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DUMFRIES & GALLOWAY

Regional Economic Strategy

community

planning

implementing a
shared vision with
communities in
Dumfries and Galloway



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Preface

We are both pleased but challenged to be launching this new Regional Economic Strategy for Dumfries & Galloway .

The Strategy comes at a time when local, national and global economies are going through a period of radical structural change. The document itself has been drafted over a number of months when the pace of this change and its underlying implications are beginning to be understood.

We have been determined, however, to get to the point where we can launch this new Strategy as a statement of strategic intent to take forward the economy of Dumfries & Galloway .

The Scottish Government's recent Economic Strategy has placed "sustainable economic growth" at the heart of Government and all public sector agencies across Scotland. This is a strong message and in Dumfries & Galloway we feel we are in a strong position to respond given our commitment to community planning and joint working between the public, private and third sectors.

In devising the Strategy, we have taken time and care to consult extensively with stakeholders. The Strategy itself is not simply a listing of the key projects from within the public sector, but brings forward a range of objectives which are already generating an innovative but focused action plan. The projects which will follow the publishing of this plan should, therefore, come with enthusiastic sign-up from all partners and across the region.

We will be treating this as a "living document" in that it will be used, through regular review, to fit into the new Single Outcome Agreement between Community Planning Partners and the Scottish Government.

We commend the Strategy to you but, more importantly, pledge our commitment to its vision of driving an "innovative and sustainable rural economy".

Ivor Hyslop
Chairman
Community Planning Joint Board

Mike Keggans
Chairman
Dumfries & Galloway Local Economic Forum

Introduction

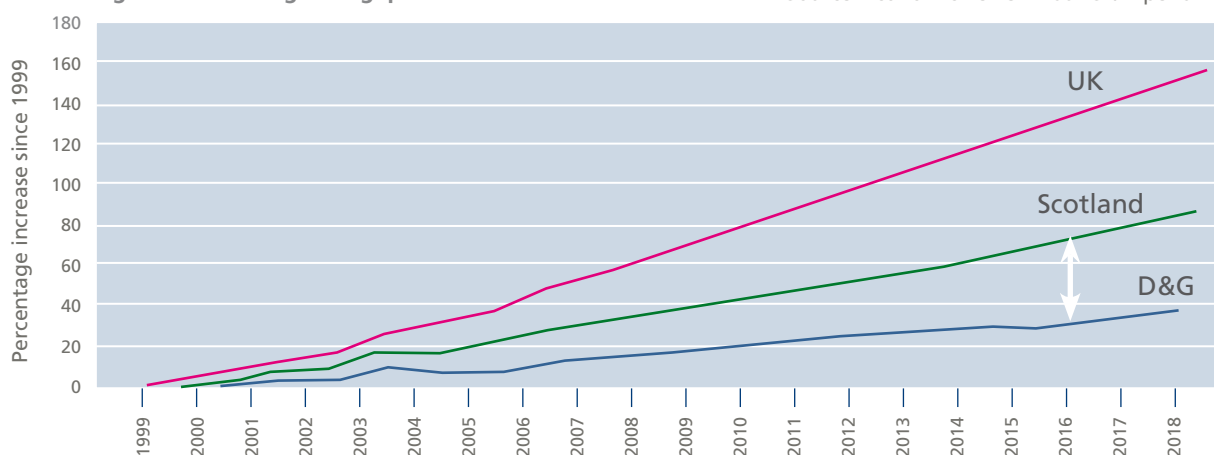
This document describes the Regional Economic Strategy for Dumfries & Galloway running from 2008-2013. The strategy is the result of extensive work by Dumfries & Galloway Local Economic Forum (LEF) including research and consultation with stakeholders across the region. It reflects a broad consensus as to the issues faced by the region's economy. Partners will agree a series of focused actions to address these and deliver significant beneficial change to the economic well-being of the region in the years to come. This strategy aims to make a difference in how economic development is delivered. It focuses on achieving a few strategic objectives rather than a raft of smaller interventions. These will be dealt with in more detail in the Action Plan.

Why do we need to develop the economy¹?

Although there has been some improvement in the economic position in Dumfries & Galloway in recent years, the fundamental indicators of economic well-being are still not strong. For example, there has been an increase in Gross Value Added (GVA) in recent years averaging 1.9% between 1999 and 2006. However, the overall rate of growth is lower than Scotland or the UK and the economic prosperity gap continues to widen, when measured in GVA per head of population.

Figure 1 Widening GVA gap

Source: Economic Review 2007 SE/Experian



The distinctive nature of a rural economy, such as Dumfries & Galloway, can throw up misleading statistics. For example, although economic activity rates in Dumfries & Galloway are high at 82%, three percentage points above the Scottish figure, this masks high levels of self-employment and part-time and seasonal employment in lower wage jobs. It is also a reflection of a low rate of unemployment which may mean there is a shortage of available labour and skills for employers. Out-migration of economically active and mobile people continues to be a drain on the workforce.

The employment patterns in Dumfries & Galloway are characteristic of a rural economy where employment opportunities are limited and self-employment is a recognised way of earning a living. This does not equate to new company start-ups and is not an indicator of growing companies.

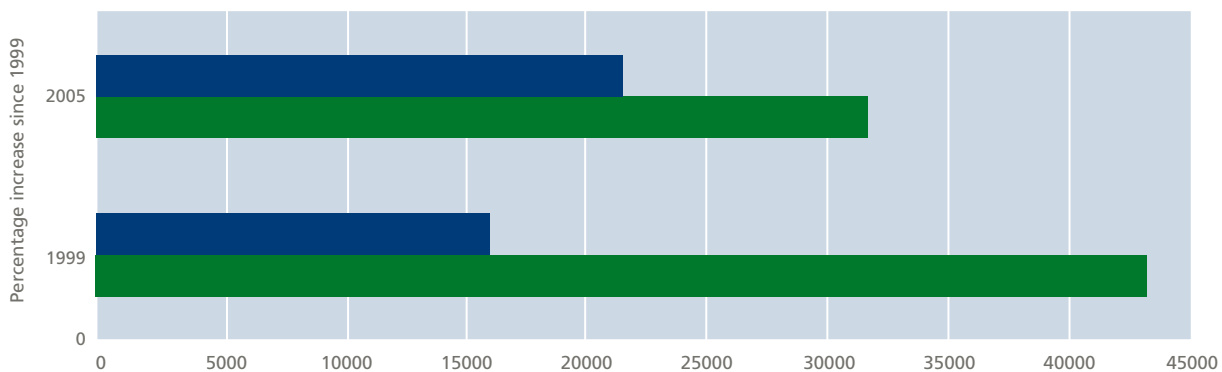
¹ A more detailed economic assessment is included in the appendix

Declining jobs reinforcing the population imbalance

More concerning is the continuing decline in the number of jobs in the private sector - although this has been matched by an equivalent increase in public sector employment. This imbalance makes it difficult to create wealth in the future from a shrinking business base. For example, the current ratio of private to public sector employment is 60:40², much lower than it has been historically. In 1999, the ratio was 70:30 (see Figure 2). This represents a loss over the period of 6,765 (-16%) jobs in private sector businesses and a gain of 5,589 (+35%) by the public sector (almost exclusively in education, health and social work). To return to the 1999 ratio, for example, would need an increase of over 20,000 (or 58%) more private sector jobs, assuming public sector employment is kept at current levels.

