



Rural & Island Economy - the recording and outputs from the 2021vSRP Session on 11th March 2021

Session curated by [Inspiralba](#) and [GrowBiz Scotland](#) and chaired by **Professor Sarah Skerratt**, Director of Programmes at the Royal Society of Edinburgh (RSE) and Scientific Director of the Scottish Consortium for Rural Research (SCRR).

Sarah's introduction placed the rural and island economy at the heart of Scotland's national economy. She referenced the 2018 National Council of Rural Advisers' [report](#) which described mainstreaming rural economic policy as the "long-term ambition." The short-term priority is to "address the complex structural issues" which prevent national policy-making processes from effectively representing rural interests. Structural issues are different to long-standing challenges associated with rural economic development such as high transport costs and limited connectivity. They include:

- how the rural economy is understood and mirrored in policy-making processes
- how rural people are involved in planning, policy and budget setting and
- how attributes of 'rural', whether environmental, cultural, social or economic are valued, marketed and invested in.

The rural and island economy is rooted in the interconnections between enterprise, the natural environment and the local community in order to sustain activity whether that is agricultural, marine, cultural, touristic or trades-related. Micro businesses (0-9 employees) [account for 36% of employment in remote rural areas](#) and 29% in accessible rural areas, while they only account for 13% of employment in the rest of Scotland. Economic activity that does not generate a financial profit (e.g. volunteering, informal caring and tradition bearing) is a major feature of the rural and island economy.

The purpose of this session is to explore what a new, more representative policy model of the rural and island economy might look like. To start the debate, delegates heard accounts from different Small & Medium Enterprise (SME) models – a private company, a social enterprise and a community interest company.

Summary of Presentations

Emma Sedgwick established [Rural Communications](#) in Moray with her partner, Peter. She offered a professional and personal reflection on being a rural micro-business owner. Her presentation raised the following points:

- Rural Communications started up as a personal endeavour to get fit-for-purpose broadband to the family home. It expanded from there with a mission to facilitate thriving communities with optimised connectivity.
- Emma noted that as micro-business owners or employees, as volunteers, parents or carers, rural residents tend to wear multiple different hats and the **boundaries between enterprise and civic service can blur in ways that benefit both the wider community and rural economy**. Rural Communications, for example, played an active role in the pandemic response and is now building up its apprenticeship programme providing young people with training and work experience that they could normally only access by moving to a city.
- Rural microbusinesses tend to be deeply rooted in their communities and are quick to adapt to changing needs and opportunities yet setting up such a business throws up multiple challenges – smaller markets, poor transport services, cost of moving freight, high rent for business premises, lack of childcare and lack of suitable housing in the vicinity of one's place of work.
- The greatest challenge is, however, poor broadband and mobile phone coverage. Emma pointed out that without the necessary infrastructure in place, digital exclusion will, in time, drive all other inequalities – health, income, educational and political – with rural areas particularly affected. She also pointed out that rural communities have been demanding equity in broadband and mobile phone coverage since the 2016 Scottish Rural Parliament in Brechin.
- There is very little financial support available to micro-business start-ups, but rural micro-business owners can benefit from being part of a network of similar enterprises focused on peer support and learning. They can also benefit from advice and support provided by organisations such as Growbiz. The key, according to Emma, is to do something you are passionate about and reach out for help when you need to.

Emma was followed by **Shanon MacDonald**, Graduate Apprentice at [Tarbert Harbour](#) a long established social enterprise in Argyll & Bute. Shanon is completing a four-year Business Management Honours degree with Strathclyde University.

- Tarbert Harbour was recognised in 1708 by Queen Anne with an Act which permitted the working harbour to charge dues in order to generate revenues for its development. Tarbert and Loch Fyne Harbour Authority became a Trust in 1912 with a Board of seven volunteer Directors. This model continues to the present day with the Harbour celebrating 100 years as a social enterprise in 2012.
- Being a social enterprise, profits from the harbour are re-invested directly in the community. This has led to the improvement of the local village, to job creation and to training opportunities such as the apprenticeship scheme. 'Investment' is considered in the context of building a new gym or children's play area which happen to be enjoyed equally by tourists. In return, Tarbert Harbour enjoys enormous support from the local community and is quick to spot changing trends that affect its enterprise activities. Importantly, there is no drive from private shareholders to generate great financial profits, so the Harbour's development is steady and incremental, focusing on the sustainability of the local environment and the wellbeing of local residents, staff and volunteers. This

creates a virtuous cycle – “the village has to flourish for the Harbour to flourish and the Harbour has to flourish for the village to flourish.”

- The fishing industry has declined but a small number of commercial fishing vessels still use the harbour as does the ferry. Tarbert Harbour has adapted to take advantage of the increased interest in marine tourism with a new marina, toilet and shower block.
- The Harbour’s growing reputation has placed it as a partner in the development of the Scottish Government’s [Marine Tourism Strategy – Awakening the Giant](#). Like Emma from Rural Connections, Shanon noted the importance of networks of similar social enterprises in particular the ongoing support from Inspiralba being a driving force for the sector.

