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<b>Report To:</b>	<b>Environment &amp; Regeneration Committee</b>	<b>Date:</b>	<b>3 March 2022</b>
<b>Report By:</b>	<b>Interim Director Environment and Regeneration</b>	<b>Report No:</b>	<b>ENV021/22/SJ</b>
<b>Contact Officer:</b>	<b>Stuart Jamieson</b>	<b>Contact No:</b>	<b>01475 712041</b>
<b>Subject:</b>	<b>Fraser of Allander Institute - Supporting Economic Recovery in Inverclyde, West Dunbartonshire &amp; Argyll &amp; Bute</b>		

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to provide the Committee with an update on the Fraser of Allander Institute's study Supporting Economic Recovery in Inverclyde, West Dunbartonshire & Argyll & Bute and to seek Committee approval for the study to be used as the basis of any engagement with both the UK and Scottish Governments, and in particular with the proposed Task Force for Inverclyde.

## 2.0 SUMMARY

- 2.1 Inverclyde Council, in conjunction with Argyll & Bute Council and West Dunbartonshire Council, commissioned the Fraser of Allander Institute to provide a report which considers the subject - Supporting economic recovery in Inverclyde, West Dunbartonshire & Argyll & Bute.
- 2.2 A report was presented to the Environment & Regeneration Committee on 12<sup>th</sup> January 2022 which highlighted the interim findings of the Fraser of Allander Institute's initial research.
- 2.3 Whilst we have not received the final report at the time of submission, the Fraser of Allander Institute has provided the 3 local authorities with a synopsis of the final report. The full synopsis is contained in appendix 1 and covers three areas:- What works; analysis of the overall performance of the three Councils, and comparison to similar Councils across the UK; and primary research to better understand policies that have been successful in tackling some of these challenges.
- 2.4 Following engagement between the Leader of the Council and the Cabinet Secretary for Finance and the Economy the Council is attempting to establish a Task Force in conjunction with both the UK and Scottish Governments, to address the distinct challenges faced within Inverclyde
- 2.5 The synopsis sets out a number of potential initiatives to enhance repopulation within Inverclyde and it is suggested that the Supporting economic recovery in Inverclyde, West Dunbartonshire & Argyll & Bute document be used in discussions with colleagues on the potential Task Force.

## 3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee
- Note the synopsis from the Fraser of Allander Institute and that the full report will be the subject of a members briefing once available and brought to first available Committee following the local government elections in May;
  - Agree that pending the issue of the Fraser of Allander Institute's final report the synopsis

can be used in discussions with UK and Scottish Governments, specifically with regards to the potential Task Force.

**Stuart Jamieson**  
**Interim Director**  
**Environment and Regeneration**

## 4.0 BACKGROUND

- 4.1 Inverclyde's continued depopulation has long been recognised within the Council and its key strategic documents but it is clear that without radical interventions from Governments in both Westminster and Holyrood in order to stimulate economic activity and stop the drift of working age populations east or to the major cities, then it is likely that the Council will continue to depopulate with the resultant impact on funding and levels of deprivation.
- 4.2 The Council In conjunction with Argyll & Bute Council and West Dunbartonshire Council, commissioned the Fraser of Allander Institute to provide a report which considers the subject - Supporting economic recovery in Inverclyde, West Dunbartonshire & Argyll & Bute.
- 4.3 At its meeting in January 2022 the Committee was appraised of the interim findings of the study which highlighted issues around:-
- Population decline
    - Increasing the supply of affordable housing;
    - Attracting skilled workers through 'good jobs'; and,
    - Developing business clusters.
  - Economic recovery in areas requiring regeneration
    - Industrial specialisation; and,
    - Skills mismatch.
  - Dealing with poverty and inequalities
    - Encouraging inclusive growth.
- 4.4 Whilst the Fraser of Allander Institute have not supplied the Council with their final report prior to the submission of papers, they have provided all three Councils with a synopsis of the report. The full synopsis is contained in appendix 1.
- 4.5 The synopsis covers three areas:
- What works: a discussion of the grand challenges facing the three councils, and a literature review on policies, UK-wide and globally, that have aimed to, and worked at, tackling these grand challenges.
  - Analysis of the overall performance of the three councils under a range of indicators, highlighting local authorities across Great Britain that are similar to each of the council areas, and that face similar long-term challenges.
  - Primary Research: Qualitative interviews with economic development policymakers in the similar or "sister" local authorities (or associated bodies linked to these areas, like overseeing Government departments, enterprise partnerships, or umbrella bodies) to understand the policies that have been successful in tackling some of these challenges. Through the course of our research, we have also identified those often cited as "best in class", and have engaged with these areas too.
- 4.6 Following engagement between the Leader of the Council and the Cabinet Secretary for Finance and the Economy, the Council is attempting to establish a Task Force in conjunction with both the UK and Scottish Governments. The two Governments agreed to a Joint Task Force focused on supporting Inverclyde's economic recovery, however this was delayed due