Figure 1 Private Sector v Public Sector Employment

Source: Economic Review 2007 SE/Experian



This represents a huge structural change in a short time and the region is losing private sector jobs at an unsustainable rate. Current trends suggest that employment in private sector businesses will continue to decline without intervention. Most businesses (94%)³ employ fewer than 50 people and only around 20 businesses in the region employ more than 250 people.

Growing businesses will want to recruit from the 18-45 age range, but this group is significantly under-represented in the region's population. It is probable the decline in jobs is also contributing to the population decline in this age group.

Dumfries & Galloway : a natural place with potential

Despite Dumfries & Galloway's sluggish economic performance, the region has distinctive assets that can act as a platform for real growth, both now and in the future. The region has some of the most attractive natural landscapes in the country and a population with a civic pride that simply does not exist in larger conurbations. While the region already exploits some of these assets (such as the internationally famous 7 Stanes mountain bike trails) Dumfries & Galloway has the potential - and the ambition - to be so much more. Linking tourism to local food production, organic agriculture, sustainable forestry and leisure for example, can make the region a magnet for both UK and foreign visitors. The region's extensive land mass and lengthy coastline makes it an ideal place to pioneer new forms of energy, from biomass to wind turbines. Its food and drink producers and a resurgent forestry sector show that growth can stem from intelligent use of the area's assets while the expanded Crichton Campus and Barony College offer opportunities to use knowledge economy principles to stimulate business growth and create a well trained and well-educated workforce.

² Economic Review 2007, Scottish Enterprise/Hall Aitken

³ Economic Review 2007, Scottish Enterprise



A step-change in developing a vibrant regional economy

The key objectives are both long-term and specific to the needs of the Dumfries & Galloway economy. The strategy aims to make substantial progress in this five-year period. The strategy recognises the economy is rural and distinctive, so the economic development needs of businesses and people will also be different from those in other parts of the country. The strategy will only be a success if it:

Focuses partners' efforts	Focuses effort on achieving a few strategically important projects that involve many partners;
Attracts more resources	Results in additional resources being invested in the region, in support of the strategic priorities;
Speeds up progress	Accelerates progress on the delivery of strategic and tactical projects and interventions; and
Raises the profile of the region	Raises the region's profile at a political level as well as a destination for investment, tourism and skilled workers.

Opportunities from new national priorities

This strategy comes at an opportune time. The upheaval in institutions and changes to the way economic development is delivered across Scotland provides an opportunity to reappraise what needs to be done and how it can be delivered. The changing emphasis at Scottish Government level, towards local decision-making and greater responsibility for decisions on policy and expenditure at community level, means that many of the accepted ways of supporting economic change need to be rethought.

A streamlined Scottish Government Economic Strategy calls for 'sustainable economic growth' defined as *building a dynamic and growing economy that will provide prosperity and opportunities for all, while ensuring that future generations can enjoy a better life too.*⁴

The momentum from developing the South of Scotland Competitiveness Strategy has raised the profile of the economic issues facing the rural South. Research and consultation for this strategy enabled the partners to reach similar conclusions so actions to improve the Dumfries & Galloway economy, complement and reinforce intervention at a South of Scotland level.

Leadership to reflect an appetite for change

This strategy recognises that strong and inspirational leadership is a critical factor in successfully delivering the strategy. Similarly, much more effective partnership working will be needed to achieve the agreed objectives.

⁴ The Government Economic Strategy, The Scottish Government 2007

This strategy intends to lay the foundations for sustainable improvement of the Dumfries & Galloway economy and wider community. The change will not be an easy one to make as the region has many barriers to overcome. Major obstacles remain including the demographic imbalance, decreasing numbers of people working in private sector businesses and a significant productivity gap. These have not been significantly improved by current interventions so more concerted response is needed to commit resources to achieving the change needed.

However, the process of producing this strategy has shown that business leaders, policy makers and the public have an ambition for Dumfries & Galloway and an appetite for change. It is a strategy that will depend on the public and private sectors working together more closely than ever before. It is a strategy that will need consensus and concessions from all parties involved. Ultimately, it is a strategy that can enable real change to happen, not because it is easy to implement, but because it is hard.

There are significant challenges in delivering change in an environment where responsibilities are moving between organisations. However, partners expect this situation to settle down during the course of this strategy. There is a challenge for organisations to overcome the discomfort of change and to deliver against the targets agreed by stakeholders.

Making the strategy work for Dumfries & Galloway

The partners involved in the strategy's development have learned lessons from the preceding Five-Year Economic Development Strategy that will help sharpen delivery in the future. Key lessons are:

- Stronger ownership of the strategy is essential across the whole region, and targets set that people understand and will work towards jointly;
- Creating a shared agenda that everyone contributes towards achieving, rather than creating a framework for pursuing individual organisational priorities;
- Short-term, tactical interventions are only appropriate in specific instances. It is essential to keep focused on the long-term goals and choose ways of measuring progress that encourage people to maintain effort.

The strategy will be delivered at two levels:

<p>At the strategic level Delivering strategic interventions</p>	<p>The LEF will co-ordinate delivery of a small portfolio of strategic projects. These will be catalytic projects that will directly influence the direction of the region’s economy. They express a clear shared agenda between partners and therefore make an important statement of intent to external observers. They are projects that need several partners to work together to develop and deliver, assigning resources and clear lines of accountability to ensure progress is made.</p>
<p>At the tactical level Co-ordinating thematic action plans</p>	<p>The LEF will co-ordinate four action planning teams (one for each key theme) that will each deliver co-ordinated programmes of action. These will involve prioritising the work of individual partner organisations and delivering focused, measurable interventions that clearly contribute to the strategy’s objectives. In particular, there should be clear links to strategic objectives through monitoring, and a similar commitment to doing a few things well, rather than being all things to all people.</p>

An early task of the LEF will be to identify the small portfolio of strategic projects that will be its primary responsibility, by prioritising the tasks and identifying project teams.



