

MORAY

ECONOMIC STRATEGY 2022

TOWARDS FUTURE PROSPERITY AND INCLUSIVE GROWTH



produced by the Moray Economic Partnership

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1. FOREWARD

Moray Economic Partnership brings together: The Moray Council, Highlands and Islands Enterprise (HIE), Moray Chamber of Commerce, Moray College UHI (University of the Highlands and Islands), NHS Grampian, tsiMoray, Visit Moray Speyside, Federation of Small Businesses (FSB), Skills Development Scotland and Robertson Construction.

The Partnership involves members working together for the benefit of Moray's economy and communities. It both enables and leads on initiatives that are aligned with the Moray Economic Strategy.

This strategy reflects members' strong belief that collaboration is required to realise Moray's potential. Thus, it will achieve more than the partners could do acting in isolation. This is evident in its close partnership working to date.

This 10-year strategy is based around a vision and a high-level series of actions. These are required for Moray to take advantage of the opportunities that exist and build an increasingly prosperous and resilient economy along with communities that are strong, sustainable, and more equal.

The strategy provides the context, focus and direction of travel for the Partnership. It has considered local and national research, and consultations with a range of stakeholders. It also reflects relevant local and national plans and strategies, notably:

- ◆ Scottish Government's National Strategy for Economic Transformation.
- ◆ Scottish Government's Just Transition a Fairer, Greener Scotland.
- ◆ Moray Growth Deal.
- ◆ Moray Climate Change Strategy.
- ◆ Moray Skills Investment Plan.
- ◆ Moray Social Enterprise Strategy.
- ◆ Community Wealth Building Route map for Moray.
- ◆ Moray Tourism Strategy.



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2. WHAT HAS CHANGED SINCE THE LAST STRATEGY

The last Moray Economic Strategy was compiled in 2018. There have been several profound and significant changes since that time. These have had a strong influence on the development of this new strategy.

COVID PANDEMIC

When this strategy was drawn up the country was still to fully emerge from the pandemic. Its ongoing medium and long-term impacts on society and the economy were yet to become fully clear. Monitoring of these impacts will be important to make fully informed decisions in the years ahead.

Ways of working changed with, in some sectors, many employees working from home. There is currently a move towards hybrid working - splitting the working week between home and the workplace. The final balance between the two will only emerge over time as will its possible wider effects such as a reduction in town centre footfall and spending.

The pandemic also highlighted and exacerbated some existing inequalities:

- ◆ Those in lower paid jobs were more likely to be in occupations with higher rates of Covid infection.
- ◆ Inability of some to work from home due to lack of space or poor digital connectivity.
- ◆ Lower hours worked by women compared to men because of caring and other household responsibilities.
- ◆ Potential for young people to be affected by loss of employment or reduced hours which could scar their employment and pay prospects over the longer term.

The main change in the economy as we move away from the pandemic is ongoing challenges in recruitment and retention of staff. This has affected all sectors although some have been particularly affected (e.g., hospitality, social and health care, food and drink manufacturing) as well as specific occupations across all sectors.

A tight labour market has come about from a national trend of a reduction in the available workforce in the:

- ◆ 18-24 age group.
- ◆ 55+ age group - where some have chosen to retire rather than continuing to work.



However, some of the occupations that were struggling to recruit before the pandemic are still among the most constrained. Teaching and Educational Professionals and Caring Personal Services were among those with the highest levels of job postings in Moray in each of 2019, 2020 and 2021.

Other changes have included an increasing interest in self-employment and business start-up. Moray Business Gateway reported a higher number of start-up cases than in previous years (around 120-130 compared to 60) and across a range of sectors.

This points to the need for the Business Enterprise Hub which is one of the Moray Growth Deal projects.

Many sectors developed new revenue streams to replace those that were reduced or even lost during the pandemic. Some saw a change in customer demand. For example, increased custom for non-serviced visitor accommodation and reduced demand for some hotels and B&Bs. Increased staycation activity is placing further pressures on visitor amenities and infrastructure.

Elgin town centre saw an increase in vacancy rates plus a decline in occupancy in offices. This is in the wider context of the increase in online shopping at the expense of town centre activity.

The third sector made a significant contribution to dealing with the immediate effects of the pandemic. This highlighted the sector's role and contribution.

