

Delivering the Argyll Rural Growth Deal

1.0 EXECUTIVE SUMMARY

- 1.1 Members will be aware that a series of City and Regional Growth Deals are being taken forward, or agreed, between Scottish Local Authorities and the Scottish and UK Governments. Informed by extensive research and public consultation Argyll and Bute Council, working in partnership, with a number of key stakeholders has been developing a potential Rural Growth Deal (RGD) for the region in dialogue with UK and Scottish Government representatives and the Scottish Futures Trust. This RGD is considered essential by the council to build on a series of public and private sector investments that have either taken place in recent years or are under way in Argyll and Bute to help keep our region competitive through the acceleration of economic growth in our key business sectors and by addressing the barriers that are believed to hold back our growth potential.
- 1.2 Discussions to date with UK and Scottish Government officials have been positive, particularly around the evidence gathering and consultation undertaken to date. Both Governments have however stressed the importance of Argyll and Bute Council submitting their formal Rural Growth Deal proposition as soon as possible to allow formal negotiations to take place as part of a pipeline of City and Regional growth deals they are now considering.
- 1.3 Both the Scottish and UK Governments have advised that they will not begin to consider any proposals until they are formally submitted by Argyll and Bute Council. This is particularly significant given there are other local authorities who are also negotiating similar deals with both governments at this time.
- 1.4 This report provides details of the emerging Rural Growth Deal for Argyll and Bute including a summary of the business and public consultation undertaken to date, the overarching vision, the key themes and growth sectors that we are aiming to support through the deal and the emerging projects that it is intended will be included in the formal proposition to both the Scottish and UK Governments.
- 1.5 The latest public consultation drew more than 900 responses and this has demonstrated strong support for a Rural Growth Deal with 97% of those surveyed supporting a deal for Argyll and Bute. Further details are included in **Appendix 1** of this report.

1.6 The following overarching vision has been developed for the Rural Growth Deal and supported through public consultation (see Appendix 1):

“Argyll the natural choice.”

1.7 In addition to the overarching vision, the following key growth sectors and project themes have emerged as investment priorities for the Rural Growth Deal focusing on the region’s key economic strengths and the critical infrastructure, skills and education required for growth. These reflect findings from the public consultation on opportunities for and obstacles to growth;-

- **Connecting:** our high value and growing business sectors with national and international business markets; our economic local successes with national strategic priorities.
 - Transport (road/air routes to market)
 - Digital
 - Business innovation

- **Attracting:** additional skills, training and learning opportunities; new residents, visitors and business.
 - Skills, training and education
 - Accommodation (housing and business)
 - Places to live, work and visit (community-led regeneration)
 - Centre of excellence

- **Growing:** doing more of what works; making more of our natural and built resources.
 - Aquaculture
 - Tourism
 - Low carbon economy

1.8 Our Rural Growth Deal proposals are about placing investment where it will best place Argyll as an ambitious and economically successful region creating employment opportunities and additional GDP for Scotland and the UK.

1.9 The content of the RGD has been informed through working with key stakeholders via a series of meetings, working groups and workshops to identify Argyll based potential projects which are consistent with UK and Scottish Government economic policy. Following this process, a list of projects has been compiled and this is included in **Appendix 2** of this report. This list of projects will inform a compelling presentation document to be submitted to both the UK and Scottish Government to allow negotiations to commence.

- 1.10 Council is asked to approve the proposed overarching vision, key growth sectors and project themes which form the basis of the Rural Growth Deal to enable the process of formal negotiations to be progressed with submission of the formal Rural Growth Deal proposition document by November 2018. It has been indicated that a Heads of Terms Agreement could be signed with the Scottish and UK Governments in mid to late 2019 subject to the formal proposition document being submitted imminently.
- 1.11 The Council are asked to approve the proposal to delegate authority to the Council's Chief Executive in consultation with the Leader, Depute Leader and Leader of the largest opposition group to progress negotiations with UK and Scottish Government officials following submission of the formal Rural Growth Deal proposition document.
- 1.12 The bid proposals invite investment in Argyll economic growth to the initial values below:

Connecting: Estimated investment required circa £90.5M covering investment in Transport, Digital connectivity and Business Innovation.

Attracting: Estimated investment required circa £51M covering investment in Skills, Training and Education, Accommodation (housing and business), Places to live, work and visit (community-led regeneration) and Centre of Excellence.

