

Rural Growth Deal Update

1.0 Executive Summary

1.1 Argyll and Bute Council and key stakeholders are in the process of negotiating a Rural Growth Deal with the Scottish and UK Governments which will follow similar principles to the City Deals either agreed or in development for other Local Authority areas in Scotland. The focus of the deal has to be delivering innovative and inclusive economic growth for Argyll and Bute.

1.2 Following discussions with the UK and Scottish Governments, a draft vision and key themes have been developed which we believe support examples of potentially transformational projects. Feedback is sought from the P&R Committee regarding the emerging vision and key themes which it is intended will form the basis for continued negotiation for the Rural Growth deal. The vision and themes will continue to evolve as further information is gathered and consultation with our key stakeholders continues, and further project proposals will be developed.

1.3 The emerging overarching vision of the Rural Growth Deal is:-

”Argyll, the natural place to live, learn, visit and do business.”

1.4 The following key growth sectors and project themes are emerging for the Argyll and Bute Rural Growth Deal focusing on the regions key economic strengths and the critical infrastructure, skills and education required for growth;-

Key Growth Sectors

Innovation

- Marine / aquaculture / seaweed
- Defence / engineering
- Food and Drink
- Space industry
- Renewables

Food and Drink

- Whisky /Gin
- Aquaculture
- Food from Argyll

Culture / Sense of Place

- Area and Building Regeneration projects

Tourism

- Adventure tourism
- Food & drink
- Marine tourism

Project Themes

Transport infrastructure

- Roads/Rail/Air/ Marine assets

Skills and education

- Learning pathways
- Employment skills gaps
- STEM education

Digital connectivity

- 4G / fibre infill
- Digital pilots / service delivery

Accommodation

- Housing to facilitate economic growth
- Business site improvements / Innovative sectoral hubs

Promotion and Marketing

- As a place to live, invest, do business work, learn and visit

Low Carbon

- Decarbonising transport
- Addressing fuel poverty

1.5 In addition to the Scottish and UK Governments key economic priorities, the Rural Growth Deal will assist Argyll and Bute Council achieve some the following key objectives;-

- Grow our population by increasing the number of economically active residents;
- Increase the numbers of students living and studying in Argyll;
- Increase the productivity of our key sectors and grow the regions GVA.

1.6 In summary, approval is sought from the P&R Committee regarding the following:-

- Endorse further development of the draft vision, key sector support and themes and note that a further report will be brought to the October P&R Committee Meeting;
- Approve the proposed consultation approach set out in Appendix 3 ;

- Approve the additional criteria for the Inward Investment Fund that any future release of funding from this fund be limited exclusively to projects included as part of the Rural Growth deal proposals in order to maximise the level of match funding available from the Council.
- Approve the proposals that certain projects may be accelerated ahead of the Rural Deal process where they are deliverable using alternative funding sources.
- Approve that where considered relevant to the draft vision, key sector support and project themes that the Council's committed capital and revenue expenditure counts as match funding to the Rural Growth Deal.

Rural Growth Deal Update

2.0 INTRODUCTION

2.1 Argyll and Bute Council and key stakeholders are in the process of negotiating a Rural Growth Deal with the Scottish and UK Governments which will follow similar principles to the City Deals either agreed or in development for other Local Authority areas in Scotland. This report provides a briefing on progress with the emerging Argyll and Bute Rural Growth Deal including recommendations regarding the emerging, overarching vision, key growth sectors that we are aiming to support through the deal, together with a list of potential project themes. The report also seeks approval from the Committee to add additional criteria for the Inward Investment Fund that any future release of funding from this fund be limited exclusively to projects included as part of the Rural Growth Deal proposals in order to maximise the level of match funding available from the Council. The report also seeks approval from the Committee to accelerate certain projects linked to the deal where opportunities present themselves and alternative funding sources are identified and approve that the Council's committed capital and revenue expenditure counts as match funding to the Rural Growth Deal.