Vision and Key Objectives

The Regional Economic Strategy for Dumfries & Galloway aims to create

An innovative and sustainable rural economy

that rewards residents with an outstanding quality of life and investors with a stimulating business environment.

It is a long-term vision that commits the partners to addressing the priority targets quickly and effectively. It focuses on doing a few important things well and hitting delivery targets over the five years of the strategy and beyond. Interventions will be phased to ensure scarce resources are not diluted and attention diverted by attempting too much too soon.

Supporting this overall vision are four main themes:

Business
Infrastructure

Growing
Business

Quality of Life

Developing a
competitive workforce

These themes support and reinforce each other and each breaks down into a range of major issues to be addressed in the Action Plan.

A distinctive response to developing the region's economy

This vision for the economy reflects two key drivers. The first is that the economy is distinctively rural, bringing with it issues that make the area distinctive from other parts of Scotland.

The characteristics that mark out the economy as distinctively rural include:

- Land based industries and primary production are important;
- Strong regional identity, heritage, and culture;
- Patterns of economic activity that reflect relatively fewer businesses that employ people and more self-employed people; seasonal and cyclical work patterns and family working;
- Geographical location, physical distance from major markets, and poor communications;
- A distinctive demographic profile featuring a stable but ageing population with declining numbers of people of working age.

The second key driver is sustainability in an economic, social and environmental sense.

- To be sustainable in the longer term the economy must grow - at least to a point where the need for support decreases. This will be through increasing the number of private sector jobs in the area and providing a balance of employment between different sectors and different types of employment.
- Secondly, the strategy promotes equity by emphasising sustainable communities and maintaining and improving the quality of life.
- Thirdly, the strategy emphasises ‘greenness’, both in terms of conservation and opportunities for economic improvement arising from the environment.

What this means is that measures to grow and develop the economy of Dumfries & Galloway must be tailored to these distinctive needs. Issues of scale mean that interventions need to be smarter to be successful.

A knowledge economy approach⁵

Underpinning the vision and four key themes is developing a knowledge economy in Dumfries & Galloway . A knowledge economy is “one in which the generation and exploration of knowledge has come to play the predominant part in the creation of wealth. It is not simply about pushing back the frontiers of knowledge; it is also about the most effective use and exploitation of all types of knowledge in all manner of economic activity ”⁶

The World Bank⁷ identifies four ‘pillars’ that it says are necessary for a country to engage fully in the knowledge economy:

Human capital	an educated and skilled population to create, share and use knowledge;
Information infrastructure	ranging from radio to the internet is required to enable effective communication, dissemination and processing of information;
Economic incentive and institutional regime	a regulatory and economic environment that enables the free flow of knowledge, supports investment in ICT and encourages entrepreneurship; and
Innovation systems	a network of research centres, universities, colleges, think-tanks, private enterprises and community groups is necessary to tap into the growing stock of global knowledge, assimilate and adapt it to local needs.

⁵ The knowledge economy in the South of Scotland-lessons and actions, South of Scotland Labour Market Partnership, 2008

⁶DTI, (1998) Our Competitive Future - Building the Knowledge Economy

⁷ <http://go.worldbank.org/5WOSIRFA70>

It states that knowledge and the ability to create, access and use it effectively has long been a tool of innovation, competition and economic success. It is a key driver of economic and social development more broadly but changes in recent years have fundamentally increased the importance of knowledge and the competitive edge it gives to those who harness it quickly and effectively.

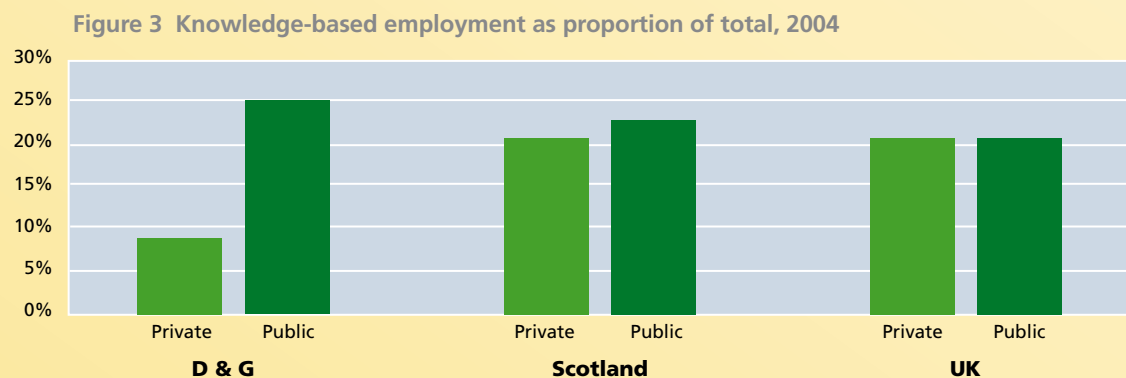
A knowledge economy approach to growth fits well with the region's distinctive economy and the opportunities for growth. The four key themes arise from clustering priorities around the principles of a knowledge economy.

Priority actions for the knowledge economy

Dumfries & Galloway is starting from a relatively weak base in terms of knowledge-intensive industries such as creative and information based businesses and infrastructure (see Figure 3). So it is essential to schedule and select any actions carefully. The key initial priorities should be:

- To establish the nature and strength of competitive advantage in the region in consultation with key stakeholders; and
- To identify the capacity of the research base in the region and key gaps in provision or barriers to growth.

Once these baselines are in place partners can then look at the most effective ways of supporting specific opportunities for growing competitiveness by funding research, networking and commercialisation of goods and services where they are most likely to succeed.



In parallel with these activities, there needs to be improvement to wider knowledge infrastructure such as:

- Provision of incubator units for knowledge-intensive start-ups;
- Improvements to broadband capacity; and
- Promoting greater take-up of knowledge transfer among SMEs.

What changes will we achieve?

Learning lessons from the preceding economic development strategy linked to the issues and approaches discussed earlier, partners aim to concentrate resources on achieving a limited number of objectives that will, have a significant effect on the region's economy.