Growing: Estimated investment required circa £37M covering investment in Aquaculture, Tourism and Low Carbon.

2.0 RECOMMENDATIONS

- a) Note the advice received from the Scottish and UK Governments and the support demonstrated via the public consultation in relation to a Rural Growth Deal;
- b) Agree the proposed overarching vision, key growth sectors and project themes which form the basis of the Rural Growth Deal;
- c) Approve the submission of a formal Rural Growth Deal proposition document by November 2018 to the Scottish and UK Governments to enable the process of formal negotiations to be progressed;
- d) Delegate authority to the Council's Chief Executive in consultation with the Leader, Depute Leader and Leader of the largest opposition group to progress negotiations with UK and Scottish Government officials following submission of the formal Rural Growth Deal proposition document;
- e) Note that in reaching a Heads of Terms Agreement with the Scottish and UK Governments it is likely that certain projects included as part of the Rural Growth Deal proposition will be either amended, removed or new projects included as part of the negotiations.
- f) Confirm that a further report in terms of programme governance will come to council in due course.

Delivering the Argyll Rural Growth Deal

3.0 INTRODUCTION

- 3.1 Argyll and Bute Council and our partners have been developing and gathering evidence essential for a potential Rural Growth Deal (RGD) for our region. The RGD is considered essential to help keep Argyll competitive in a global economy, stimulate economic growth in our key business sectors and reverse the decline in our population.
- 3.2 The Argyll Rural Growth Deal will follow similar principles to the City and Regional Growth Deals, either agreed or in development for other Local Authority areas in Scotland. In discussions undertaken to date, both the UK and Scottish Governments have advised that projects included in the deal must be:-
- Transformational as opposed to business as usual;
 - Consistent with Scottish and UK Government economic policies;
 - Able to demonstrate clear links across Argyll and Bute Rural Deal projects which in combination will make the greatest economic return;
 - Where possible be pan-regional and compliment other City Deal investments in neighboring areas.
 - Projects focusing on devolved matters should be consistent with the Scottish Governments policy on inclusive growth.
 - The Rural Growth Deal could include additional policy powers as well as funding for infrastructure projects.
 - The predicted timescale, over which the projects contained within a Rural Growth Deal will ultimately be delivered, is approximately 10 years.
- 3.3 Discussions to date with UK and Scottish Government officials have been positive, particularly around the amount of work and consultation undertaken to date. However, it should be noted that both Governments have stressed the importance of Argyll and Bute Council submitting their Rural Growth Deal proposition timeously. In addition, both the Scottish and UK Governments have advised that they will not begin to formally consider any proposals until this happens and this is particularly significant as there are other local authorities also negotiating deals at this current time all at different stages of development.
- 3.4 This report provides a strategic level overview on the emerging Rural Growth Deal for Argyll and Bute including details of the business and public consultation undertaken to date, the overarching vision, the key themes and key growth business sectors that we are aiming to support through the deal and the

emerging projects that it is intended will be included in the formal proposition to the Scottish and UK Governments.

4.0 RECOMMENDATIONS

- a) Note the advice received from the Scottish and UK Governments and the support demonstrated via the public consultation in relation to a Rural Growth Deal;
- b) Agree the proposed overarching vision, key growth sectors and project themes which form the basis of the Rural Growth Deal;
- c) Approve the submission of a formal Rural Growth Deal proposition document by November 2018 to the Scottish and UK Governments to enable the process of formal negotiations to be progressed;
- d) Delegate authority to the Council's Chief Executive in consultation with the Leader, Depute Leader and Leader of the largest opposition group to progress negotiations with UK and Scottish Government officials following submission of the formal Rural Growth Deal proposition document;
- e) Note that in reaching a Heads of Terms Agreement with the Scottish and UK Governments it is likely that certain projects included as part of the Rural Growth Deal proposition will be either amended, removed or new projects included as part of the negotiations.
- f) Confirm that a further report in terms of programme governance will come to council in due course.