3.0 RECOMMENDATIONS

3.1 Approval is sought from the P&R Committee regarding the following:-

- Endorse further development of the draft vision, key sector support and themes and note that a further report will be brought to the October P&R Committee Meeting;
- Approve the proposed consultation approach set out in Appendix 3 ;
- Approve the additional criteria for the Inward Investment Fund that any future release of funding from this fund be limited exclusively to projects included as part of the Rural Growth deal proposals in order to maximise the level of match funding available from the Council.
- Approve the proposals that certain projects may be accelerated ahead of the Rural Deal process where they are deliverable using alternative funding sources.
- Approve that where considered relevant to the draft vision, key sector support and project themes that the Council's committed capital and revenue expenditure counts as match funding to the Rural Growth Deal.

4.0 DETAIL

4.1 In developing the Rural Growth Deal proposals, meetings have been held between Council Officers and representatives from the Scottish and UK Governments, Transport Scotland and the Scottish Futures Trust (SFT) on the 10th May, 23rd August and 22nd November 2017. In discussions undertaken to date, both the UK and Scottish Governments have advised that projects included in Argyll and Bute's Rural Growth Deal must be:-

- Transformational as opposed to business as usual;
- Consistent with Scottish and UK Government economic policies (see **Appendix 1** for a summary of the relevant strategies);
- Able to demonstrate clear links across Argyll and Bute Rural Deal projects which in combination will make the greatest economic return (As per Scottish Government criteria (**Appendix 2**);
- Where possible be pan-regional and compliment other City Deal investment in neighboring areas.
- Projects focusing on devolved matters should be consistent with the Scottish Governments policy on inclusive growth.
- The Rural Deal could include additional policy powers as well as funding for infrastructure projects.

4.2 From discussions to date the following has been ascertained:-

- The Scottish and UK Governments will not advise on specific projects to be included as part of a deal, this is a matter for Local Authorities and partners to decide. However, projects that do not support the aims of objectives of the UK and Scottish Government respective economic strategies in terms of delivering economic growth are unlikely to get support;
- Projects within the Rural Growth Deal must have impact or be transformational.
- The predicted timescale, over which the projects contained within a Rural Growth Deal will ultimately be delivered, is 10 years.
- It has been made clear that not all projects included in the original draft Single Investment Plan (SIP) will be financed by the Scottish and UK Governments through a Rural Growth Deal. As such, whilst it is anticipated that some of the projects featured in the SIP will be included in the final Rural Growth Deal proposals it is not intended to use the SIP as the basis for future negotiations with the Scottish and UK Governments.
- The UK Government also requires to be satisfied with the concept of what the projects will deliver in combination in order to agree a Heads of Terms. This is the stage at which the Governments will commit to the deal however, we understand that thereafter further development work will still be required for specific projects e.g. Treasury 5 Business Cases.
- Business cases and funding mechanisms will require to be approved by both Governments prior to funding for specific projects being agreed and

work commencing.

- Transport Scotland have indicated that full Strategic Transport Appraisal Guidance (STAG) will require to be undertaken for transport related projects that will be the responsibility of Transport Scotland to deliver e.g. trunk road investment.
- The Rural Growth Deal also allows the opportunity, as part of the negotiation, to consider areas of policy or the governments operational approach e.g. location of government agencies in the area.
- That the scale of the deal in terms of potential funding is proportionate to the level of a region's population and the ability of the Council to provide match funding (see table 1 below).

Table 1: City Deal Funding Examples

City Deal	Pop of City Deal Area	Total Value (£m)	UK Gov Funding	Scot Gov Funding	Council and Partners	UK Gov funding per head (£)	Scot Gov Funding per head	Council Funding per head
Glasgow	1,790,600	1,130	500	500	113	279	279	63
Inverness	234,100	315	53	135	127	226	577	543
Aberdeen	484,800	595	125	379	91	258	782	187
Edinburgh	1,330,500	1,101	300	300	501	225	225	377