At a strategic level, the objectives are:

Develop fast rail links	To open fast regular business-friendly rail services from Dumfries & Galloway to Edinburgh and Glasgow.
Upgrade A75/A77 and create Stranraer transport hub.	To place the main Dumfries to Belfast artery (including a fast link to the M74) (Euroroute E18) at the top of the Scottish Government's road building programme. To upgrade the A77 to connect to the M77 in Central Scotland. To complete preparatory planning work to this end; and develop Stranraer as a key transport hub to exploit connections to Ireland.
Dumfries as the regional capital	To establish Dumfries as a regional capital recognised as a high growth centre.
Promote the region	To make the area an irresistible destination for tourists, investors and migrants.
Create and safeguard jobs	To stem the loss and then increase the number of private sector jobs in the area.
Increase 18-45 workforce	To increase in-migration among the 18-45 age group and to keep more of our economically active people.
Increase workforce productivity	To improve the effectiveness of the workforce in terms of motivation, progression and mobility, productivity and entrepreneurship.
Knowledge economy	To increase significantly the number of 'knowledge economy' businesses in the region.

The partners expect to develop these objectives into a small portfolio of strategic projects that are managed and delivered by the LEF partners, perhaps in new partnerships designed to deliver each major outcome.

The first three objectives were identified during consultation as having the greatest impact while being hard to deliver. Therefore, they will need rather more effort and resources to be successful.

The remaining five objectives also present major challenges but may be delivered either through the LEF, through action planning groups or a combination of the two. The main principal is that the LEF should concentrate in breaking down barriers and achieving outcomes that cannot be achieved through individual partners or the action planning groups alone.



Theme 1: Business Infrastructure

The main aim in the business infrastructure theme will be to try to remove the barriers to growth for all businesses in the region. The focus will be on supporting small and micro businesses but special care is also needed to nurture the small number of large employers in the region.

Supporting Objectives

<p>Develop the Crichton Campus</p>	<p>Develop the expanded Crichton Campus as a regional centre for research, innovation and knowledge to stimulate new and growing businesses. The Campus has been expanded through co-location of further and higher education which is creating opportunities to focus activities at the Crichton (campus and business park). These should deliver benefits for the economy through stronger links between academic strategy, economic objectives and business needs.</p>
<p>Lobby for improved transport and communications infrastructure</p>	<p>Lobby and present best arguments to improve transport infrastructure of the region, including major transport projects. Deliver broadband communications across the region.</p>
<p>Deliver area strategic investments</p>	<p>Consider the differences between opportunities in the more accessible East and the needs of the West of the region. Deliver strong subregional growth points through strategic investment in Stranraer and Loch Ryan Waterfront, a rejuvenated regional capital in Dumfries, and the strategic business locations in Gretna, Lockerbie and Annan. Also links to Quality of Life Theme.</p>
<p>Planning regime to support economic growth</p>	<p>Further develop proactive and supportive planning services to maximise investment potential through creation of a competitive business environment.</p>

The objective under this theme is to remove, as far as possible, barriers to investment and growth. It is difficult to design interventions that directly create jobs (sustainably) but it is possible to create an environment where businesses are confident and are supported in growing and employing more people.

A major objective will be to identify key transport infrastructure projects that will have a significant impact on the ability to trade and more particularly on the confidence of businesses in the area. These will include developing fast rail links from Dumfries & Galloway to Glasgow, Edinburgh, and Carlisle comparable with other regional centres like Perth or Stirling⁸.

⁸ Regional Transport Strategy, South West of Scotland Regional Transport Partnership, 2006



The business infrastructure must not be a constraint to businesses locating in the area either through indigenous growth or inward investment. So the basic infrastructure needs to be right. This means making sure there is a stock of business premises to allow businesses to locate in the area to grow and to have access to support services essential for growth. So identifying locations for development and where necessary provide starter or incubator units to an appropriate specification is a priority. For example, this would include advance units, incubator units, premises for small businesses, premises designed specifically to cluster businesses and perhaps enable businesses to access broadband more easily. This is particularly important because the risk attached to investment in a rural area is greater than that faced by businesses investing in the larger city regions with easier access to markets.

Another part of this theme would involve identifying potential from indigenous businesses for growth. This involves critically examining the main sectors of the economy for opportunities for growth and adding value. Opportunities are not obvious but they do exist.

<p>Infrastructure</p>	<p>Clearly much of the infrastructure needed to develop and support knowledge intensive industries will be provided through regional research institutions. However wider infrastructure to support the growth of these types of industry will also be needed.</p> <p>Continued work is needed to remove constraints to development resulting from limited water and sewerage infrastructure and other utility supplies.</p>
<p>Sites and premises</p>	<p>For knowledge based industries to successfully expand, regions need high-quality premises. This will include suitably serviced technology parks that provide opportunities for knowledge based inward investment, and incubator units with a higher level of central support aimed at start-up businesses.</p> <p>Agencies in the region should review the management of the portfolio of sites and premises to ensure that they have the quality, breadth and flexibility to meet the likely needs of growth sectors and potential inward investors. Ways of supporting and improving the availability of sites and premises for businesses across the region should be developed (both public and private).</p>
<p>ICT investment</p>	<p>Providing excellent Information and Communication Technology is a condition for any knowledge-based growth. Research on distant networks highlights the importance of virtual communities and the need for facilities such as video-conferencing. So delivering broadband improvements remains a priority.</p>

Technology transfer initiatives	Technology centres and technology transfer initiatives were important in supporting knowledge-based growth in many of the high growth regions of Europe. These are important for encouraging and supporting innovation in SMEs and start-ups in key growth sectors.
Developing a basis for research and development	<p>One of the essential ingredients for developing the knowledge economy is stimulating more research and development. Providing the resources and facilities for world-class research is therefore an essential ingredient for creating the knowledge that will bring competitive advantage. So Dumfries & Galloway must lobby the Scottish Government for a greater level of investment and a positive policy of devolving research resources to more rural areas and smaller market towns. Success in developing the Crichton will yield opportunities for more specialised centres in other parts of the region.</p> <p>A focus on rural development land based industries; renewables and rural industries; would be most appropriate and most likely to improve the competitiveness of local businesses. This may be appropriate at a South of Scotland level.</p>

Indicators and expected outcomes

Actions under this theme support Local Outcome 1 of the Single Outcome Agreement:

Local outcome 1	An innovative and sustainable rural economy
More outcomes will be developed through detailed action planning but will cover the need to contribute to strategic projects and relate to:	
Theme 1 outcomes	<p>Partnership delivery of actions under theme 1</p> <p>Secured commitment from Scottish Government to improve transport infrastructure.</p> <p>Improved broadband connectivity to most businesses.</p> <p>Completion of strategic investments in Dumfries & Stranraer.</p> <p>Changed region-wide planning policies to speed up the pace of development in support of economic objectives.</p> <p>Keeping a stock of business premises relevant to business needs.</p> <p>Further improvements to water, sewerage and utilities infrastructure.</p>

Theme 2: Growing Businesses

The main aim in the growing businesses theme will be to tailor support to suit the business base of the region, that is small and micro-businesses. This is recognition that the growth opportunities in indigenous business in Dumfries & Galloway largely lie in the smaller businesses and that these need specific forms of support to enable them to grow. Growth companies will continue to need individual support.

