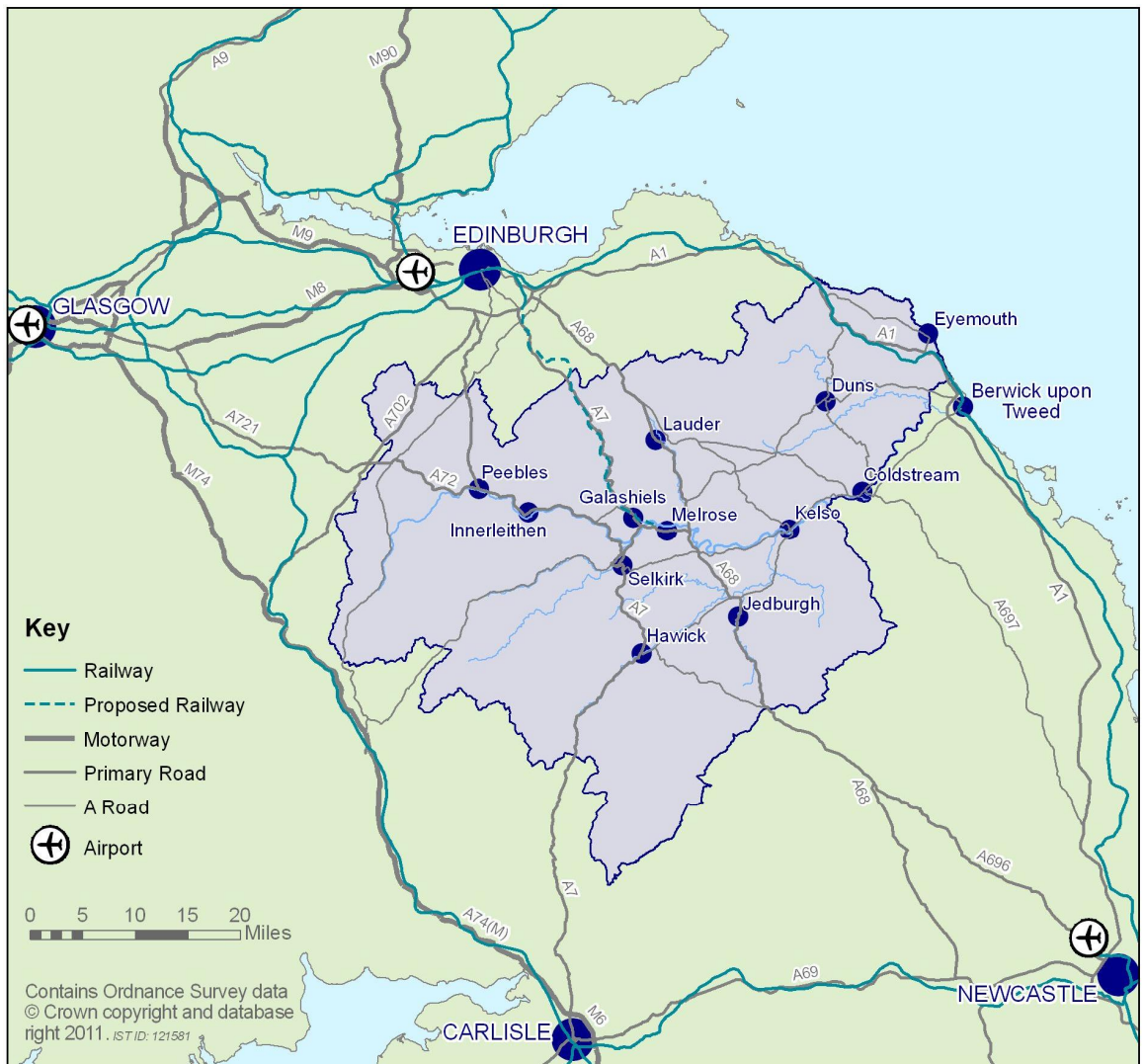


Draft Scottish Borders Economic Strategy 2023



June 2013

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Foreword

Executive Member for Economic Development

Scottish Borders Council has put Economic Development at the heart of the Council's purpose. We are prioritising the economic development of the area and this is reflected in the Council's priorities and our single outcome agreements with the Scottish Government.