*Figures provided by Scottish Futures Trust

4.3 To date, the following key work has been undertaken which as informed the evolving Rural Deal proposals;-

1. EKOS undertook detailed economic profiling and analysis of the challenges facing Argyll and Bute. The full suite of reports can be found on the website <https://www.argyll-bute.gov.uk/compelling-argyll-and-bute>;
2. Using these findings, ABC developed a Single Investment Plan that was also a distillation of Argyll and Bute Community Planning Partner's strategic plans which set out the vision/priorities and objectives for the region. This plan also captures the level of public and private investment made to date across the region. The SIP also identified an extensive list of projects to consider for action/delivery to achieve growth outcomes.
3. The projects within the SIP that were transformational were identified at a national and regional level. The projects were individually appraised against Affordability, Deliverability, Risk, Interdependencies (with other transformational investment projects) and Inclusive Growth Outcomes, in effect Initial Business Cases.
4. Consultation has been undertaken with key stakeholders .
5. A vision and key themes were developed based on our known economic strengths and opportunities linked to known private sector investment and Government economic and social priorities.
6. Projects were economically assessed to ascertain the outputs in GVA and job creation with input from the Councils Strategic Finance Team (as per other projects taken forward by Economic Development e.g. Lochgilphead and Tarbert Regeneration funding projects).

4.4 The emerging overarching vision of the Rural Growth Deal is:-

“Argyll, the natural place to live, learn, visit and do business.”

4.5 From the evidence gathered through analysis of available data, existing plans and approved strategies, consultations with stakeholders including the UK and Scottish Governments together with a number of feasibility studies on emerging projects the following key growth sectors are considered worthy of support, together with a number of project themes;-

Key Growth Sectors

Innovation

- Marine / aquaculture / seaweed
- Defence / engineering
- Food and Drink
- Space industry
- Renewables

Food and Drink

- Whisky /Gin
- Aquaculture
- Food from Argyll

Culture / Sense of Place

- Area and Building Regeneration projects

Tourism

- Adventure tourism
- Food & drink
- Marine tourism

Project Themes

Transport infrastructure

- Roads/Rail/Air/ Marine assets

Skills and Education

- Learning pathways
- Employment skills gaps
- STEM education

Digital connectivity

- 4G / fibre infill
- Digital pilots / service delivery

Accommodation

- Housing to facilitate economic growth
- Business site improvements / Innovative sectoral hubs

Promotion and Marketing

- As a place to live, invest, do business work, learn and visit

Low Carbon

- Decarbonising transport
- Addressing fuel poverty

- 4.6 It should be noted that the above are the emerging vision and themes for the Rural Growth Deal and it is intended that further development work and engagement with key stakeholders will be undertaken over the next few months to determine if these are the correct priorities.
- 4.7 Inclusive economic growth is a key priority set out in Scotland's Economic Strategy and the Scottish Government have advised that they will give weight to activities which score well in inclusive growth terms. The UK Government emerging UK Industrial strategy focuses on innovation and that all parts of the UK can benefit from a modern economy. Officers from the Economic Development Service are engaging with representatives of the Scottish and UK Governments to ensure that inclusive growth is an integral part of the Argyll and Bute Rural Deal Process.
- 4.8 As with the existing City Deals, any future funding deal for Argyll and Bute will require to be delivered in partnership with key public, private and third sector stakeholders. As such, both the Scottish and UK Governments have stressed the importance of wider consultation in order to demonstrate support for the Rural Growth Deal proposals.
- 4.9 Extensive consultation has previously been undertaken with key stakeholders as part of the Rural Growth Deal / SIP process with a pro-forma questionnaire sent to key business and public agency stakeholders in May 2017. In addition to the stakeholder consultation undertaken, Council Officers have taken advice from the Scottish Futures Trust (SFT) regarding a proportional level of public consultation based on best practice from other City and Regional Deals. Following advice received, an engagement strategy has been developed (with input from the Council's Communications Team) for the Rural Growth Deal and this is included in **Appendix 3** of this briefing paper.
- 4.10 It should be noted that directing resources into securing a Rural Growth Deal may impact on the capacity of the Economic Development team's capacity to deliver on all existing areas of work.

5.0 Inward Investment Fund

- 5.1 In February 2016 the Council approved the £1m Inward Investment Fund to support projects that deliver tangible economic benefits that can attract inward investment. In May 2016 a set of criteria was approved by the Policy and Resources Committee:-
- Their ability to create jobs, grow the population and/or stimulate private sector activity or additional public sector intervention that will deliver these results;
 - Extent to which they support the delivery of the Single Outcome agreement

(now the Argyll and Bute Outcome Improvement Plan) particularly in terms of the overall objective (Argyll and Bute's economic success is built on a growing population) as well as long term outcomes 1, 2 and 3 (The economy is diverse and thriving; We have infrastructure that supports sustainable growth; and education, skills and training maximizes opportunities for all);

- Their ability to attract matching funding from partners;
- Its potential to help deliver transformational projects that make a substantial difference to the Argyll and Bute economy;
- Demonstration of SMART economic and social outcomes for each community; and/or
- Their contribution to overcoming barriers to economic growth and sustaining prosperous communities.