While dealing with these changes many businesses and third sector organisations face some immediate and short-term issues which, for some, could be existential:

- ◆ Labour and skills shortages across most sectors. These are likely to continue beyond the short term.
- ◆ Rising costs of labour and inputs, leading to higher prices being charged to customers.
- ◆ Uncertainty around the speed of recovery, notably for international markets.
- ◆ Levels of debt that were incurred during pandemic.
- ◆ Impacts from other international political and economic factors.

BREXIT

Brexit has reduced the supply of labour and affected some sectors in particular agriculture, hospitality and supply chains. In some sectors it has led to a shortage of supplies and increased costs of doing business with the EU. These effects were becoming apparent as the pandemic took hold.

COST OF LIVING AND DOING BUSINESS

Households and businesses across the country are facing a serious costs crisis exacerbated by Russia's invasion of Ukraine. Businesses across the Highlands and Islands are reporting that the cost of doing business is increasing markedly. Costs are inflating generally, and within this, many are reporting a trebling or quadrupling of energy costs with insurance costs rising alongside.

Inflation is forecast to rise further in 2022, though less than previously projected with the Energy Price Guarantee taking effect from October 2022. The Bank of England forecasts the UK economy will fall into recession at the end of 2022 and contract throughout 2023.

CLIMATE CHANGE AND NET ZERO

Becoming a net zero nation will mean the end of Scotland's contribution to climate change. Scottish Government's target is to become a net zero nation by 2045.

Of particular relevance to Moray, the Scotch Whisky Association is aiming for the sector to become carbon neutral by 2040. In addition, Moray Council's Climate Change Strategy - published in 2020 - put the net zero agenda firmly on the map. The Council has set a target of it being carbon neutral by 2030.

Scottish Government has set a challenging 75% reduction in emissions by 2030 compared to 1990 levels. This presents an immediate need to accelerate progress. This is in a context where Moray businesses are still dealing with the ongoing effects of the pandemic.

Progress towards net zero will create opportunities for new, good and green jobs. Scottish Government are committed to a just transition. That is to say that no person, industry or community will be left behind and no one should disproportionately carry the financial burden of such a transition.

Pre-pandemic there had been some progress towards net zero in Moray. That appears to have been particularly in larger companies including those in the whisky industry. However, it appears that many organisations are effectively at the start of the journey to net zero.

COMMUNITY WEALTH BUILDING

Community Wealth Building (CWB) is a people-centred approach to local economic development. It is one which redirects wealth back into the local economy, and places control and benefits into the hands of local people.

To progress this Scottish Government have committed to a Community Wealth Building Bill in the life of the current Parliament. Moray Council have committed to creating a CWB strategy in 2022.

WELLBEING ECONOMY

The pandemic has highlighted the interconnected nature of social wellbeing, economic prosperity and the environment. A wellbeing economy is based on:

- ◆ Social justice - equitable distribution of economic opportunities and economic outputs - e.g., employment, wealth.
- ◆ Planetary wellbeing - resources that the economy uses for production are within the environmental limits which humanity can safely operate.

This means looking beyond simply traditional measures of growth to a broader view of what represents a successful economy and society and thus achieving inclusive growth.

Related to the wellbeing economy is Scottish Government's fair work prospectus. This aims to ensure work that offers effective voice, opportunity, security, fulfilment and respect.

Picture credit: Gillian Frampton/HIE



Adopting the above approach in Moray, in conjunction with Community Wealth Building, will lead towards greater economic, social and environmental sustainability.

Moray Council are currently developing a Poverty Strategy. This will be complimentary to the Moray Economic Strategy in helping address poverty and thus ensure Moray becomes a more equal society.

INCREASED DIGITALISATION

Digital connectivity has become ever more important to social and economic activity and in the delivery of public services. This highlights the need for high quality digital connectivity across Moray. This will continue to have a bearing going forward as it can make Moray attractive to those who can work from anywhere.

The pandemic saw many organisations make wider or deeper use of digital ways of working. These include face-to-face services online, developing their e-commerce offer, or extending business activities (e.g., cultural performances streamed online, creating opportunities for monetisation).