This document sets out the Council's, and its Community Planning Partners', vision for a prosperous economy in the Scottish Borders and our strategic approach to the development of the economy – through development and implementation of infrastructure, support to business, increasing employment, the facilitation of external funding and European investment, and national, UK and European lobbying.

In doing this we are being ambitious for the Borders. The Economic Strategy offers a long term view and will link Scottish Borders Council's priorities and Corporate Plan, and the Economy and Infrastructure theme of the new Community Planning Partnership. It provides a plan for the development of programmes and projects to 2023. It also links to the Local Development Plan that facilitates development by land use allocation. The Strategy has been produced in the context of challenging local economic conditions and the need to provide new investment, jobs and opportunities for our communities.

Delivery of the Strategy will be achieved by continuing collaboration and commitment with key partners including Scottish Enterprise, VisitScotland, Skills Development Scotland, Borders College, Heriot Watt University, EventsScotland, Forestry Commission Scotland, Scottish Development International, JobCentrePlus and other public and private sector partners.

Working with local businesses is key to success, and for this I'm grateful for our positive working relationships with organisations such as the Scottish Borders Chamber of Commerce, Federation of Small Businesses, Exporters Association, NFUS and many others.

The vision for the Scottish Borders economy is that by 2023 we will be amongst the best and most productive rural economies in Scotland.

I hope you will join me in working towards that vision.

Councillor Stuart Bell
June 2013

1 Why We Need an Economic Strategy

1.1 The position today

There is a greater momentum behind economic development in the Scottish Borders – generated by recession and economic downturn, company closures, rising unemployment and increasing pressures on public sector investment. These changes highlight the need for a new economic strategy, so that the direction and influence on economic development is in the hands of businesses and key public sector agencies.

The development of the Scottish Borders Economic Strategy 2023 reflects the broad policy areas currently emerging from the European Commission, UK Government, Scottish Government and the South of Scotland Alliance, as well as locally in the Scottish Borders:

- Improving SME competitiveness (raising innovation, increasing exporting, promoting enterprise and business, supporting agriculture & fisheries);
- Increasing employment (raising skills levels – employability and workforce development);
- Promoting low carbon – moving towards a low carbon economy;
- Focusing on key sectors of the economy – both traditional and new opportunities;
- Improving connectivity, including ICT and Borders Railway;
- Improving business infrastructure, including land and premises;
- Maximising European funding and national investment opportunities;
- Maximising the place – town centres, activity tourism and location; and
- Working in partnership across the public sector and with business.

1.2 The challenges

The 2013 Economic Profile highlights a number of key challenges:

- i. The Scottish Borders economy performed relatively well before 2007, with economic output – or *Gross Value Added (GVA)* – expanding by on average just under 4% in the 10-year period ending in 2009. Year-on-year, GVA in the Borders was increasing, but in line with the economic downturn the rate of change went from just under 6% in 2007 to 1% in 2008, and has experienced a negative change of around 4% in 2009.
- ii. While 73% of working age people are economically active, just above the Scotland average, the level of economic activity in the Scottish Borders has fallen. This is against the national trend where Scottish economic activity has been consistent over the same period.

- iii. Average earnings are lower in the Scottish Borders, operating consistently below the Scottish average. Since 2001, wages for people working in the Borders have increased by only 5%, compared to an increase of almost 38% at the Scottish level.
- iv. Compared to Scotland, we have a higher reliance in employment terms on wholesale/retail, manufacturing, health and public sector activity, and lower than average levels of employment in financial, professional and business support service sectors. We also have a higher proportion of employment in managerial and senior occupations, indicative of the reliance, in employment terms, on the public sector for employment – for both the Scottish Borders and Scotland as a whole.
- v. The demography of the Scottish Borders shows we have proportionately less young adults and more people over 65 than the rest of Scotland. This identifies a common challenge for rural areas with high levels of out migration of young people and an increasingly ageing population.
- vi. The unemployment claimant count rate has been rising and although it remains below Scottish levels, there are now more than 2,102 people in the Scottish Borders claiming unemployment benefit. Within this, there is a significant growth in youth and long-term (6 months and 12 months) unemployment.
- vii. To make the Scottish Borders a more attractive place to live and work and arrest the out-migration of our young people, the area needs to offer alternative options to stay in the area; locate to the area; and/ or raise the value of employment on offer – this is a key challenge looking forward to 2023. In the short-term, the challenge is to attract all types of jobs, and capitalise on the dynamism of the economy and its ability to create businesses that can survive.