The third presenter, **Kaja Ekiert**, is the founder of [Handam Zero Waste Stores](#) in Aberfeldy and Pitlochry.

- Kaja was greatly inspired by the Zero Waste and Frugal Living movement. She spent a year researching community needs and gathering feedback from residents on their concerns about climate change and their aspirations for taking action, including their support for the establishment of a Zero Waste Store. A Zero Waste Store is a simple way of shopping – you bring your own container and buy as little or as much as you want of dry foods or cleaning products, reducing plastic use and saving money.
- Kaja started small with a regular stand at local farmers markets and occasional pop-up stores carrying just five products all the while holding down a second, full time job to make ends meet. In April 2020, she eventually secured premises in Aberfeldy and began to develop her business model supported by a small team of staff and volunteers, including volunteers on the Board. Remarkably for a very new enterprise, they managed to remain open and trading during the pandemic lockdown.
- Handam was set up as a Community Interest Company to give ownership of the project’s future to the local community. It was community consultation that evidenced the need for a zero waste store and Kaja and her team continue to draw on community consultation to expand the project into new, exciting areas, including delivering workshops for local residents, and new product lines. They are connected to the Pitlochry Climate Café and other local activist groups.
- Recently Handam secured money from the Lottery and launched a Crowdfunder appeal which raised over £6,000 to open a refill station and Ecohub in Pitlochry. As Kaja says, **small steps can make a big difference and if we don’t change, maybe no one else will.**

Summary of Panel Discussion

The Panel comprised of:

- **Jane Cummings**, business owner and Chair of the Highlands and Islands Committee of the Scottish Council for Development and Industry (SCDI)
- **Lorna Gregson-MacLeod**, Head of Strategy and Partnerships, Highlands and Islands Enterprise (HIE)
- **Jane Morrison-Ross**, CEO of South of Scotland Enterprise (SOSE)
- **Phil Raines**, Head of Rural Economy and Communities, Scottish Government

It considered questions brought to it from the breakout rooms, thus helping to build a bridge between grassroots experience and policy expertise.

As an introduction, each panellist made a short statement about their vision for the rural and island economy:

- For Phil and the Scottish Government, this vision is linked to the National Performance Framework but there is a question for policy-makers and politicians around **“how you take a vision, or ‘apple-pie’ statement, and make it real for communities?”**
- For Jane Morrison-Ross, it was an acknowledgement of the economy ‘ecosystem’ from housing to skills training and recognition that **healthy and happy communities are fertile ground for growth and innovation.**
- For Lorna, emphasis was on **community wellbeing and environmental sustainability to guide the direction of economic activity.**
- For Jane Cummings, **rural and island people must be given confidence by policy makers to take full advantage of the resources and skills they have.** Indeed, rural is 20% of the population but generates 27% of economic activity, a fact which is frequently overlooked by those working in the central belt.

Breakout Question 1 - the contribution of micro and social enterprise to the rural economy.

How do we measure value in the rural economy? Unless a business is registered for VAT or incorporated it doesn’t show up anywhere therefore the huge contribution they make is not captured within policy and resource allocation. What can be done to address this?

- Data is critical but it is easy to overlook smaller entities when you use blunt instruments like VAT registration to map the complexity of economic activity. Indeed, the VAT threshold works as a disincentive for business growth, so it makes little sense to use it as a benchmark.
- Data collection presents three challenges – how do you capture the extent of activity (i.e. the number and type of enterprises by location, sector etc.), how do you capture the context of this activity (e.g. quality of infrastructure, high cost of living, ownership of assets etc.) and how do you measure its impact? With regards the latter, impact is currently measured on a short-term projection and based on a handful of growth-focused metrics such as number of jobs, turnover etc. Instead, new measurements should be developed based on a broader set of results that mirror economic contribution to wellbeing and environmental outcomes.
- Urban/rural comparisons skew the picture. Though the rural economy is intrinsically linked to the urban economy, the context is very different. A job in a rural area is likely to have added value when its impact on the local community or the environment is considered. Initiatives like community wealth building and frameworks for things like SME data collection must be piloted in a rural and island context before becoming policy instruments.
- Failure to capture the right data structurally disadvantages rural areas especially since governments and financial institutions require stringent evidence before they ‘risk’ investment.

Breakout Question 2 – funding and support for start-ups.

There is a limited number of funding pots available especially for private enterprise. More could be done to encourage people to have a go at enterprise activity in rural areas. Small pots of easily available funding, e.g. up to £3K, could make the world of difference coupled with advice/support packages from different organisations such as InspirAlba, GrowBiz, Senscot, HIE or SOSE.

- Models of local microgrant-giving flourished throughout the pandemic. Even before the pandemic, however, Lochaber businesses contributed to a common fund which was open to local residents who wanted to develop an enterprise idea. The funding received from the Lochaber business ‘pot’ could be used to leverage matched public funding or private investment where needed. We have an

opportunity now, drawing on the pandemic learning, to incentivise and support communities, including communities of grant-givers and business owners, to set up micro-grant schemes. Small funding pots administered at hyperlocal level could be transformative for enterprise activities including those of cultural importance which are notoriously difficult to get supported.

