

Argyll and Bute Council
**Argyll and Bute Rural Growth
Deal**

Argyll the Natural Choice
Heads of Terms Agreement



Our signing of this document confirms our joint commitment to the Argyll and Bute Rural Growth Deal.



Mr Michael Matheson MSP

Cabinet Secretary for Transport,
Infrastructure and Connectivity, Scottish
Government



Mr Iain Stewart MP

Parliamentary Under Secretary of State for
Scotland, UK Government



Cllr Robin Currie

Leader of Argyll and Bute Council

Executive Summary

1. “Argyll the Natural Choice” is the proposed Rural Growth Deal (RGD), a partnership approach to rural economic development which will deliver **£50 million** of investment from the Scottish and UK Governments where it will best develop Argyll as an inclusive, sustainable, economically successful region and driver for Scotland and the UK.
2. Argyll and Bute Council, along with key stakeholder partners, will also seek to contribute at least £20m match funding to the Argyll and Bute Rural Growth Deal, in order to accelerate inclusive economic growth for the region. This match funding is subject to the development of the full business cases. Contributions will be aligned to shared priorities with both the UK and Scottish Government such as housing, aquaculture, skills, tourism, engineering, digital and innovation. Argyll and Bute Council working with public and private sector partners will identify where investment across Argyll and Bute will provide the biggest catalyst for change, delivering sustainable, economic growth whilst also being complementary to Scottish and UK Government economic priorities.
3. Argyll brings together much of what is best about Scotland – natural resources that drive national and international business markets, expertise that inspires innovation and people committed to developing the prosperous future the area needs and deserves. Argyll therefore provides opportunities for economic growth that would benefit life in Argyll, Scotland and the UK.
4. Argyll is also a predominantly rural region including 23 inhabited islands and residents and businesses experience challenges associated with access to essential services, high cost of delivering services, employment opportunities and an ageing and declining population in certain areas. These challenges have acted as barriers to economic growth and the Rural Growth Deal will help to address some of these by accelerating the delivery of essential infrastructure and capitalising on some of the key opportunities for growth in the region.
5. The proposals are designed to deliver success across Argyll, based on three key drivers:
 - **Connecting:** our high value business sectors with national and international business markets; our local economic successes with national strategic priorities
 - **Attracting:** additional skills, training and learning opportunities; new residents, visitors and businesses
 - **Growing:** doing more of what works; making more of our natural and built resources
6. The Rural Growth Deal is an innovative multi sector partnership which provides a catalyst for change in order to deliver sustainable and inclusive economic growth. The deal will also be a key part of the Covid-19 recovery plan for the region by providing critical infrastructure and financial support which will accelerate the recovery of local sectors.
7. Proposals include adding to our world leading marine research expertise and enabling growth in high value seaweed, shellfish and aquaculture industries. The

RGD also proposes to unlock the abundant renewable energy resources for clean growth that can help to offset the current climate emergency, develop innovative modular housing, digital and unmanned aerial vehicle (UAV) drone technologies focussing on inclusive economic growth and supporting essential services in some of our most fragile communities.

8. As part of this funding package, the Scottish Government and UK Government will each commit £25 million of funding subject to the approval of full business cases. Argyll and Bute Council and partners will also commit additional funding to ensure that the overall package of funding for the region will be well in excess of **£70 million**. This funding will be delivered over a 10-15year period subject to detailed businesses cases, statutory processes and implementation plans.
9. UK Government funding will be in the form of capital to support the delivery of infrastructure relating to agreed projects. The majority of this support will be provided to support projects that are within the range of the UK Governments reserved responsibilities. However up to 10% of this investment can, at the discretion of UK Government Ministers, be used to support proposals that are in the devolved space.
10. The Rural Growth Deal is a tri-partite agreement between Argyll and Bute Council, the Scottish Government and the UK Government, this joint deal demonstrates our strong support to the Argyll region and all parties seek to bring projects forward as quickly as possible.
11. This document represents a “Heads of Terms” agreement building on the already significant investment in the region. Both governments are committed to continuing their support for the region. Further detail on the implementation of specific interventions of the deal will follow. This document has been produced for the purposes of outlining the principles of this broad agreement.
12. The following commitments form part of an overarching Argyll and Bute Rural Growth Deal funding package.