There are several important supporting objectives for this theme.

Supporting Objectives

Targeted support for growth sectors	Targeted support for growth sectors (or subsectors) to focus on meeting targets for growing businesses and employment; to create locally added value to primary produce in the area for example forestry and agriculture. Support businesses to increase profitability and for the region to increase exports.
Increase research and development in businesses	Increase research and development, innovation and new product development with a particular focus on innovation in a rural economy context.
Capacity building through networking	Increasing the capacity and profitability of micro businesses through improved networking, marketing, and cluster development.
Trade development and supply chain improvements	Improve access to markets through supply chain improvements, stimulating local markets (public sector procurement; marketing and distribution co-operatives).

One underlying problem in Dumfries & Galloway's economy is increasing inertia. This means that indicators of economic activity are not positive and although GVA is increasing it is not increasing fast enough to narrow the gap with the rest of the UK. So to increase overall economic activity, businesses need to sell more products and services, preferably outside the region. So trade development initiatives, which are not currently fashionable, would be a part of the mix.

Consultation responses highlighted difficulties in raising investment capital and the increased risk associated with investing in rural areas. Therefore, this theme also includes a range of broader business support. It includes measures to improve access to risk or venture capital to encourage growth, where businesses appear to be at a disadvantage in comparison to other parts of the country.

A second element is to identify new sector strengths - looking at the knowledge of the economy - and to focus on measures to diversify the economy and provide a foothold into new growth sectors. Part of this exercise is being able to understand what are Dumfries & Galloway's competitive advantages and how best to take advantage of them. Another related but distinct objective will be to foster innovation and create an environment that encourages new products and services to be developed and brought to market.

Another objective is to examine distribution channels and how to improve the way goods and services are brought to market. This is a counter to remoteness, distance, fuel costs and poor transport infrastructure. It may be that developing knowledge economy businesses is one answer but it relates closely to the infrastructure development in Theme One.

Other initiatives that have arisen from recent knowledge economy research include:

<p>Attracting researchers</p>	<p>In areas (like Dumfries & Galloway) which lack the research infrastructure necessary to develop Regional Innovation Systems one approach has been to create 'virtual research centres' through attracting experienced senior research staff into the region. These staff are funded to develop research projects collaboratively with local firms and subsequently attract further research funding, research staff and postgraduate students into the region. This approach has been used successfully in Seinujoki (Finland) and was important in the nascent biotechnology sector in Portugal.</p> <p>There are opportunities to take forward a similar approach to creating 'virtual research centres' focused around one or more regionally important industries.</p> <p>Supporting researchers and the business community to attend conferences, networking events and expositions will also help to overcome barriers created in distant networking.</p>
<p>Involving the private sector</p>	<p>Innovation is almost always created by businesses so supporting owners and managers to invest in research and development is critical to developing competitiveness. This is often best achieved through a 'clusters' approach where individual businesses develop innovation alongside research institutions and education establishments. One step back from a cluster perhaps is a 'community of interest' which researchers identify as being a contributor to competitive advantage.</p> <p>Research from Sweden and Denmark also highlights the importance of encouraging greater demand for innovation among firms. This is something that could be built on in Dumfries & Galloway by providing opportunities and incentives for businesses to develop and exchange knowledge</p>

Indicators and expected outcomes

Actions under this theme support Local Outcome 1 of the Single Outcome Agreement:

Local outcome 1

An innovative and sustainable rural economy

Additional outcomes will be developed through detailed action planning but will cover the need to contribute to strategic projects and relate to:

Theme 2 outcomes

Partnership delivery of actions under theme 2

Tailored business support services (e.g. Business Gateway) to needs of D&G businesses, leading to business growth and new starts.

Significant acceleration of business start up rate.

More people in self-employment and more self-employed businesses expanding to take on employees.

Increase in research and development activity leading to new products and services brought to market.

Businesses supported through growth programmes including access to finance for expansion.

Enquiries for business sites and premises, inward investment enquiries resulting from targeted marketing activity.

Improved networking and business to business support initiatives.



Theme 3: Quality of Life

The main aim of the quality of life theme is to combine a range of measures to make the region more competitive as a location for investment, as a destination for tourists and migrants. It involves linking with a wider range of partners to deliver improvements that are specifically attractive to target audiences. The main aim is to promote the region as a desirable place to live, invest, study and visit.

Supporting Objectives

Affordable housing	Addressing housing issues (supply of housing for target demographic). There are specific issues around the supply of affordable housing and the effect this has on attracting skilled workers, keeping young people, and preserving populations in more remote areas.
Strengthening the 'natural place' assets	The natural environment is one of the region's key strengths. Environmental improvement, 'green-ness', avoidance of pollution, waste management and promotion of sustainable economic growth are critical.
Promoting the 'natural place'	There are clear links between the quality of life theme and the region's branding strategy. As part of the economic strategy, the 'natural place' brand will find a central role in promoting the area to the three principal audiences: in-migrants, tourists and investors.
Quality of life indicators	To address the obvious difference in perceptions between residents and people in the rest of the country (and between younger and older residents) the region's standing in the indicator tables must improve. These are influential in recruitment, investment, and civic pride. This includes addressing issues like education; health and well-being; public safety; culture and leisure facilities; and transport and understanding how these contribute to sustainable economic growth.
Opportunities for the whole region	This will include narrowing the gap between the region's wealthiest and most deprived areas; improving employment conditions and disposable income including gross weekly earnings. It also addresses the differences between opportunities in the more accessible East of the region, and the needs of the West of the region (linked to Theme 1).

