy approach and direction of travel, the next steps will be to work up these into a series of Action Plans which will detail, objectives; targets; actions; outcomes; delivery and resource requirements. These will then need to be embedded within the updated SOA delivery plans and the Council's Economic Development Action Plan/area-based Economic Development Action Plans. This is likely to have future implications for not only Argyll and Bute Council but also wider partners and stakeholders. Therefore it is intended that the Community Planning Partnership Management Committee and the Economic Forum are updated on progress on a regular basis.

5.0 CONCLUSIONS

- 5.1 The research has confirmed and provided detailed evidence to support the strategic priority of addressing the demographic challenges in Argyll and Bute. It has highlighted that the key focus should be on growing the quantity and quality of local employment opportunities and the local skills base.
- 5.2 The paper also outlines the key findings, overarching challenges and proposed solutions in order to make Argyll and Bute a destination of choice for new residents of working age, inward investors and visitors.

6.0 IMPLICATIONS

- 6.1 Policy The Compelling Argyll and Bute and its Administrative Areas research report aligns and adheres, as appropriate, to the issues outlined in the Council's Economic Development Action Plan/area-based Economic Development Action Plans, the SOA Outcomes 1 to 3 Delivery Plans and Scotland's Economic Strategy.
- 6.2 Financial Ongoing consideration will be given to the best alignment between resources and priorities in order to take the research actions and solutions forward.
- 6.3 Legal All legal implications with regard to proposed Argyll and Bute Council actions will be taken into consideration.
- 6.4 HR The actions to be taken forward will need to be resourced in terms of staff time in the context of the council's annual service planning process and through shared staff resource discussions with Community Planning Partners and the Argyll and Bute business community.
- 6.5 Equalities The delivery of the research actions and solutions will align with the Equalities Act 2010 and in turn the Argyll and Bute Council's Equal Opportunities policies and practices.
- 6.6 Risk If the Compelling Argyll and Bute and its Administrative Areas research actions and solutions are not taken forward, then opportunities to use this evidence base to create high quality jobs realised by a higher skilled workforce will be missed by the council and key partner agencies.
- 6.7 Customer Services None.

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