The Proposals

Tourism – Creating a World Class Visitor Destination

13. The growth of tourism has been a major success in recent years in Argyll and Bute supported by our Economic Growth Team and key partners such as the Argyll and the Isles Tourism Cooperative. This key sector provides circa 25% of all private sector jobs in Argyll and since 2008 there has been a 33% increase in visitor numbers with tourism worth £479.6 million in 2017 to our economy.
14. The proposal is to open up access to Argyll’s coasts and waters to develop Argyll as a West of Scotland “must visit” location for the maritime leisure market. There is a clear opportunity for Argyll to become Scotland’s prime destination for the marine leisure market, for private craft, charter yachts and cruise ship passengers to come ashore and for land-based visitors to gain access to the water on boat excursions and for water sports, wildlife watching and to island hop.

15. The investment via the Rural Growth Deal will encourage continued growth in the marine tourism sector by opening up more of Argyll's vast coastline for leisure and recreation. In addition, this project will also deliver waterfront infrastructure that will support the regeneration of some of Argyll's key coastal towns and villages, helping to provide attractive and vibrant places to live and work as well as destinations to visit.

Creating a Low Carbon Economy

16. In the context of a climate emergency, the need to address the economic challenges facing our island and rural communities and opportunities provided by the region's Rural Growth Deal, Argyll and Bute Council are working in partnership with the SG, Highlands and Islands Enterprise to explore opportunities for a collective approach to the development of a local energy system on Islay.
17. As the first stage of this project, key stakeholders are working to support the development of a local energy strategy for Islay, which is anticipated to ultimately lead to the implementation of local energy systems across the island. The creation of local energy systems will support the development of a pathway to net zero emissions.
18. Rural Growth Deal investment will focus on a 'whole systems' approach that will consider power, heat and transport as well as placing the needs of the individual and business consumer at its centre to ensure that future energy systems are sustainable and support inclusive economic growth.

Rural Skills Accelerator Programme

19. Inclusive Growth lies at the heart of City Region and Growth Deals and this Deal will drive future inclusive economic growth and tackle inequality with a strong focus on community wealth building, STEM skills, rural enterprise and the delivery of local education services. The Rural Skills Accelerator Programme is a vehicle that will provide the 21st century infrastructure and delivery mechanisms needed for skills, training, education and enterprise to facilitate collaborative growth in the rural economy.
20. Structured action will be taken across all the projects in the Rural Growth Deal to maximise the delivery of skills and inclusive growth outcomes. The Rural Skills Accelerator Programme will set the foundation for ongoing inclusive growth and fair work opportunities which will help attract and retain economically active people and support businesses growth throughout Argyll and Bute.

Housing to Attract Economic Growth

21. It is recognised that Argyll and Bute's economic success is built on a growing population which is the overall objective of the Outcome Improvement Plan. The housing element of the Rural Growth Deal proposes to provide affordable housing of the right type and in the right place to support growing business sectors.

22. The Rural Growth Deal will be used to support the delivery of a range of housing tenures required to accommodate local workers and support business growth in areas of high demand. This includes a number of Argyll's island communities where the cost of providing housing is considerably higher than the mainland.
23. All housing will be modern and energy efficient including renewable heating systems to counter the high fuel costs in remote areas. The housing design will also be innovative by providing dedicated home working facilities and high speed digital connectivity to cater for modern, flexible working arrangements.

Clyde Engineering and Innovation Cluster

24. The Ministry of Defence (MOD) is currently expanding operations on the Clyde implementing a Maritime Change Programme (MCP). HMNB Clyde will become the single operating base for the Royal Navy's entire fleet of submarines. To achieve this a significant capital infrastructure programme valued at £1.3 billion will be delivered on the base over 10 years. Through the Rural Growth Deal Argyll and Bute Council is seeking to maximise the local and national benefits of the Maritime Change Programme.
25. The increase in both military posts and industrial jobs across a range of innovation, engineering, manufacturing, technicians and business services jobs to the local area resulting from this UK Government investment will have a significant impact in an area without other opportunities of this scale.
26. The overall objective is to maximise the economic opportunity for Helensburgh and Lomond and the wider Argyll and Bute area from the £1.3 billion investment into HMNB Clyde by addressing the existing lack of available commercial and businesses accommodation proximate to the base. This project will facilitate the development of a Clyde Engineering and Innovation Cluster in Helensburgh & Lomond which will stimulate and facilitate innovation, and enhance company interaction, co-operation and collaboration by co-locating the supply chain in an appropriate commercial space within Helensburgh.