Consultation for this strategy has thrown up a conundrum. Almost everyone who offered an opinion said the quality of life in the region was high and one of its key selling points. Yet perceptions of quality of life are incredibly important drivers of migration. It is true that Dumfries & Galloway enjoys an outstanding natural environment and the rural way of life is attractive to older age groups and people of retirement age. Migration patterns reflect this.

Through consultation with young people in the region, it became obvious the needs of younger age groups differ significantly from the older groups. The young people felt their quality of life was not as good, and they were able to identify what people would leave for, and what they would return for. These included the range and quality of tertiary education opportunities, social opportunities, access to leisure including shops, entertainment and nightlife, transport and affordable housing. Many of the reasons that appeal to older age groups are the same as cause discontent among young people.

However, underlying these issues is an assumption that more successful people go away for their education and (by implication) people are disadvantaged if they stay and go to college. Some of the key issues highlighted:

Access to FE/HE	<p>There was a feeling the cost of university or college education would be too high.</p> <p>The range of courses is too limited.</p> <p>There isn't 'critical mass' of young people to create a good social scene.</p>
Access to jobs	<p>There needs to be a supply of entry-level jobs for young people entering the workforce, and to for people working their way through college or university.</p>
Services, entertainment	<p>Many cited the lack of social opportunities as a problem.</p>
Better transport	<p>Many respondents cited access to public transport as a barrier to staying in the area.</p>
Perceptions of crime and safety	<p>Many people said a lack of places to go was a reason and led to boredom.</p>

The key concerns over demographic profile and the working population, centre on people in the 18-45 childbearing demographic. Independent quality of life assessments show that Dumfries & Galloway scores poorly and the indicators used in many surveys cover issues that are important to this demographic. So it is important to ensure that Dumfries & Galloway is able to compete on quality of life terms for this target group.

However, quality of life is different to different people, so a focus on improving the perceptions of target groups and developing objective measures will be an important stage in tackling this issue. This will involve marketing, promotion and public relations using the 'natural place' campaign as a base, but it will also involve tackling negative perceptions directly, winning awards and praise, and moving up the quality of life tables.

The quality of life theme is broader in scope and reach than the other themes and will need a broader partnership of organisations covering most community planning interests. This results in an opportunity to align social policies so they also provide economic benefits – such as health, education, community safety and environmental management.

There will also be specific outcomes for affordable housing. Housing can be a driver of economic and social change and this single issue was raised more than any other during consultation. Clearly there will have to be significant progress on this issue during the life of this strategy and linkages with the re-drafting of the Local Housing Strategy will be fundamental.

Indicators and expected outcomes

Actions under this theme support Local Outcome 1 of the Single Outcome Agreement:

Local outcome 1

An innovative and sustainable rural economy

Additional outcomes will develop through detailed action planning but will cover the need to contribute to strategic projects and relate to:

Theme 3 outcomes

Partnership delivery of actions under theme 3

Improved perceptions of the region by visitors, non-residents, and residents, especially as measured on quality of life indicators.

Tourism growth in terms of volume and value; new products and catalytic investments.

Increased uptake of schemes to reduce emissions, recycle and promote sustainable economic growth.

Successful integrated promotion and branding campaigns.

Delivery of more affordable housing designed to support economic objectives.



Theme 4: Developing a Competitive Workforce

The main aim of the developing a competitive workforce theme is to combine several sets of actions that collectively aim to make the region’s labour force more efficient, and the driving force towards the knowledge economy. The main aim is to increase the number and skill level, of 18-45s in the Dumfries & Galloway workforce.

There is a wide range of supporting objectives:

Productivity through skills	A key challenge is making the link between skills and productivity. On the face of it, employers will take on staff at the right level to enable better productivity. But in an imperfect market and an economy dominated by very small businesses, labour mobility is restricted and skills are not always available.
Developing skills of employees	Encourage employers to develop the skills of their employees. Meeting employers’ needs for skills and for ongoing training and development.
Managing transitions	Managing the transition from school college or university work successfully. Promoting the links between education and enterprise through developing entrepreneurial young people and supporting them in developing new businesses.
Employability	Increasing the employability of the indigenous workforce by increasing its flexibility, skill levels, mobility and address the More Choices, More Chances (MC ²) group.

Making the labour market more efficient is key to success. Currently the labour market runs inefficiently and is not being refreshed at a fast enough rate to support business growth.

We need to ensure that businesses can recruit the right people to help make their businesses profitable. This in turn means the skills in the existing labour market need to match more closely the employer needs. It also means the stagnation in the pool of labour is addressed through an influx, either of migrants or younger families, to reinvigorate the labour supply. For example, partners need to help more of the labour force to access a wider range of jobs in the area. Growing businesses need also need to recognise the need to move to attract the right workers.

A demanding customer base

The Scottish Government’s Skills Strategy rightly stresses the importance of achieving a step change in skills utilisation. A highly educated workforce provides both the supply of skilled labour that drives innovation, and the demanding consumers that need it. Knowledge transfer will only succeed if companies and their employees have the capacity to recognise and exploit the potential benefits. The skills base of the existing workforce should be developed to create the indigenous capacity to innovate and respond to opportunities. A highly skilled workforce is also a pre-requirement for knowledge-intensive inward investment. So the Dumfries & Galloway economy would benefit from:

- An increase in the skills and knowledge of existing employees and employers;
- Increasing the overall number of students in the region (particularly postgraduate and science and technology students); and
- Providing incentives for businesses to employ graduates or offer placements to research students.

Other potential initiatives include:

<p>Public agencies contributing to demand for skills</p>	<p>The experience of the Nordic countries in developing Regional Innovation Systems highlights the role that public sector agencies can play in promoting a skilled workforce. Public sector employers can set an example through developing joint projects with research establishments or firms, and providing opportunities (through studentships, secondments and continuous professional development) for developing highly skilled workers. Agencies in Dumfries & Galloway could work together to identify opportunities for:</p> <ul style="list-style-type: none"> • Supporting employees in improving their skills and qualifications; • Funding postgraduate studentships; • Providing placements for graduates; and • Seconding staff to work in firms or research establishments.
<p>Research linked to industry</p>	<p>An important aspect of success comes from focusing further and higher education on the needs of industry. That is making sure that improved outcomes from education contribute to innovation and productivity. Research from the Nordic countries identifies that smaller towns and regions can have an advantage by being able to focus resources more clearly on a smaller number of sectors.</p>

Research linked to industry

Greater coordination and collaboration between institutions and firms regionally has also been key. In Denmark and Sweden this has been achieved bottom-up through 'communities of practice' which provide forums for addressing common issues and developing competitive advantage at a regional (rather than firm) level.