FINALISATION OF MORAY GROWTH DEAL PROJECTS

These projects have the capability to be transformational for Moray in terms of employment creation, creating a more balanced demographic profile and addressing inequalities.

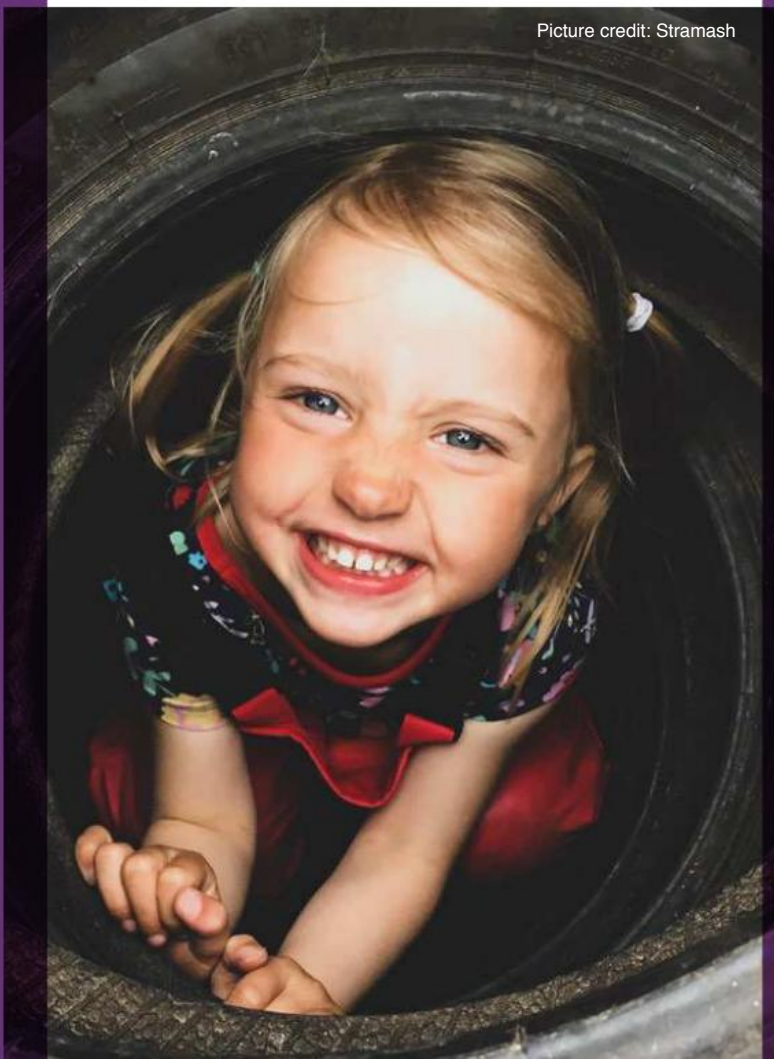
CHANGING PUBLIC SECTOR STRUCTURES AND FUNDING MECHANISMS

A regional (i.e., Highlands and Islands) economic partnership has been established. In tandem with Brexit, the UK Government has introduced several funding streams such as Levelling Up. New funding streams in Scotland are being developed to support the transition to net zero.

Picture credit: Gillian Frampton/HIE



Picture credit: Stramash



3. MORAY'S VITAL STATISTICS

The following statistics are largely for 2019. That is, the last full year before the onset of the Covid pandemic. The data is intended to highlight some of the main underlying strengths and challenges in Moray, many of which will continue to be relevant going forward. Its use is not intended to imply that activity will, in the future, simply revert to the levels seen before 2020.

The share of Moray's young people (91% of 16-19 year-olds) participating in education, training or employment was very similar to the level for Scotland (92%). Moray's employment level (75%) was the same as for Scotland.

Moray's two military bases at Kinloss and Lossiemouth are major employers, including the jobs they support in civilian posts and on-site contractors. In early 2022 there were around 3,500 posts based at RAF Lossiemouth, and it is possible that this number could increase.

Visitor numbers to Moray grew by 16% between 2014 and 2019 with more than 800,000 in that year. Accommodation and food service activities had 3,250 jobs.

Moray has a high level of manufacturing employment. This accounts for 18% of jobs in the area compared to just 8% in Scotland. Manufacture of food products and beverages alone account for 10% of jobs in Moray.