to the new wave of the pandemic caused by the Omicron variant. In the meantime, however, the Council and the Scottish Government have worked on a terms of reference for the Task Force. A date is currently being arranged for the next on this.

## 5.0 PROPOSALS

5.1 It is proposed that subject to Committee endorsement of the synopsis of the Fraser of Allander report that it be used to inform discussions with the potential Task Force with UK and Scottish Governments. Once the full report is available a members briefing will be arranged, and the full report submitted to the next available Committee for consideration following the May local government elections.

## 6.0 IMPLICATIONS

### 6.1 Finance

#### Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (if Applicable)	Other Comments
N/A					

### 6.2 Legal

### 6.3 Human Resources

### 6.4 Equalities

#### Equalities

(a) Has an Equality Impact Assessment been carried out?

	YES
X	NO – This report does not introduce a new policy, function or strategy or recommend a substantive change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required

(b) Fairer Scotland Duty

If this report affects or proposes any major strategic decision:-

Has there been active consideration of how this report's recommendations reduce inequalities of outcome?

	YES – A written statement showing how this report's recommendations reduce inequalities of outcome caused by socio-economic disadvantage has been completed.
X	NO

(c) Data Protection

Has a Data Protection Impact Assessment been carried out?

	YES – This report involves data processing which may result in a high risk to the rights and freedoms of individuals.
X	NO

**6.5 Repopulation**

The development of the issues highlighted in this report will if developed have a positive impact on the Council's repopulation agenda

**7.0 CONSULTATIONS**

7.1 Consultation has taken place with appropriate officers and the report is supported by the Corporate Management Team.

**8.0 BACKGROUND PAPERS**

8.1 None

# Supporting economic recovery in Inverclyde, West Dunbartonshire & Argyll & Bute

## Report Synopsis

February 2022

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### Introduction

Despite having their differences, the three local authorities of Inverclyde, West Dunbartonshire, and Argyll and Bute face similar challenges.

Some of the most notable refer to population decline, economic recovery in areas requiring regeneration, and how to address complex issues such as inequality and poverty.

This report covers three areas:

- What works: a discussion of the grand challenges facing the three councils, and a literature review on policies, UK-wide and globally, that have aimed to, and worked at, tackling these grand challenges.
- Analysis of the overall performance of the three councils under a range of indicators, highlighting local authorities across Great Britain that are similar to each of the council areas, and that face similar long-term challenges.
- Primary Research: Qualitative interviews with economic development policymakers in the similar or “sister” local authorities (or associated bodies linked to these areas, like overseeing Government departments, enterprise partnerships, or umbrella bodies) to understand the policies that have been successful in tackling some of these challenges. Through the course of our research, we have also identified those often cited as “best in class”, and have engaged with these areas too.

### What works – lessons from the literature

A comprehensive literature review was carried out to identify successful policies both from practice here in the UK and abroad. In the full report, these examples have been set out in detail. In addition, these have identified areas for targeting questions during our primary research phase.

The areas of policy to target demographic challenges, to support economic regeneration, and to address areas of inequality and poverty are summarised below.

Economic policy can support regional economies to tackle **demographic challenges**. There are several policies that have successfully addressed population decline in the past. These include

- Increasing affordable housing;
- Improving local infrastructure; and,
- Implementing employment initiatives.