Agencies in Dumfries & Galloway need to be realistic and clear about where the region can develop competitive advantage. It should focus on differentiating its key economic strengths so resources can be better targeted.

Promoting further and higher education

It is important to invest in the supply of a highly-educated workforce. Research has shown how graduates in a regional economy (and particularly science and technology graduates) can drive high technology growth through spin-offs and new firm foundation.

Agencies in the region should support the development of appropriate science and technology disciplines in local research establishments, colleges and universities.

There are considerable opportunities (at both a Dumfries & Galloway level and South of Scotland level) to develop specialist courses related to Rural Development (land based industries, environmental studies, renewables, rural entrepreneurship, food studies, social-cultural-heritage disciplines, etc.). These will relate to the business research and development needs and potential of the rural economy.



Indicators and expected outcomes

Actions under this theme support Local Outcome 1 of the Single Outcome Agreement:

Local outcome 1	An innovative and sustainable rural economy
Additional outcomes will be developed through detailed action planning but will cover the need to contribute to strategic projects and relate to:	
Theme 4 outcomes	<p>Partnership delivery of actions under theme 4</p> <p>Delivering FE and HE targeted to the needs of businesses in the region.</p> <p>Increasing the number of people studying at post-school level within the region.</p> <p>Increasing training for employees.</p> <p>Retaining more graduates.</p> <p>Businesses in the region recruiting people with higher skills to improve productivity.</p> <p>More people moving from college/university into starting businesses.</p> <p>Increasing the number of research initiatives across the region, supported by FE/HE institutions.</p>

Indicators and Expected Outcomes

Actions delivered through the Regional Economic Strategy will support the outcome approach developed through the Single Outcome Agreement. The outcomes identified under the four Themes of the Regional Economic Strategy will contribute directly to a number of indicators under Local Outcome 1 and Local Outcome 4 and indirectly to a number of indicators under Local Outcome 2, 3 and 5.

The indicators in the table below are contained in the Single Outcome Agreement 2008/09 and it is expected that the Regional Economic Strategy will contribute directly to these indicators. The Single Outcome Agreement and the contribution from the Regional Economic Strategy will be subject to annual review and update.

Local Outcome 1	Relevant Indicators	Frequency / Type / Source	Baseline	Local Targets & Timescales
An innovative and sustainable rural economy	1.1 Net number of new businesses formed in Local Authority Area on an annual basis.	Annual/VAT registrations /DTI Small Business Service	6905 (includes agricultural businesses)	2% increase per annum
	1.2 Number of business start-ups	Annual/Business start ups/Business Gateway	300	310 in 2008-09
	1.3 No of new ventures in rural areas which contribute towards the diversification of the rural economy	Annual/Business Gateway	31	34 in 2008-09
	1.4 No. farm businesses developing new income streams outside of agriculture	Annual/Business Gateway	2	To at least two per annum
	1.5 % increase in export sales per worker	Scottish Government – Global Connections Survey	£4,414 per worker (2005 latest available data)	Annual Increase
	1.7 % increase of number of graduates working and living in D&G	Annual/HE Stat. Agency DLHE Measure	32% of all D&G graduates (average 150 graduates)	5% annual increase
	1.8 % of school leavers going into employment education or training	Annual/School Returns/Scottish Government Stats.	86%	Year on year increase

Local Outcome 1	Relevant Indicators	Frequency / Type / Source	Baseline	Local Targets & Timescales
An innovative and sustainable rural economy	1.9 Numbers of 16 to 19 year olds not in employment, education or training (FSF)	DWP numbers aged 16-19 claiming benefit Quarterly or six monthly	560	Reduction of the numbers claiming benefit between 16 and 19 by 2010 of 5%
	1.10 Median earnings in £s for residents living in the local authority area who are employed	Annually/ median earnings in pounds for employees living in the area/Nomis labour market statistics	£415.80 per week	Seek to increase to achieve the Scottish level
	1.20 Reduction in the number of claimants in receipt of unemployment related benefits per 1,000 population (FSF)	Quarterly/ proportion of resident working age people/Nomis labour market statistics FSF - reduction in the number of economically inactive people in D & G (quarterly)	15.8% (as at May 2007) FSF - 3,500 people (4.2%) of all economically inactive people in D & G want a job (July 06 – June 07) NOMIS	To achieve or surpass the GB figure FSF - 3% reduction in those economically inactive that want to work (105 people) by 2010
	1.21 Increase the social economy turnover	Annual	£14,796,000	Annual increase of 2%
	1.22 Increase number of employees	Annual	582	Annual increase

Local Outcome 1	Relevant Indicators	Frequency / Type / Source	Baseline	Local Targets & Timescales
	1.25 Number of young people being supported into training employment or education (FSF)	Quarterly data to be collected	Taken from existing SDS (Careers Scotland) data	Increase the number of young people from vulnerable circumstances progressed onto positive destinations by 40 people by 2010 through the Key Worker model within Skills Development Scotland SDS(Careers Scotland)
	1.27 Tourism businesses and the wider community work together to package key products.	Area Tourism Action Plan 2006-09	2	6 Product Development Network Groups in place operational plans to support future activity.
	1.28 Raised the quality of the tourism product across the region	Area Tourism Action Plan 2006-09	3	750 Quality Assured Businesses in D&G by December 2009
	1.29 Knowledge Transfer Partnership established	n/a	0	Partnership established by March 2009, to build capacity of HE/ FE partners to engage with businesses to strengthen and develop innovation and the economy



Local Outcome 4	Relevant Indicators	Frequency / Type / Source	Baseline	Local Targets & Timescales
A place where people are better equipped for a changing world	4.1 % age of school leavers going into employment education or training.	Annual school leavers destinations Career Scotland and Job Centre Plus Children Looked After in Scotland (CLAS) statistics	2005-2006 data 87% of leavers in employment education or training 16.9% of young people eligible for aftercare services were in employment education or training - March 2007 24.5% of young people eligible for aftercare services with known economic activity were in employment education or training – March 2007	Percentages of those in education employment or training to be in line with or above national averages and above average values for comparative authorities
	4.2 Numbers of young people on pre get ready for work project in Dumfries & Galloway . (FSF)	Annual	Current figure Princes' Trust	Increase from 25 - 50
	4.4 % of school leavers with additional support needs going into employment, education or training (FSF)	Annually from projects delivering mentoring and befriending services	62 children supported in 2007-08 by one project, figures from other services to be determined	Target 10% increase in 2008-09 In: Number of children with additional support needs who receive one-to-one befriending or mentoring service. Number of befriended/ mentored children who are supported to make successful transitions (primary to secondary school, or secondary to FE/ Training)