Moray has 150 social enterprises. That is an increase of 20% since 2015, with Findhorn highlighted as a national social enterprise hotspot given its expertise in relation to net zero. Moray's share of Scotland's social enterprises (2.5%) is higher than its share of Scotland's population (1.8%).

In 2020 Moray's population was an estimated 95,710 people. It had grown by 6% since 2005 (very similar to growth in Scotland). Moray has a

lower share of its population (39%) aged 16-49 than in Scotland (43%). There is a recognised deficit in the number of 16-29 year-olds. (These population estimates need to be treated with caution as they do not allow for population changes arising from the variations in the number of military personnel at the two bases).

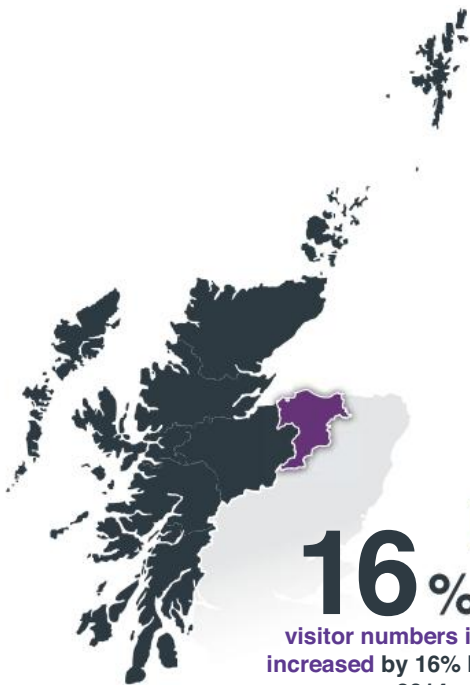
Wages in Moray are below the Scottish average. The average annual gross full time mean wage is £31,987 compared to £34,936 for Scotland - a difference of around 10%. The gap widens further when all (full time and part time) jobs are included. The average annual wage in Moray is £24,879 compared to £28,660 for Scotland – that is 15% lower.



3,250 JOBS
attributed to accommodation and food services in Moray



There were more than
800,000 VISITORS
to Moray in 2019



POPULATION

95,710

Moray has a lower share of its population (39%) aged 16-49 than in Scotland (43%).

YOUNG PEOPLE

91.2%

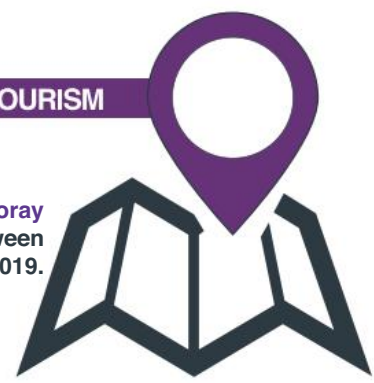


91.2% of 3,832 16-19 year olds participating in education, training or employment – close to the Scottish average (92%)

16%

visitor numbers in Moray increased by 16% between 2014 and 2019.

TOURISM



Accommodation and food service activities had

3,250 jobs.



MANUFACTURING EMPLOYMENT.

accounts for 18% of jobs in the area compared to just 8% in Scotland.



SOCIAL ENTERPRISES

Moray has 150 social enterprises. That is an increase of 20% since 2015,

The gender pay gap (the percentage by which women's pay is lower than that of men) is 16% in Moray. That is the eighth highest among Scottish local authorities and compares to a Scottish average of 13%.



The following factors contribute to Moray's relatively low wages:

1. A higher concentration of employment in sectors with relatively low wages. More than half (55%) of Moray's jobs are in manufacturing, retail, hospitality, public admin, social care and health. That is above the figure of 45% in Scotland.
2. A higher proportion of employee jobs that are part time. In Moray, the share is 39% compared to 34% in Scotland.
3. Moray has a lower share (35%) of employment in higher level occupations (SOC1-3) than in Scotland (44%).
4. Some 65% of Moray residents aged 16-64 have a qualification at Higher level or above (less than Scotland - 68%). The share of residents with a degree or same level Professional Qualification is 24% compared to 31% for Scotland.

Some 1% of Moray businesses employ between 50 and 249 people - below the 1.6% average in Scotland. There is a recognised deficit in the number of companies of this size.

