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**Single Investment Plan (SIP): Rural Growth Deal**

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**1.0 EXECUTIVE SUMMARY**

- 1.1 This report provides a briefing on progress with the Single Investment Plan (SIP) currently developed for Argyll and Bute. It has taken an integrated approach to delivering strategic development opportunities identified through a number of key studies/strategies/plans including the Argyll and Bute Local Development Plan and Economic Development Action Plans that can help deliver a step change in economic activity in the area and to help address our population challenges.
- 1.2 From the evidence gathered through a detailed study of the existing studies/strategies/plans the following five key priorities, to unlock economic activity across the Argyll and Bute region, have emerged:-
- High quality mobile and broadband;
  - Wide range of housing and business accommodation;
  - Improved transport links;
  - Improved marketing and promotion of Argyll and Bute;
  - Improved skills and staff required to grow the local economy.
- 1.3 The SIP highlights the potential opportunities to build upon the significant investment already secured in the Argyll and Bute region. There are significant opportunities to build upon the estimated £635M already secured through private investment in the last 5 years and estimated £200M of public committed investment.
- 1.4 The contents of the SIP once finalised will inform the ask of a Rural Growth Deal which can only be realised where an identified rate of return to both the UK and Scottish Governments can be clearly demonstrated. In order to stand the best chance of securing a Rural Growth Deal, potential infrastructure projects put forward should have the highest predicted rates of return for the Scottish and UK Governments and ideally be interdependent on one another, giving a combined rate of return that is greater than the sum of individual projects. This is based on a review of other existing City Deals and also through discussions with Scottish Futures Trust officers. Effectively the final “ask” of the two Governments will be shaped by what both indicate they will fund.

1.5 It is recommended that the Policy and Resources Committee -

- (i) Note the Single Investment Plan (SIP) can be used as a way of promoting key development opportunities for, further private investment, by developers and businesses.
- (ii) Note the SIP can be used as a tool to lobby for significant transformational projects (such as permanent solution to the Rest and Be Thankful, fixed links, improved CMAL ferry services) be included within the Government's national planning framework and National Transport Strategy – to be taken forward at a national level.
- (iii) Note the potential infrastructure projects can also be used to form the foundation to lobby for a Rural Growth Deal with Scottish and UK governments if they meet the necessary principles set out with the current City Deals programme.
- (iv) Approve the use of the enclosed Single Investment Plan as the basis for further discussions with both the UK and Scottish governments. The plan identifies the significant private and public investments already made, or committed, across Argyll and Bute and in addition identifies the necessary strategic level infrastructure projects that would further unlock economic activity across the region.
- (v) Delegate to the Chief Executive to allow detailed discussions to take place with government officials on the potential for a Rural Growth Deal for the Argyll and Bute region. Projects included within any future deal will fit with national and local economic strategy and will be subject to a full business case in line with the Treasury's Five Case Model methodology. Funding will not be committed to projects unless this has been approved by the Council. Projects will be identified through existing studies, plans and strategies approved by Members.
- (vi) Delegate to the Head of Economic Development to submit a response on behalf of the Council to the UK Governments Building our Industrial Strategy Green Paper consultation.

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**Single Investment Plan (SIP): Rural Growth Deal**