Local Outcome 4	Relevant Indicators	Frequency / Type / Source	Baseline	Local Targets & Timescales
A place where people are better equipped for a changing world	4.13 Range of 'skills for work' and vocational programme increased for pupils aged 14-18	Annual analysis on update and range	College and School Stats	Increase % uptake and successful participation
	4.14 Qualification achieved and training undertaken by Council staff and members		30 modern apprentices achieved in 2007/08	30 modern apprenticeships to be achieved in 2008/09 Personal training and relevant plans in place for members by summer 2008
	4.15 Knowledge transfer from research activities in Universities		60 teacher research presentations in 2007/08	Annual conferences and increased collaboration with Crichton facility campus

Summary of Strategic Context

The strategic and organisational background to the strategy is changing and the implications of new thinking at Government level needs to be considered in developing responses to economic issues. This section summarises the key documents that feed into this process (see appendix). Highlighted below are several key factors relating to current changes in the strategic and organisational landscape:

- The recently published Scottish Government Economic Strategy (November 2007) puts “Sustainable Economic Growth” at the heart of public & private sectors economic development. This strategy has been developed with this focus in mind.
- Reorganisation of several key bodies, geographically as well as roles and responsibilities, that will affect how actions are carried out.
- Greater self-determination for local authority areas and delegation of budgets previously managed at national level;

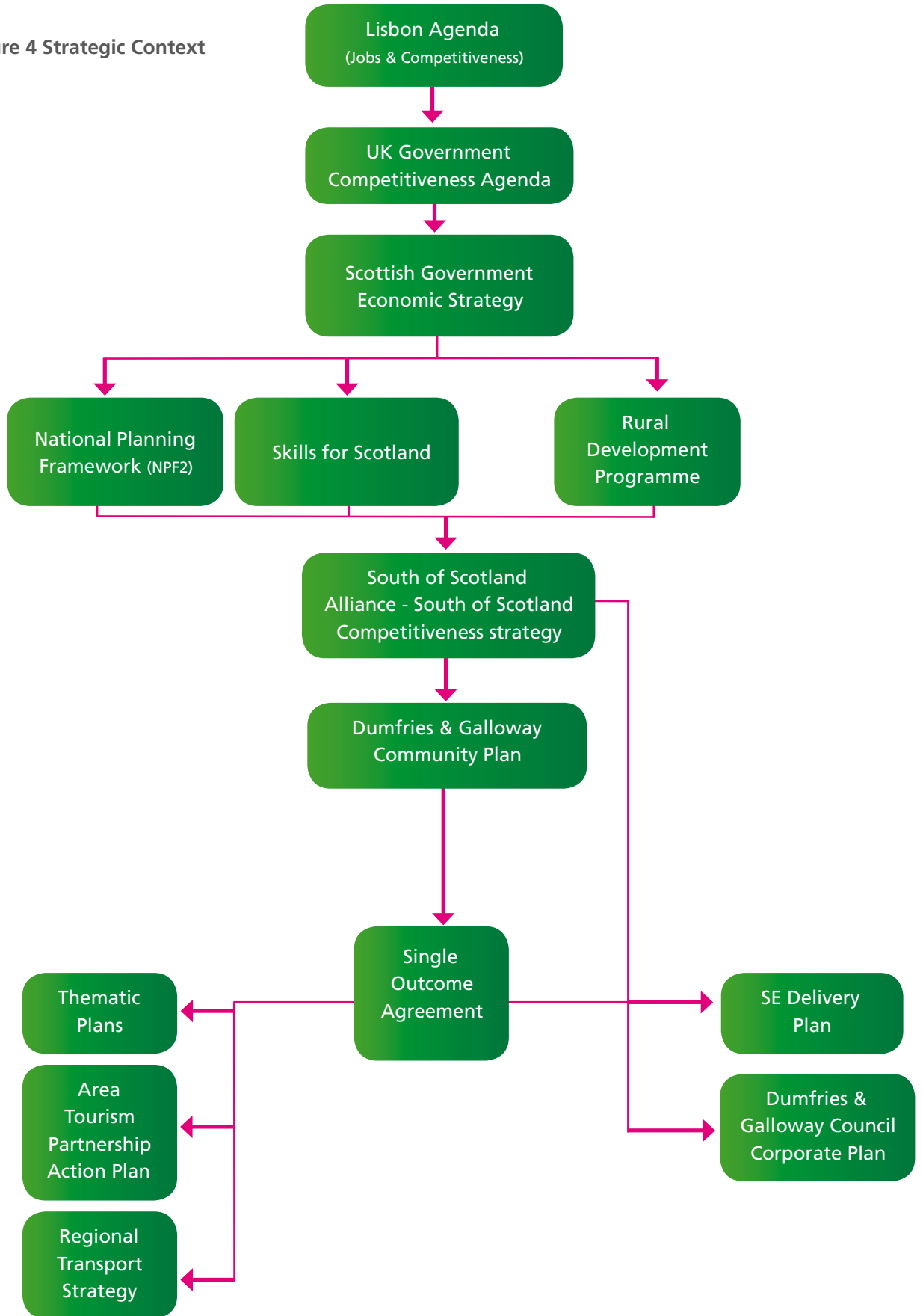
These changes are significant for a Regional Economic Strategy because:

- There is now more local responsibility for spending decisions and the outcomes of key public sector strategies.
- Scottish and UK Government expectations of Dumfries & Galloway will be streamlined and expressed in a Single Outcome Agreement (SOA) rather than a series of ad hoc targets.
- Changing responsibilities mean that partnerships need to be re-established, providing opportunities for sharper focus and accountability.

The Regional Economic Strategy considered all relevant strategies at the local and national level to ensure a common purpose to achieving high-level goals. The chart overleaf (Figure 4) shows the relationship between the different strategies.

Importantly, there is a high degree of consistency between the different strategic documents so there is less potential for duplication and a greater likelihood of focused activity as a result.

Figure 4 Strategic Context



EU

United Kingdom

Scotland

South of Scotland

Dumfries & Galloway

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Series of appendices have been produced in the development of this strategy which are available on request through the council contact.