In Scottish regions that experienced high levels of industrial decline, the literature highlights that they now often feature higher levels of deprivation, as well as weaker labour market outcomes. To support **economic regeneration** efforts, several policies are available to policymakers. These include -

- Developing a knowledge exchange economy;
- A strategy of industrial specialisation;
- Addressing a skills mismatch; and,
- Attracting new-high profile firms to the region.

**Inequality and poverty** can have far-reaching effects. Not only can inequality and poverty impact health, education, and social outcomes, but they can also limit the opportunities individuals have available, making it difficult for those who grew up in poverty to escape. Policy initiatives to address this have included –

- Encourage inclusive growth;
- Introduce employment initiatives;
- Social lending initiatives;
- Building community engagement; and,
- Retrofitting homes and buildings.

The literature review also highlighted areas that have successfully tackled some of these grand challenges. These areas are –

- Birmingham City Council; and,
- D2N2 Local Enterprise Partnership (LEP)

We are therefore interviewing bodies responsible for economic regeneration in these areas as part of our primary research to examine the policies that they are implementing.

## Which areas in other parts of Great Britain are facing similar challenges?

A range of indicators were considered in order to identify similar, or “sister” local authorities across GB.

The indicators used are:

- Demographics
  - Population: % change in population (1991-2020)
  - Population density: Inhabitants per sq km (2020)
- Industry
  - Labour productivity: GVA per hour worked (2019)
  - Industrial change: percentage point change in GVA share from primary industries (1998 – 2019)
- Labour market
  - Unemployment: unemployment rate (%) (2020)
  - Education/skills: % with no qualifications (NVQ) – aged 16-64 (2020)
- Poverty
  - Income: gross disposable household income per capita (£) (2020)
  - Life expectancy: healthy life expectancy at birth (2019)
  - Housing deprivation: % of socially rented dwellings (2020)

These indicators identified the following areas in England and Wales as similar:

- Argyll & Bute
  - Powys, Ceredigion, and Northumberland (part of North East LEP).
- West Dunbartonshire
  - Knowsley (part of Liverpool city region combined authority and LEP), Blaenau Gwent and Merthyr Tydfil.
- Inverclyde
  - Blaenau Gwent, Redcar and Cleveland (part of Tees Valley combined authority and LEP) and Neath Port Talbot.

## What did these areas tell us?

Between January and early March, we have been engaging with and/or interviewing policymakers in local government, umbrella bodies, enterprise bodies, combined authorities, and national government.

The summary below picks out some of the key themes identified in our research, accompanied by specific examples where relevant. This will be expanded upon in much more detail in the final report, supported by unattributed quotes from the research participants to give a flavour of views.

Some interviews are scheduled for the coming week, after which we will wrap up this stage of the research to complete the write up.

## Policy Context



Through the course of our primary research, there was considerable reflection from policy makers on the trends in the economic development landscape over the past decade or so, and in particular, the impact that recent developments around the Levelling Up agenda have had.

There was a concern about the uneven levels of economic development capability across different local authorities, which constrains the ability of some local authorities to bid for and benefit from challenge style funds, such as the Levelling Up Fund and Community Renewal Fund. This was emphasised as a worry for what may come as part of the UK Shared Prosperity Fund.

It was also flagged by a number of contributors that the focus on direct and challenge funds to local authorities could be seen as a bit of a “backwards” step, after the more strategic regional funding that had been provided through city and region deals in recent years.

The range of powers that are available in the combined authority model was highlighted as a way that more regional powers were “able to offer the package of powers that are more able to holistically address the issues in our region, and ensure that we are offering opportunities to young people, in terms of economic development, employment opportunities, skills and housing”.

### Skills & Knowledge Economy

In their recently published skills report D2N2 identified technological change, COVID-19, and Brexit as the cause of some pronounced skills mismatches in the regional economy. One in five adults lacked the digital skills required by employers, a statistic that is likely more pronounced in areas with concentrated unemployment, inactivity and deprivation.

One initiative was to engage with further and higher education providers to understand where the current skills mismatches lie, and what action could be used to address these issues.

Governments could provide critical incentives to education providers to offer courses that may not be in demand now, but will be essential to address the future challenges emerging from Brexit and climate change.