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**2.0 INTRODUCTION**

- 2.1 This report provides a briefing on the Single Investment Plan (SIP) currently developed for Argyll and Bute. It has taken an integrated approach to delivering strategic development opportunities identified through a number of key studies/strategies/plans including the Argyll and Bute Local Development Plan and Economic Development Action Plans that can help deliver a step change in economic activity in the area and to help address our population challenges.
- 2.2 In developing the SIP the following local, regional and national studies/strategies/plans have been audited to see where goals are likely to be achieved by currently planned or identified infrastructure projects led by either Argyll and Bute Council or other stakeholder partners;
- EKOS Compelling Argyll and Bute August 2015
  - Economic Development Action Plans (EDAPs) 2013 – 2018;
  - Community Plan and Single Outcome Agreement 2013- 2023;
  - Argyll and Bute Economic Forum Report 2016;
  - Local Housing Strategy 2011 – 2016;
  - Argyll and Bute Local Development Plan 2015;
  - HITRANS / SPT Regional Transport Strategies;
  - HIE, Argyll and the Islands Area Team Plan 2016/17
  - Renewable Energy Action Plan (REAP);
  - Scotland's Economic Strategy March 2015;
  - Argyll and Bute's Transport Connectivity and Economy Research Report June 2016;
- 2.3 From the evidence gathered through detailed study of the existing studies/strategies/plans as set out above the following five key priorities, to unlock economic activity across the Argyll and Bute region, have emerged:-
- High quality mobile and broadband;
  - Wide range of housing and business accommodation;
  - Improved transport links;
  - Improved marketing and promotion of Argyll and Bute;
  - Improved skills and staff required to grow the local economy.

### 3.1 RECOMMENDATIONS

It is recommended that the Policy and Resources Committee -

- (i) Note the Single Investment Plan (SIP) can be used as a way of promoting key development opportunities for, further private investment, by developers and businesses.
- (ii) Note the SIP can be used as a tool to lobby for significant transformational projects (such as permanent solution to the Rest and Be Thankful, fixed links, improved CMAL ferry services) be included within the Government's national planning framework and National Transport Strategy – to be taken forward at a national level.
- (iii) Note the potential infrastructure projects can also be used to form the foundation to lobby for a Rural Growth Deal with Scottish and UK governments if they meet the necessary principles set out with the current City Deals programme.
- (iv) Approve the use of the enclosed Single Investment Plan as the basis for further discussions with both the UK and Scottish governments. The plan identifies the significant private and public investments already made, or committed, across Argyll and Bute and in addition identifies the necessary strategic level infrastructure projects that would further unlock economic activity across the region.
- (v) Delegate to the Chief Executive to allow detailed discussions to take place with government officials on the potential for a Rural Growth Deal for the Argyll and Bute region. Projects included within any future deal will fit with national and local economic strategy and will be subject to a full business case in line with the Treasury's Five Case Model methodology. Funding will not be committed to projects unless this has been approved by the Council. Projects will be identified through existing studies, plans and strategies approved by Members.
- (vi) Delegate to the Head of Economic Development to submit a response on behalf of the Council to the UK Governments Building our Industrial Strategy Green Paper consultation.

### 4.0 DETAIL

- 4.1 The current draft SIP document (**Appendix A**) details infrastructure projects being delivered by Argyll and Bute Council and key stakeholder partners that will assist in the delivery of the five priorities identified. The SIP also identifies infrastructure projects and development opportunities that as yet have no funding mechanism identified to take them forward but would also support the five priorities for the region.
- 4.2 The SIP highlights the potential opportunities to build upon the significant investment already secured in the Argyll and Bute region. There are significant opportunities to build upon the estimated £635M already secured through private investment in the last 5 years and estimated £200M public committed investment.

- (i) The Single Investment Plan can be used as a way of promoting key development opportunities for, further private investment, by developers and businesses.
- (ii) The SIP can be used as a tool to lobby that significant transformational projects (such as permanent solution to the Rest and Be Thankful, fixed links, improved CMAL ferry services) be included within the Governments national planning framework and National Transport Strategy – to be taken forward at a national level.
- (iii) The potential infrastructure projects can also be used to form the foundation to lobby for a Rural Growth Deal with Scottish and UK governments if they meet the necessary principles set out with the current City Deals programme