5.2 Only one award has so far been forthcoming from this fund for a sum of £40k in relation to feasibility studies in relation to the potential Spaceport at Machrihanish that has potentially transformational positive economic impacts and is still ongoing. It is now intended to add an additional criteria to the fund requiring any further release of funding from this fund to be limited exclusively to projects included as part of the Rural Growth deal proposals in order to maximise the level of match funding available from the Council.

6.0 Next Steps

6.1 Further discussions regarding a Rural Growth Deal for Argyll and Bute are in the process of being arranged with both the Scottish and UK Government representatives at a political and officer level together with input from the SFT. The basis for these discussions, following approval from the P and R Committee, are the vision, key themes and list of potential projects included in this report. It should be noted that these discussions will influence the content of the deal including our vision, key themes and what projects could ultimately be supported by the UK and Scottish Governments. It is intended to come back to the Policy and Resources Committee in October to seek approval for the finalised Rural Growth Deal proposals prior to bid submission to the respective Governments for their consideration. Following this, it is hoped that a Heads of Terms Agreement will be negotiated with both governments.

6.2 The Council also continues to work in partnership with a number of key public, private and third sector stakeholders via the Rural Growth Deal Steering Board. The Steering Board is a working group which has been established to improve collaboration between key Rural Growth Deal stakeholders and it is intended that the Steering Board will help inform the content of Rural Growth Deal but has no decision making powers. It should also be noted that certain projects fitting with our vision and key themes may also advance prior to the final deal being agreed where opportunities present themselves. This has happened with other approved city deals and would be subject to separate committee approval.

7.0 CONCLUSION

7.1 The Council is committed to delivering a Rural Growth deal for Argyll and Bute that involves all key stakeholders in developing a deal that can be supported by

both the Scottish and UK Governments. The focus of the deal has to be delivering innovative and inclusive economic growth for Argyll and Bute. Following discussions with the UK and Scottish Governments, a draft vision and key themes have been developed which we believe support examples of potentially transformational projects.

- 7.2 The Committee is asked to approve the vision, identified key sectors and project themes as the basis for continued negotiation for the Rural Growth Deal on the understanding that they will continue to evolve as further information is gathered and consultation with our key stakeholders continue. A final proposition for the UK and Scottish Governments will be submitted for further approval in October following the conclusion of these negotiations in order to achieves a Heads of Terms Agreement as soon as practicable.
- 7.3 The Committee is also asked to approve the additional criteria for the Inward Investment Fund (originally approved in May 2016 by the Policy and Resources Committee) that any future release of funding from this fund be limited exclusively to projects included as part of the Rural Growth deal proposals in order to maximise the level of match funding available from the Council. In addition the Committee is also asked to identify committed capital and revenue expenditure counts as match funding to the Rural Growth Deal

8.0 IMPLICATIONS

- 8.1 **Policy** The Rural Growth Deal supports the council's overarching aim to deliver economic growth in Argyll and Bute through a rising population and aims to support the key aims of the UK and Scottish Government Economic policy in relation to inclusive economic growth, innovation and internationalisation.
- 8.2 **Financial** There are no financial implications directly arising from this report other than an additional criteria added to the release of future funding from the approved Inward Investment Fund.
- 8.3 **Legal** None directly arising from this report however there are likely to be legal implications associated with the Rural Growth Deal following final agreement of Heads of Terms and subsequent approvals of Business cases..
- 8.4 **HR** None directly arising from this report
- 8.5 **Equalities** Equalities will be considered as part of each Rural Deal project with inclusive growth a key aspect of any deal.
- 8.6 **Risk** Full business cases will be developed for Rural Growth Deal

projects following submission of the final Heads of Terms.

8.7 **Customer Services** None

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APPENDICES

Appendix 1 – Scottish / UK Government Economic Development Policy Summary.

Appendix 2 - Scottish Government Growth Deal Criteria.

Appendix 3 – Proposed Rural Growth Deal Engagement (paper by Communications Manager).