1.3 The opportunities

The 2013 Economic Profile also highlights a number of opportunities:

- i. **Focusing on our competitive advantage** – including niche manufacturing (particularly in textiles), tourism, construction, creative industries, farming and food and drink. Within these key sectors, our opportunity is to grow their value – in terms of wealth and employment creation, and in generating revenues from export sales (exploiting in the short term the comparatively weak exchange rate for sterling). In doing so, the economy will generate demand for higher skills as demand for value increases.
- ii. **Supporting further diversification in the economy** – building on early signs of adjustment towards a more diverse economy. Since 2008 the Scottish Enterprise ‘priority sectors’ have performed relatively well across the region. The Scottish Borders has a reasonably sized employment base in the areas of tourism, creative industries, food and drink, and financial and business services.
- iii. **Supporting opportunities for higher value employment** - particularly in ‘Knowledge Intensive Business Services’ to shift the reliance for employment from the public to the private sector. This will play a key role in driving the Scottish Borders’ economy. The

Borders Railway will have a catalytic effect, and along with associated infrastructure, will help facilitate this shift.

- iv. **Encouraging entrepreneurial activity and inward investment** - although the business base continues to be dominated by SMEs (and particularly micro-businesses), in comparison with other regions the Borders historically has a high level of new business start up and survival rates.
- v. **Capitalising on our location** - the concept of 'place' being fundamental to competitiveness. The place not only provides the physical, social and cultural infrastructure for businesses, it attracts and retains a workforce for the future. We must maintain and enhance the quality and vibrancy of our places to continue to attract residents and visitors to use them.

1.4 Looking forward

The major question for improving the economic outlook of the Scottish Borders is how the economy can recover and grow from the economic downturn. The Strategy focuses on higher value activity and the resulting productivity gains to business and the economy. However, it also reflects the need to protect our natural assets and the environment that helps attract people and businesses to live and work here.

In growing the value of the economy, we will maximise our location at the hub of economic activity in the Carlisle-Edinburgh-Newcastle triangle of city regions. **We will strive to offer the best environment for businesses - a mix of an attractive physical environment for workers, higher specification industrial and business premises with appropriate ICT infrastructure, transport connectivity and an appropriately skilled labour pool.**

If we achieve this, our rural economy can prosper in the higher value 21st Century economy. High-value jobs only form a small proportion of total jobs and generating large numbers of these jobs in a rural economy is a medium to long-term aim. As rising travel costs outweigh any wage gains to be had from out-commuting, the delivery of quality employment opportunities within easy access for local communities is also a priority for the Strategy.

2 The Council's Priorities

2.1 The Ambition

In May 2012 Scottish Borders Council's new Administration launched 'Ambitious for the Borders', the partnership agreement for the Programme of Local Government. This provides a high level commitment to put economic development at the heart of the Council's purpose:

'We will ensure economic development is the key driver for the new Council Administration'.

The Council is committed to achieving this ambition through a number of key Economic Development priorities:

- Setting up a business loan fund to provide financial support for business.
- Reforming procurement to facilitate local suppliers.
- Working with partners including the South of Scotland Alliance, and the Scottish Government to ensure next-generation broadband and mobile phone coverage.
- Using the European Fisheries Fund, Coastal Communities Fund, and European Regional and Rural Development Funds to the best advantage of our communities.
- Developing plans to revitalise our high streets.
- Supporting our communities through a focused programme of regeneration and rural development with an emphasis on working with the Scottish Government.
- Continuing support for the Borders creative arts industries.
- Strengthening our targeted marketing strategy to attract businesses into the Scottish Borders and building on the opportunities provided by the Borders Railway.
- Working with businesses to identify and resolve barriers to growth and development.