- 4.3 Consultation has been carried out with the relevant Council services such as Roads, Planning, Housing, Piers and Harbours, Capital Regeneration, Strategic Finance and the Schools development Project Team to identify strategic infrastructure projects that are critical to unlock economic activity within the Argyll region and support the five priorities. External consultation has also taken place with Community Planning Partnership stakeholders, HIE and the Regional Transport Partnerships to include their feedback within the SIP.
- 4.4 Consultation has taken place with the Scottish Futures Trust to identify the necessary principles to formulate the foundation for a Rural Growth Deal for the region of Argyll. In essence a Growth Deal is a negotiated contract with UK and Scottish Government which explicitly targets those projects that will lift the Argyll region's economy. Projects included in a Growth Deal are assessed by the UK treasury and will be monitored against their set economic goals.
- 4.5 A Growth Deal is a 'Deal'- there has to be an identified rate of return to UK and Scottish Government in order for them to agree to invest. In order to stand the best chance of securing a Growth Deal, potential infrastructure projects put forward should have the highest predicted rates of return for the Scottish and UK Government and ideally be interdependent on one another, giving a combined rate of return. The potential for a Growth Deal is due to be discussed at the meeting with the Secretary of State arranged for the 27<sup>th</sup> February. The Cabinet Secretary for the Economy, Jobs and Fair Work has also confirmed he wishes to meet to discuss the potential for a Growth Deal.
- 4.6 Alternative solutions for delivery of the Lorn Arc programme will require further extensive detailed discussion with the Scottish Government and Scottish Future's Trust, however it is considered that the Rural Growth Deal may be a potential solution for delivery of areas of the Lorn Arc Programme.
- 4.7 One of the principles of the Growth Deal are that the potential infrastructure projects align and directly support the government strategy for Scotland's Economy and their four priorities of:

### ***Internationalisation, Innovation, Investment and Inclusive Growth.***

- 4.8 In addition, any Rural Growth Deal will also need to align with the UK Governments Industrial Strategy which is being developed with the aim of improving living standards and economic growth by increasing productivity and driving growth across the whole country. It is proposed that officers of Argyll and Bute Council will respond to the Building our Industrial Strategy Green Paper consultation which closes on the 17<sup>th</sup> April 2017.
- 4.9 A Member's seminar was held on the 6<sup>th</sup> February to discuss the SIP's purpose and potential to assist in the formulation of a Rural Growth Deal where infrastructure projects meet the necessary principles set out with the current City Deals Programme. The following feedback was provided:-
- Broad agreement that the themes to grow the Argyll and Bute region's economy should be based on tourism (marine, adventure, cultural, heritage), space industry, food and drink including aquaculture, defence skills for work, digital connectivity, transport connectivity and better business/housing accommodation.
  - Council services should streamline the process for interested developers wishing to take sites forward;
  - Off road cycling potential and support for food and drink sector should also be included;
  - Oban University as a Town should be included as a development for skills to support potential space industry and aquaculture;
  - Some areas of Argyll and Bute especially on the islands are at capacity in terms of available infrastructure and there should be an inclusion to lobby for fixed links, improved ferry services fit for the 21<sup>st</sup> century e.g. a Cowal fixed link could offer an alternate route to the A83.
  - A816 is no longer used by coaches due to its poor alignment with tour buses no longer using it as a loop e.g. do not travel beyond Inverary.
  - Use our Gaelic Culture and historic heritage – important to support tourism sector.
  - Promotion of Argyll and Bute to international markets, current interest from Asian investors (e.g. purchase of Isle of Eriska Hotel) and potential for Oban airport to support with links to our international airports.
  - Recognition of Oban Airport in its supporting role to the new investment in Rio Tinto site Lochaber – currently Scotland's largest industrial site under development;
  - There should be a focus on improving the infrastructure we have already e.g. Cowal, Dunoon to Portavadie road;
  - Consideration should be given to developing a ferry terminal at West Loch Tarbert to reduce ferry crossing times to Islay (recognition however that CMAL have recently invested in improving the existing Kennacraig Terminal).
- 4.10 Argyll and Bute is a region driven by natural resource-based wealth creation (whisky, aquamarine, hydro agriculture, renewable energy, high value food/seafood, tourism, cultural heritage, marine tourism and a natural terrain suitable for a wide range of outdoor pursuits). A potential Rural Growth Deal could therefore align future investment opportunities utilising the natural resources of the region whilst at the same time identifying opportunities for high rates of return from the UK and Scotland's fastest growing sectors.