Moray has a relatively low business birth rate. The proportion of businesses that were classed as new was 8% (against a Scottish average of 12%). Moray had a total of 56 business births per 10,000 head of the working population compared to a Scottish average figure of 81 business births.

Fuel poverty is more prevalent in Moray than in many other parts of Scotland. It has the third highest level (32% of households) of Scottish authorities. Some 19% of Moray households experience extreme fuel poverty - the fifth highest among Scottish local authorities.



The vast majority (88%) of premises in Moray have access to superfast broadband. However, that is lower than for Scotland as a whole (95%).

The most recent available economic forecasts are for slower annual GVA (Gross Value Added) growth in Moray than in Scotland:

- ◆ 2021-24: Moray 2.5%, Scotland 3.1%.
- ◆ 2024-31: Moray 0.8%, Scotland 1.2%.

In the forecasts of longer-term skills demands (that is between 2024 and 2031) the largest numbers of posts by type of change are as follows:

- ◆ Expansion in number of posts - human health and social work activities, administrative and support activities, professional scientific and technical, arts, entertainment and recreation.
- ◆ Contraction in number of posts - manufacturing, public admin, etc.
- ◆ Replacement of existing posts - wholesale and retail, public admin, etc., human health and social work, manufacturing, accommodation and food service, plus education.

However, these forecasts do not allow for national or regional activities, initiatives or investments that are planned - and the Moray Growth Deal in particular.

With an increasing population - including those attracted to Moray by rising employment at RAF Lossiemouth - housing demand has grown in the most recent years.

There were 443 new build housing completions in 2019. That is the highest level since 2012. Housing sales remained broadly similar between 2014 and 2019 compared to 10% growth in Scotland. Average sales value grew by 18% (not adjusted for inflation) over that period - above the level of increase in Scotland (14%).



4. A CHANGING ECONOMY - KEY OPPORTUNITIES AND KEY CHALLENGES

KEY OPPORTUNITIES

MORAY GROWTH DEAL

Moray Growth Deal brings together the Scottish and UK governments, Moray Council, partners from across the public and third sector, and businesses. It will build on the existing strengths of Moray's culture, tourism, and manufacturing sectors, plus the development of other sectors. It will address challenges to facilitate economic growth that is sustainable, fair and inclusive.

There will be a transformational investment of over £100 million in eight strategic projects:

- ◆ **Moray Aerospace, Advanced Technology and Innovation Campus (MAATIC):** training, innovation, research and development supporting aerospace and other manufacturing enterprises, and development of advanced engineering skills in the region's workforce with specialisms in aviation, aerospace, digital manufacturing and defence. It will provide pathways to highly paid, skilled employment for young people.
- ◆ **Manufacturing Innovation Centre for Moray:** world-leading research and development expertise in advanced manufacturing to increase productivity, create jobs, support the attraction of inward investment and grow the region's manufacturing outputs. This will also help businesses transition to net zero.
- ◆ **Business Enterprise Hub:** supporting scaling-up of existing small and micro-businesses, as well as providing support to start-ups, university spinouts and inward investors.
- ◆ **Digital Health:** creation of Scotland's National Digital Health and Care Innovation Centre with research and innovation in digital health, bringing commercial investments to Scotland and helping to establish new technologies including for use in smart homes and independent living.
- ◆ **Cultural Quarter:** creation of a vibrant Cultural Quarter to support inclusive economic growth and cultural expansion in Elgin and beyond. This will be through creation of a high-quality heritage attraction, refurbishment, extension, and rebranding of Elgin Town Hall plus provision of a high-quality hotel.
- ◆ **Housing Mix Delivery:** supporting the delivery of 300 affordable homes supporting town centre and rural regeneration.
- ◆ **Early Years STEM** (Science, Technology, Engineering and Maths) for school pupils using specialist facilities and learning environments.
- ◆ **Bus Revolution:** provision of a low-carbon, on-demand bus service to offer a rural alternative to private vehicle use. This will reduce social isolation among certain groups, along with providing access to employment opportunities.