2.2 Working in Partnership

From the consultation process outlined in the Economic Profile, the Strategy proposes the following mission (purpose) the Community Planning Partnership (CPP) 'Economy and Infrastructure' theme group which will lead the delivery of the Economic Strategy:

We will be ambitious for the Scottish Borders, deploying our resources around a single vision to develop the economy by attracting investors and meeting the needs of our businesses and communities.

2.3 Working Across Council Services

The Council's approach is to deliver integrated activity across Council services aligned to the Economic Strategy. All of the Council's services have a role to play in, or a link to, the local economy. The Council is shifting its focus and priorities to ensure that it supports the economy wherever possible, and that each service understands how it can have a positive impact on economic outcomes.

3 The Strategy

3.1 Vision to 2023

From the evidence and consultation process outlined in the Economic Profile, the Strategy proposes the following vision:

By 2023 the Scottish Borders will be amongst the best performing and most productive rural economies in Scotland. By supporting existing businesses and encouraging higher value economic activity, our quality of life will increase. The Borders will become a location of choice for growing businesses and for people to live and work.

3.2 Strategic Aims

The Economic Strategy will be delivered over a 10 year period to 2023. In meeting the short and medium term challenges facing our economy and capitalising on our location and environment, it focuses activity around four interlinked ‘strategic aims’. These have been developed through consultation, in response to the challenges identified and to achieve the proposed Vision for the economy:

- **Creating the conditions for businesses to compete** - reflecting our entrepreneurial strength and the need to create the conditions for businesses to grow, and/ or to attract entrepreneurial people;
- **Building on our assets** - attracting and retaining people and growing businesses will be helped by what the Scottish Borders as a place has to offer and by our ability to maximise our assets;
- **Developing the workforce of the future** - fundamental to future prosperity and competitiveness is the supply of, and demand for, a skilled workforce. As there are fewer jobs available here than residents in work, people are travelling outside the area for work and this means economic performance is lower;
- **Providing leadership** - essential for successful economic development to be achieved, leadership will also help deliver other policy and organisational priorities too – around education, health, and the public good.

These emphasise the potential of ‘the place’, its attractiveness and its assets; and, at the same time, respond to the fragile nature of the economy and its vulnerability in the medium to longer term – due to its relatively lower value and skills base and its reliance on public sector employment.

The Scottish Borders operates within a wider sphere of economic activity – the Edinburgh-Newcastle-Carlisle triangle. The area is at ‘the centre of things’, its roads enabling relatively easy access to these cities, good rail links on the East and West Coast Main Lines (from Berwick-Upon-Tweed and Carlisle respectively) and the Scottish Borders Railway linking to Edinburgh Waverley by 2015. Similarly it is within easy distance of major airports and the network of international destinations they offer.

Connectivity will be enhanced further from a longer term goal to make sure that advances in broadband and next generation broadband (NGB) technologies benefit the area and enhance its reputation as a highly competitive location for business.

3.3 Objectives

A.) Creating the Conditions for Businesses to Compete

The following objectives reflect the entrepreneurial strength of the Scottish Borders’ economy and the needs of businesses. They are focused on creating the conditions for businesses to grow – increasing turnover, profitability, becoming more productive and increasing levels of employment.

A key focus is to attract and generate entrepreneurial people who can start a new business or ‘bring one with them’ when they relocate to the Scottish Borders; increasing market share export sales of existing firms and/ or cost reduction, for example around energy efficiency.

As well as labour, businesses need infrastructure. The location of the Scottish Borders means it should be well connected to its neighbouring regions. Its transport infrastructure will benefit from the Borders Railway and will provide a basis for economic and population growth. In creating the conditions for businesses to compete, activities must ensure the supply of 21st century connectivity, premises and sites, maximising the opportunity from the Railway. Existing businesses will also seek high-quality estates, premises and facilities if they are to choose the Scottish Borders over other parts of Cumbria, Northumbria or Scotland. Marketing and PR activity needs to highlight the Scottish Borders’ location advantages amongst other factors.