- 4.11 The principle of a growth deal with the UK and Scottish Governments is to demonstrate interdependencies between projects that will unlock the highest potential combination of economic and social returns.
- 4.12 The following are some examples of how the Argyll and Bute region could provide high rates of return for the UK and Scottish Governments:-
- The cruise ship market is worth £50M to the Scottish Economy per annum – for the Argyll and Bute region it is estimated that every passenger spends an estimated £107 whilst visiting the region.
  - The MACC spaceport project could contribute to the global space economy – estimated to be worth £40bn to the Scottish Economy by 2030
  - Cost savings associated with improved digital connectivity are predicted for every £1 of public investment there is a £20 return in net economic impact
  - The Scotland Visitor Survey identified that The Argyll Isles and surrounding regions attracted 1.8M visitors spending £392M per annum. The greatest percentage increase in visitors to attractions by Council area between 2015 and 2016 was in Argyll and the Isles at 21.9% (as compared to 4.9% for Scotland as a whole).
  - Sustrans survey for the NCN 78 between Argyll and Fort William identified a daily spend of £30 per visitor using the route and
  - In 2015 Scotland produced 171, 000 tonnes of salmon worth £637M to the Scottish Economy – 36,000 tonnes worth £133M came from the region of Argyll and the Clyde.
  - The overall economic contribution of the Scotch whisky industry to UK is almost £5bn a year. In Scotland it makes up almost three quarters of the food and drink sector and is three times the size of Scotland's digital or life sciences industries.
- 4.13 In order to take the potential Rural Growth Deal forward discussions will be required to take place with government officials with the intention to develop our proposal to strategic outline business case. An assurance framework will also be required to be established prior to the commencement of any potential Rural Growth Deal to ensure that infrastructure schemes that are delivered provide good value for money and are under pinned by robust business cases.

## **5.0 CONCLUSION**

- 5.1 Consultation on the Single Investment Plan (SIP) has been carried out with the relevant council services such as Roads and Amenity Services, Planning, Housing, Piers and Harbours, CHORD, Strategic Finance and the Schools development Project Team to identify strategic infrastructure projects that are critical to unlock economic activity within the Argyll and Bute region. External consultation has also taken place with Community Planning Partnership stakeholders, including HIE, Scottish Enterprise and the Regional Transport Partnerships to include their feedback within the Single Investment Plan. The Scottish Futures Trust have also been consulted on our draft documents.
- 5.2 The SIP highlights the potential opportunities to build upon the

significant investment already secured in the Argyll and Bute region. There are significant opportunities to build upon the estimated £635M already secured in the last 5 years through private investment and estimated £200M of public committed investment.

- 5.3 The Single Investment Plan can be used as a way of promoting key development opportunities for, further private investment, by developers and businesses and to lobby both the UK and Scottish Governments for national intervention in order to deliver transformational infrastructure projects that can unlock the full potential of the Argyll and Bute economy.
- 5.4 There is the opportunity for potential infrastructure projects to form the foundation for a Rural Growth Deal with Scottish and UK governments if they meet the necessary principles set out with the current City Deals programme.

## **6.0 IMPLICATIONS**

- 6.1 Policy The SIP is aligned to the Community Plan, SOA 2, Strategic and Local Economic Development Action Plans and the LDP
- 6.2 Financial Priority infrastructure projects will have associated costs
- 6.3 Legal Key infrastructure projects may have legal implications
- 6.4 HR N/A
- 6.5 Equalities SIP will be subject to an EIA.
- 6.6 Risk There is a risk if the Strategic Infrastructure Plan is not developed the economic aspirations of Argyll and Bute may not be realised and inward capital investment will not be attracted.
- 6.7 Customer Services None

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**Policy Leads: Dick Walsh/Alistair MacDougall/Aileen Morton** (\*Note: Cross policy work will be required)  
03<sup>rd</sup> March 2017



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## **APPENDICES**

Appendix 1 Single Investment Plan