Encouraging engagement between higher education providers can also yield benefits. Colleges in the D2N2 region are now starting to engage in deciding what courses to offer. This has allowed different colleges to specialise in certain subjects, as well as provide a wider range of courses to the regional population.

Many areas mentioned the importance of partnerships with their higher and further education providers, not only in the area of skills development but also ensuring the research and development in an area was focussed on the challenges of the local economy. It was highlighted that this is an ongoing challenge when engaging with particularly HE institutions which are globally focussed.

### Attracting investment/high profile funds

Through our interviews we have identified examples of incentives that have encouraged investment in particular areas.

The D2N2 region is home to two of the UK's leading business clusters: the high-tech manufacturing cluster centred around Rolls Royce in Derby, and the digital tech cluster located in Nottingham's Creative Quarter.

Certain types of policies can encourage the relocation of high-profile firms to a region, provided the correct types of incentives are offered.

In the interview, it was highlighted that grants, not loans, had been particularly effective at attracting high-profile firms to the area.

This was epitomised by the relocation of SmartParc to the region, owing in part to a £12 million grant offered by the D2N2 LEP. As a result of SmartParc's relocation, over 5000 jobs were created in the D2N2 region (D2N2, 2021).

The Tees Valley also provides examples of incentives that have been used to regenerate large Brownfield sites, most notably the British Steel site in Redcar and Cleveland. The policies have included:

- The designation of the area as a "Special Economic Area", which allows the area to retain rates to reinvest in the site
- Locating both one of the UK's Freeport sites and Carbon Capture and Storage sites here to incentivise investment and build jobs and supply chains
- Creation of the South Tees Development Corporation which was the first Mayoral Development Corporation out of London

### Foundational economy

The foundational economy refers to organisations and businesses that provide basic services and products within their communities that support everyday life. Jobs in the foundational economy most notably refer to health, care, education, housing, utilities, tourism, food supply and high street retail.

When the Centre for Research on Socio-Cultural Change (CRESC) developed the idea of the foundational economy, they suggested policymakers often neglect the side of the economy that creates and distributes essential goods and services. Instead, they suggest policymakers focus on the allure of high-tech, R&D intensive sectors which may not be well suited to their region.

Setting policies that invest in the foundational economy could ensure vital sectors of the economy are well supported, offering the chance to reverse the deterioration of employment conditions, reverse the leakage of money from communities, and address the environmental costs of extended supply chains.

Investment, promotion and support of the foundational economy are being particularly pursued in some parts of Wales.

## Infrastructure & Housing

The case for strategic regional planning, involving a range of local stakeholders, was particularly strong when focussing on infrastructure investment. Those we talked to saw a key role for combined authorities and LEPS to bring together the relevant parties to more easily make progress. So, for example, from one contributor -

*“We have taken the position that within our next capital budget, we would insist that if you are building a road for example, then we want to see evidence that you are also talking to the water, gas, and telecoms companies to ensure – as much as possible – that there is a holistic approach to infrastructure development”*

In our engagement, there was a notable focus on the benefits of mapping out supply chains, and the economic and social benefits that come from spending public money in the local economy.

One interesting initiative was a grant offered by the United Welsh Housing Association as part of a partnership in Blaenau Gwent. This grant enabled the housing association in Blaenau Gwent to map out their supply chains and understand how their spending power could be used to support local suppliers and benefit communities.

Through this initiative, a greater percentage of public money is reinvested in the local economy, thus providing a steady pipeline of work for local suppliers and contractors.

Another interesting policy with similar links to public spending was implemented by Swansea Council. As part of their Community Benefits Policy, they now ensure community benefit clauses are attached to any development or regeneration projects where public money is spent.

These clauses can include:

- Supply chain initiatives that are committed to local sourcing;
- Targeted recruitment e.g., focused on the long-term unemployed;
- Environmental benefits during works and at completion; as well as,
- Community consultations to ensure contractors act considerately.

This process of using community clauses aims to ensure the maximum amount of added value is generated from all public sector spending.

## Next Steps

Some interviews have been rescheduled due to interviewee availability to next week (week beginning 28<sup>th</sup> February). However, we will draw a line under these interviews next week and provide the full designed report by 4<sup>th</sup> March.