- As a first step, however there is a need to overcome Government path dependence on attempting to deliver investment for those BIG projects and BIG activities that could affect a whole range of areas. From this perspective, it is difficult to be open to the potential of devolving funding decisions directly to a local area. The [Glenkens Action Plan](#) and [Community Summit](#) were noted as an exemplar of a community-led process of local development, including enterprise development, supported by windfarm money distributed through the Blackcraig Community Fund.
- Underpinning funding and investment, there needs to be investment in incubators like Growbiz and Inspiralba and in peer enterprise networks such as the [W-power](#) project in Argyll and the [Rural Social Enterprise Hub](#). There also need to be investment in communities themselves to ensure a sustainable, equitable approach to building enterprise capacity and avoid creating a national patchwork of those communities that are intrinsically better-resourced with people, skills and windfarm moneys who can take advantage of new funding developments.

Breakout Question 3 – Re-population and the rural and island economy.

We need creative thinking around housing - what can we do to ensure the right housing options are accessible to those who live and work in rural areas?

- Hard infrastructure (houses, transport, digital) is just as important as softer infrastructure (organisations that provide support and funding). The provision of flexible childcare is amongst the most important soft infrastructure.
- Home working and studying is going to open doors of opportunity for rural and island communities.
- Communities, policy makers and planners need a menu of options – funding, planning framework, legislation etc. - to tailor housing options, including tenures, creatively to an areas' demographic and economic needs. There has to be a rational acceptance of the fact that building social housing is going to be more expensive in remote parts of Scotland and provisions must be made for this.
- Creative avenues are open for exploration including building multi-use, flexible properties, e.g. home and workshop or homes with an extra room which can be offered on a B & B basis. Increasingly people are becoming interested in cohousing.
- Work needs to be undertaken with landowners to make the right land available for the right things – housing, green space, food production, re-wilding, forestry, crofting etc.

Breakout Question 4 – supporting micro enterprise towards net zero.

Micro businesses and social enterprises generally have limited time and resources. How can we build and encourage net zero practices in a way that supports them and doesn't create an additional burden?

- SOSE has set up a Working Group on green energy and energy transition. The Group is tasked to come up with a support package for businesses across the South to enable them make practical steps towards transitioning that are not a huge drain on resources. The challenge is to view this in an ecosystem model and invest in strengthening the necessary infrastructure – digital and transport e.g. access to electric vehicle charging points.

- Micro businesses and SMEs are as overwhelmed as the rest of us by the enormity of the challenge that faces us – what kind of questions should you ask yourself about your supply chain, about the way you transport produce, about your building design. It is important to break down the transition into simple steps and explain how these steps will make a tangible difference. HIE is building a ‘net zero ladder’ diagnostic tool to help SMEs begin considering the role they can play in tackling the climate emergency.

Breakout 5 – engaging and supporting young people.

How do we improve awareness raising of opportunities for young people in rural Scotland?

- There is a growing trend amongst young people towards remaining in their rural communities or wishing to return to live there.
- We need to work with existing, effective organisations including the Scottish Youth Parliament and Children’s Parliament, exploring with them whether a more innovative and targeted ‘rural’ approach would enable the messages from rural young people to reach policy makers. At the same time, we need to strengthen communication networks between organisations that engage with young people at the grassroots, including schools, and use them to give young people that confidence to shape national policy and the services that are provided.
- We are beginning to see a more joined-up approach across the school curriculum, secondary and tertiary education in terms of skills development for a rural economy. This is complemented by an increasing focus on provision of on-the-job training and apprenticeships. There remains much work to be done. The frameworks developed by Skills Development Scotland still focus predominantly on the big players, e.g. financial services.
- More could be done to supply young people with information on business and enterprise models and signpost them to sources of support. Specific youth enterprise start-up grants should be considered through the Youth Guarantee scheme as well as initiatives that engage harder to reach young people considering their needs holistically – i.e. looking at health, wellbeing, housing, transport etc. as well as access to education and employment.

Recommendations from discussions and breakout rooms

The session output is available as a separate document.

Documents and initiatives mentioned during session:

- Scottish Government’s Rural Scotland Key Fact Paper (2021) – Economy and Enterprise <https://www.gov.scot/publications/rural-scotland-key-facts-2021/pages/4/>
- Scottish Council for Development and Industry (2019) An Economy for all in Scotland https://www.scdi.org.uk/wp-content/uploads/SCDI-RC-Report_final_small.pdf
- Inspiralba (2021) Identifying the characteristics of rural social enterprises <https://www.ruralsehub.net/wp-content/uploads/2021/03/Inspiralba-Report-Identifying-the-Characteristics-of-Rural-Social-Enterprise-Aitken-2021-1.pdf>
- Rural Housing Scotland Rural Voices – South Ronaldsay <https://vimeo.com/508798076> -

- Rural Housing Scotland Rural Voices - Braemar Community Housing Project - <https://vimeo.com/472571278>
- Communities Housing Trust – local letting policies as a tool to manage housing stock: <https://www.chtrust.co.uk/clh.html>
- Rural Youth [SMART village](#)