West Coast UAV Logistics & Training Hub

27. This intervention involves working in partnership with industry leading research institutions such as SAMS to create an innovative research and development centre for unmanned aerial vehicle (UAV) technologies on the west coast of Scotland. This will create the UK's first dedicated drone training centre with indoor facilities specialising in developmental, test and operational facility for UAV technologies.
28. This project will also build on the recent pioneering work undertaken by Skyports in the region, in particular successful pilots supported and funded by the European Space Agency and the UK Space Agency utilising beyond visual line of site drone flights to deliver medical supplies and laboratory specimens to a number of sites across Argyll. Argyll and Bute Council in partnership with Skyports will look to develop a UAV Logistics hub, providing drone deliveries across the west coast of Scotland. This project will fully support the Climate Change agenda.

29. Creating the UK's first dedicated UAV test centre, will foster a culture of innovation. Combining the efforts of a unique testing environment with a strong local research base will accelerate the development, deployment and commercialisation of new technologies and support the development of STEM skills in Scotland and the UK.

Argyll - Digital Connectivity

30. Improving the region's digital infrastructure is fundamental in futureproofing the local economy and to facilitating changes in the way we live, work and do business particularly in the wake of the Covid-19 pandemic. Enhanced digital connectivity will drive innovation and improve public and private service delivery while ensuring a 'green' recovery. This will require extending the roll out of superfast broadband to key areas across the region where it has not been possible thus far and expanding 4G and 5G coverage to those areas where there is expected to be market failure. The Rural Growth Deal investment will support and complement the existing national programmes of digital investment currently being delivered by the Scottish and UK Government's.

Marine Aquaculture Programme

31. The vision is to make Argyll and Bute the leading region for innovation in marine aquaculture in Scotland, UK and globally, by underpinning sustainable, inclusive business growth through investment in world-class marine science and technology creating the following inter-woven partnership assets:
- **Machrihanish Innovation Campus** to provide large scale marine finfish and multi-trophic research and development capability, coupled with dedicated business incubation and scale up premises and facilities;
 - **Scottish Association for Marine Science (SAMS) International Seaweed and Shellfish Industry R&D Centre** to create a platform for industrial innovation that will allow a direct commercialisation of the world leading research expertise at SAMS and to catalyse growth in the region's high value seaweed and shellfish industries.
 - **Argyll College UHI Marine Industry Training Centre** to provide the skills, education and training needs to support the current and future demands for the marine industry in Argyll and Bute; supporting work-based learning and vocational training, and providing workforce pathways from school to employment, complementing the education provision at SAMS, UHI, and the University of Stirling.
 - **Marine Industry Needs Assessment** - the Council and key stakeholders will progress a Marine Industry Needs Assessment study which will include extensive consultation with key marine sector stakeholders. This study will provide the evidence base for industry needs to inform future investment outcomes and the potential options available to deliver these outcomes. This will assist in identifying the key priorities for Rural

Growth Deal investment and where this should be targeted to support sustainable growth of this sector and set out in the business case for consideration and approval by SG prior to full deal signing.

32. Progressed in synchrony, these developments will establish an integrated regional capability through investment in distributed state-of-the-art facilities to enable businesses to capture the opportunities in UK and global aquaculture through experimental scale research, product and service development and testing, commercial trials, skills development and training.

GOVERNANCE AND ASSURANCE

33. Strong and effective leadership and governance is paramount to both successful implementation and in providing assurance to governments, the local authority and wider regional partners. Argyll and Bute Council will work with both Governments and other key stakeholders to ensure delivery of this deal and adopt an approach to governance which will deliver transformative inclusive economic growth.
34. Local partners will demonstrate the value for money case for each project and programme before funding is made available. As such, all proposals in this document are subject to the approval of final business cases from the relevant Government, or from both Governments in the case of jointly funded projects.
35. Local partners will work with both Governments to develop a Final Deal document, a detailed implementation plan, a governance plan, a financial plan that takes account of affordability over the 10-15 year lifespan of the deal, together with monitoring and evaluation frameworks and associated business cases for all projects and/or programmes receiving funding.
36. Local partners will work with both governments to agree a communications strategy and an operating protocol. Both documents will set out how communications about the Rural Growth Deal and its associated activities are taken forward, in a way that meet the needs of the regional partners as well as the Scottish and UK Governments.

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