5.0 DETAIL

- 5.1 Over the past year, Argyll and Bute Council, our partners and key stakeholders supported by the Scottish Futures Trust (SFT) have been developing a Rural Growth Deal with the Scottish and UK Governments. The Rural Growth Deal for Argyll and Bute will follow similar principles to the City Region Deals previously agreed for other local authority areas with a focus on delivering innovative and inclusive economic growth for the region in line with Scottish and UK Government economic policy.
- 5.2 In developing the Rural Growth Deal proposals, extensive public, business and key stakeholder consultation has been undertaken via multiple channels and this has been used to identify key opportunities and barriers that could potentially be addressed via a Rural Growth Deal. In addition to the extensive previous stakeholder consultation reported to the Policy and Resources Committee of 24 May 2018 an engagement strategy was approved for the Rural Growth Deal and it was agreed to undertake a further public consultation during the summer.
- 5.3 In summary, the public consultation drew more than 900 responses, with 97% of people saying they back a RGD for Argyll and Bute. Additionally, most people who took part agree that food & drink (84%), tourism (91%), culture (85%) and innovation (87%) are the areas with the most potential growth for Argyll and Bute. And respondents also overwhelmingly agree that roads and infrastructure (96%), digital connectivity (94%), skills (86%), accommodation (85%) and

natural energy (82%) are the key areas in need of development to achieve significant economic growth in Argyll and Bute. A full breakdown of the public consultation results is included as **Appendix 1** of this report.

- 5.4 From the evidence provided via the consultation undertaken and a thorough review of existing Council and key stakeholder strategies and plans the following overarching vision has been developed for the Rural Growth Deal, with public support through consultation;-

“Argyll the natural choice.”

- 5.5 The bid will be submitted under the name of Argyll and Bute Council. As benefits of the deal are targeted not only at mainland communities and Bute, but also at additional islands, the vision uses ‘Argyll’ to cover all. This was supported in the public response to the consultation.
- 5.6 In addition to the overarching vision, the key growth sectors and project themes below have emerged as investment priorities for the Rural Growth Deal focusing on the region’s key economic strengths and the critical infrastructure, skills and education required for growth.
- 5.7 Our RGD proposals are about placing investment where it will best place Argyll as an ambitious and economically successful region creating new employment opportunities and additional GDP for Scotland and the UK:
- **Connecting:** our niche and growing business sectors with national and international business markets; our economic local successes with national strategic priorities.
 - Transport (road/air routes to market)
 - Digital connectivity
 - Business innovation
 - **Attracting:** additional skills, training and learning opportunities; new residents, visitors and business.
 - Skills, training and education
 - Accommodation (housing and business)
 - Places to live, work and visit (community-led regeneration)
 - Centre of excellence
 - **Growing:** doing more of what works; making more of our natural and built resources.
 - Aquaculture
 - Tourism
 - Low carbon economy

5.8 Argyll and Bute Council has been working with our partners and key stakeholders via a series of meetings, working groups and workshops guided by the Rural Growth Deal Steering Board to identify potential projects which are consistent with UK and Scottish Government economic policy and could be included as part of the formal RGD proposition to both governments. Following this process, the following list of potential projects has been compiled and further details are included in **Appendix 2** of this report.

Connecting

- Roads - develop our key routes to market and business development;
- Air - create a west coast regional hub for Scotland;
- Digital Connectivity: meeting our medicare, social and business needs;
- Food and Drink pilot - a rural transformation agenda for Bute;
- Develop local, national and international excellence in aquaculture, by delivering an innovative seawater pipeline and new business incubator hub at Machrihanish in Kintyre;
- Deliver a state-of-the-art marine industry training facility (EMSP)

Attracting

- Match local skills development to local economy opportunities;
- Provide affordable housing of the right type and in the right place to support growing business sectors;
- Logistics Business Park Expansion, Lochgilphead;
- Place-based investment to support community-led regeneration
- Realise local community opportunities from the MOD's emerging centre of engineering excellence in Helensburgh;

Growing

- Establish an accelerating aquaculture fund, focused on innovation, to drive forward the aquaculture industry in Argyll;
- Argyll as a world class visitor destination - open up access to our coasts and waters;
- Argyll Scotland's Adventure Coast - develop our natural resources as a driver for the local and wider tourism industry;
- Run a pilot on the island of Islay to deliver a smart island local energy network.

5.9 In addition to the above projects, a range of policy and fiscal asks will also be included as part of the Rural Growth Deal proposition. These policy and fiscal asks will complement the infrastructure projects listed above. Further details are included in **Appendix 2**.