The key objectives are:

- 1. To encourage and support new business start-ups, and the growth of existing businesses.**
- 2. To ensure that new land and premises are developed to allow businesses to grow and relocate.**
- 3. To ensure that businesses have cost effective access to Next Generation Broadband, a good road network and other key infrastructure.**

- 4. To sustain or grow activity in key local sectors including textiles, tourism, food & drink, renewables and creative.**
- 5. To maximise recreational, retail and cultural opportunities.**
- 6. To attract new businesses to the Scottish Borders.**

B.) Building on Our Assets

Attracting and retaining people, and indeed businesses, will be helped or hindered by what the Scottish Borders as a 'place' has to offer.

Therefore the following objectives recognise the quality of life and environment on offer, and the important role that these strengths play in attracting people and businesses. Environmental assets, and rural towns and areas, are an attraction for residents and visitors. The cultural, retail, leisure and 'night-time economy' offers will all have a role in driving the economic wealth and health of the Scottish Borders and the larger towns is where residents will gravitate towards for their immediate needs. But the surrounding towns must have an even greater role in the future economic prosperity and competitiveness of the Scottish Borders as each of them will add to the variety on offer. Ultimately towns and housing will be crucial in attracting skilled people of a working age to locate to the Scottish Borders and attracting people to visit. What is good for attracting tourists also helps attract people to relocate.

The tourism sector also provides opportunities for economic diversification and developing the rural economy further is an important activity in the place programme - making the Scottish Borders a location that people want to visit, want to live in, want to work in and want to do business in.

The key objectives are:

- 1. To maximise the economic development potential of the Borders Railway.**
- 2. To develop business-FE / HE links around the Scottish Borders Campus.**
- 3. To support vibrant town centres by reducing vacancy rates and increasing footfall from tourism and leisure visitors.**
- 4. To encourage integrated and multi-purpose land-use, including modern land and asset management practices.**
- 5. To provide a framework which allows communities to contribute to economic growth.**

C.) Developing the Workforce of the Future

Skills are fundamental to future economic prosperity and therefore a priority for the Strategy. Future proofing the local economy depends on skilled and talented people living and working in the Scottish Borders, starting businesses and fostering the entrepreneurial culture of the area. Skills are vital for the future competitiveness of our economy.

The following objectives are focused around attainment and workforce development. These will enable employers to attract and retain skilled people and develop their workforces, and, where higher skills are needed, will attract higher-value businesses and raise workplace earnings. From a supply-side perspective, the activities will deliver the appropriate skills that are needed in key sectors of the economy.

Heriot Watt University and Borders College, through the co-location at the Scottish Borders Campus in Galashiels, and schools are important players in the skills theme. Ultimately the Strategy will rely on links between the education sector and employers that are mutually beneficial to both.

The key objectives are:

- 1. To bring more young people and other job seekers into employment.**
- 2. To support employers to address skills deficiencies in response to current and future need.**
- 3. To attract talented and entrepreneurial people who place a high value on access and quality of life.**
- 4. To encourage people to develop new entrepreneurial and business skills.**

D.) Providing Leadership

The process of delivering economic development will in itself help deliver wider policy priorities. The ingredients required to secure the economic future of the Scottish Borders needs to be gathered from areas that cut across a range of local and national partners and Council Departments. The critical path to achieving delivery of activities, outputs and impacts requires intervention and activity across a range of inter-linking areas, across different organisational boundaries, and over a long period of time. Within the Scottish Borders there are different levels of market failure and therefore different levels of public sector-led activity. Yet in the short term, employment is important; education and training is important in the short and medium terms; and physical infrastructure and development of the place is vital for longer term economic success and competitiveness.

Over the ten-year life of the Strategy and Action Plan, strong leadership will be required to deliver actions and demonstrate that real progress is being made towards them. This will necessitate a genuine collaboration, with business at the centre so that robust economic

foundations are put in place. It is this partnership that will deliver the actions and activities in the Action Plan.