5.10 Government officials have stressed that it is unlikely all projects included in the formal Rural Growth Deal proposition will be supported by the Scottish and UK Governments. As such, it will be necessary to consider alternative sources of funding for certain projects or that they will be re-shaped. In addition, where alternative funding is secured, some projects may be accelerated in advance of

the RGD programme.

- 5.11 It should be noted that in discussions to date with government officials and the Scottish Futures Trust, the Council have been advised that the scale of the deal in terms of potential funding must be proportionate to a region's population and the ability of the Council and key stakeholders to provide match funding (see Table 1 below). That said, the council is set on submitting an ambitious RGD that fully recognises our economic potential, our rural geography and infrastructure challenges.

Table 1: City Deal Funding Examples

City Deal	Pop of City Deal Area	Total Value (£m)	UK Gov Funding	Scot Gov Funding	UK Gov. funding per head (£)	Scot Gov. Funding per head
Glasgow	1,790,600	1,130	500	500	279	279
Inverness	234,100	315	53	135	226	577
Aberdeen	484,800	595	125	379	258	782
Edinburgh	1,330,500	1,101	300	300	225	225
Stirling	140,000	214	45.1	45.1	321	321

*Figures provided by Scottish Futures Trust (exception of Stirling)

- 5.12 In the negotiations to follow with both governments, Argyll and Bute Council will look to make a compelling case for additional funding to be invested in the region to take account of the significant challenges we face due to our relatively small, dispersed and in places declining population, shortage of private sector match funding and the higher cost of delivering projects and services locally due to the geographic size of the region.

- 5.13 The bid proposals invite investment in Argyll's economic growth to the initial values below:

Connecting: Estimated investment required circa £90.5M covering investment in Transport, Digital connectivity and Business Innovation.

Attracting: Estimated investment required circa £51M covering investment in Skills, Training and Education, Accommodation (housing and business), Places to live, work and visit (community-led regeneration) and Centre of Excellence.

Growing: Estimated investment required circa £37M covering investment in Aquaculture, Tourism and Low Carbon

6.0 Next Steps

- 6.1 Following approval from the Council, a formal proposition document including details of the public consultation and supporting work undertaken to date will be submitted to Scottish and UK Government officials.

- 6.2 We understand that there will follow a period of negotiation and challenge by both Governments. When both Governments are satisfied with what the projects will deliver for Argyll and the national economy a Heads of Terms Agreement will be signed committing both governments and Argyll and Bute Council to the principles of the deal. It has been indicated that a Heads of Terms could be signed by mid to late 2019 subject to the formal proposition document being submitted imminently.
- 6.3 Thereafter, further development work will be required for specific projects included in the Rural Growth Deal (e.g. Treasury 5 Business Cases, STAG assessments etc.) prior to funding being released for individual projects.

7.0 Conclusion

- 7.1 Argyll and Bute Council, our partners and key stakeholders have been developing an ambitious Rural Growth Deal for the region. This RGD is considered essential to help keep Argyll competitive, stimulate economic growth, address barriers that inhibit growth and reverse the decline in our population.
- 7.2 Following positive discussions with UK and Scottish Government officials both Governments have stressed the importance of Argyll and Bute Council submitting their formal RGD proposition to allow formal negotiations to commence. It has been indicated that a Heads of Terms could be signed by mid to late 2019 subject to the formal proposition document being submitted imminently.
- 7.3 It should be noted that Government officials have stressed that it is unlikely all projects included in the formal Rural Growth Deal proposition will be supported by the Scottish and UK Governments. As such, it will be necessary to consider alternative sources of funding for certain projects or that they will have to be reshaped. In addition, where alternative funding is secured, some projects may be accelerated in advance of the RGD programme.

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, as set out in the ABOIP 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 The Rural Growth Deal will require match funding from the Council. At the May P&R it was agreed to use the Inward Investment Fund as match funding.
- 8.3 Legal 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 from this report
8.5 Equalities	The Rural Growth Deal will be subject to the Fairer Scotland Duty. Inclusive growth is integral to the Rural Growth 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 Service	None.

**Executive Director of Development and Infrastructure Pippa Milne
Councilor Aileen Morton, Policy Lead for Economic Development**

For further information contact: Moya Ingram, Strategic Transportation Manager,
[Tel:- 01546604190](tel:01546604190), moya.ingram@argyll-bute.gov.uk

APPENDICES

Appendix 1 – Rural Growth Deal Public Consultation Summary Report
Appendix 2 - Rural Growth Deal Project Summary.