The key objectives are:

- 1. To encourage and support the transition to a low carbon economy.**
- 2. To provide political leadership and promote the case for the Scottish Borders at Scottish, UK and EU levels.**
- 3. To coordinate and collaborate across activities and budgets.**
- 4. To ensure that spending by Community Planning Partners has a positive impact on the economy.**

VISION:	By 2023 the Scottish Borders will be amongst the best performing and most productive rural economies in Scotland. By supporting existing businesses and encouraging higher value economic activity, our quality of life will increase. The Borders will become a location of choice for growing businesses and for people to live and work.			
STRATEGIC AIMS:	A. Creating the conditions for business to compete	B. Building on our assets	C. Developing the workforce of the future	D. Providing leadership
OBJECTIVES	(1) To encourage and support new business start-ups, and the growth of existing businesses	(1) To maximise the economic development potential of the Borders Railway	(1) To bring more young people and other job seekers into employment	(1) To encourage and support the transition to a low carbon economy
	(2) To ensure that new land and premises are developed to allow businesses to grow and relocate	(2) To develop business-FE/ HE links around the Scottish Borders Campus	(2) To support employers to address skills deficiencies in response to current and future need	(2) To provide political leadership and promote the case for the Scottish Borders at Scottish, UK and EU levels
	(3) To ensure that businesses have cost effective access to Next Generation Broadband, a good road network and other key infrastructure	(3) To support vibrant town centres by reducing vacancy rates and increasing footfall from tourism and leisure visitors	(3) To attract talented and entrepreneurial people who place a high value on access and quality of life	(3) To coordinate and collaborate across activities and budgets
	(4) To sustain or grow activity in key local sectors including textiles, tourism, food & drink, renewables and creative	(4) To encourage integrated and multi-purpose land-use, including modern land and asset management practices	(4) To encourage people to develop new entrepreneurial and business skills	(4) To ensure that spending by Community Planning Partners has a positive impact on the economy
	(5) To maximise recreational, retail and cultural opportunities	(5) To provide a framework which allows communities to contribute to economic growth		
	(6) To attract new businesses to the Scottish Borders			
IMPLEMENTATION:	<u>THE ACTION PLAN</u>			

4 Tracking Our Progress

The Community Planning Partnership will track the progress of the strategy in two main ways; monitoring progress against longer term Single Outcome Agreement indicators; and assessing the short term impact of our actions against ‘activity’ and ‘output’ indicators using the agreed Scottish Local Authorities (SLAED) performance framework. In doing this, the CPP will assess the impact of our activities against three key high level targets:

- Support the creation or safeguarding of 2000 jobs in the Scottish Borders
- Support £200 million of investment and development in the Scottish Borders
- Support 1000 people to move into work or learning

To monitor the performance of the local economy as part of delivering the Single Outcome Agreement the Scottish Borders Community Planning Partnership and the Council are committed to **encouraging sustainable economic growth**. This is one of the key priorities for the Community Planning Partnership and the Council.

Over its 10-year life, leadership will be required to deliver the Strategy and Action Plan and to demonstrate that progress is being made towards its objectives and targets – the Community Planning Partnership provides an obvious vehicle to assume this responsibility.

The Community Planning Partnership will ‘own’ the Economic Strategy and Action Plan. The Economy & Infrastructure Delivery Team will regularly monitor progress in relation to the Action Plan and against the outcome indicators.

The CPP will seek to refresh the Action Plan on an annual basis to ensure it reflects changes in the economy and shifts in the resources available to support interventions.

SLAED National Economic Performance Indicators

Activity Indicators

Ref	Indicator & Description
A1	Leverage of External Funding
A2	ROI of Campaigns Purchased Through VisitScotland
A3	ROI for Visitor Information Centres
A4	Unemployed People Participating in Employability & Skills Programmes

Output Indicators

Ref	Indicator & Description
OP1	Business Support <ul style="list-style-type: none"> • Businesses supported by Local Authority activities • Businesses supported by Business Gateway activities • Businesses assisted to trade out-with Scotland
OP2	Unemployed People Assisted into Employment from Employability & Skills Programmes
OP3	Jobs Supported by Inward Investment Projects
OP4	Availability of Employment Land

Outcome Indicators

Ref	Indicator
OC1	Gross Value Added (NUTS3 Regions)
OC2	Gross Weekly Earnings <ul style="list-style-type: none"> • Residents earnings • Workplace earnings
OC3	Employment Rate
OC4	New Business Starts
OC5	Business Survival Rate
OC6	Claimants in Receipt of Out-of-Work Benefits
OC7	Working Age Population with Low/No Qualifications
OC8	Carbon Dioxide Emissions per Capita
OC9	Town Vacancy Rates