The key objectives underlying these projects are to:

- ◆ Retain and attract young people/families (16-29 year-olds) to live and work in Moray.
- ◆ Address occupational segregation and gender inequality in employment including the significant gender pay gap, and under-employment issues for women.
- ◆ Create new high-quality jobs in existing sectors and diversify Moray's economy into new high value areas.
- ◆ Create opportunities across Moray which will help secure the future prosperity of its many communities.

Wider impacts from these projects will include:

- ◆ Supply chain opportunities - from related construction work, project activity and creation of new and expansion of existing companies.
- ◆ Ability for social enterprises to benefit from development support through the Business Enterprise Hub, and through the increase in activity from the Cultural Quarter.
- ◆ Net zero elements within the various projects.

MORE THAN 3,500 JOBS CREATED

directly or indirectly by the Growth Deal



It is estimated that more than 3,500 jobs will be created directly or indirectly by the Growth Deal, along with the creation of supporting skills, education, training and physical infrastructure.

This will require local businesses to be fully aware of the new market opportunities that the Growth Deal will offer and the timescales over which they are likely to become available.

The Growth Deal will deliver significant impacts across a range of sectors and activities. It is, therefore, an integral part of the Moray Economic Strategy.

More widely, Partnership members will have a clear role in contributing towards maximising the impacts of the Growth Deal through their ongoing activities out with Growth Deal projects in which they are involved.

JUST TRANSITION TO NET ZERO

Green jobs include those in renewable energy, the circular economy, zero waste, and the nature-based sector. Wider “green skills” lie on a range from highly specific requirements in sectors directly supporting the transition to net zero through to more generic requirements across the economy.

Employment opportunities will encompass:

- ◆ New and emerging jobs that relate directly to the transition - e.g., hydrogen cell technicians.
- ◆ Jobs affected by the transition to net zero that will need enhanced skills or competencies - e.g., environmental consultants.
- ◆ Existing jobs that will be needed in greater numbers as the result of the transition to net zero - e.g., insulation installers.

The sectors directly supporting the transition will be across five broad areas of economic activity:

- ◆ Energy transition - e.g., on and offshore wind, hydrogen.
- ◆ Construction - in particular retrofitting of housing and other properties.
- ◆ Transport - across all modes that currently use fossil fuels.
- ◆ Manufacturing - notably engineering.
- ◆ Agriculture, forestry and land use management.

Businesses will face costs in transitioning to net zero. However, there will also be opportunities for them and social enterprises through:

- ◆ New sales through creating or reorientating products and services to meet net zero-related demand.
- ◆ Competitive advantage - e.g., winning some contracts will require meeting green criteria.
- ◆ Financial savings, including reduced energy bills.
- ◆ Increased efficiency/productivity.
- ◆ The availability of dedicated green funding schemes.



Picture credit: John Paul Photography/HIE



Picture credit: Gillian Frampton/HIE



Picture credit: Gary Doak/HIE

Moray already has a record of accomplishment in green activities. That includes the circular economy through the recycling activities of a number of social enterprises and the re-use of waste products by distilleries. Thus, net zero is already on the radar of many third sector and private sector organisations.

There is an opportunity for Community Led Local Development (CLLD) infrastructure (for example, the Local Action Group which governed the delivery of the last Moray LEADER Programme), initiatives and investment to make a significant contribution to a Just Transition. There are also emerging plans for a Moray Climate Action Hub which would aim to provide a more strategic approach to climate change action.

Many businesses will be aware of the climate challenge that society faces. However, they may be unsure where to start in the journey to net zero, and what it means for their organisation. Further, some may have not undertaken actions because there is no immediate business imperative to do so. That is in a context where they are currently facing business pressures following the pandemic.

Even those considering taking action may not know how to access appropriate benchmarking tools to establish a baseline of their current level of sustainability. Surveys by the Federation of Small Business in Scotland found that:

- ◆ Around one third have a plan to move towards net zero but are not sure how to progress.
- ◆ 40% say they want to do more to achieve net zero.
- ◆ 28% say more information from their local authority or enterprise agency would encourage their business to be more energy efficient.

There is uncertainty over what the landscape will look like as the move to net zero gathers pace. However, the scale of some opportunities is becoming apparent.

For example:

- ◆ Making buildings more energy efficient/net zero compliant, including the whole of Moray Council's estate and Moray College's estate.
- ◆ The renewal of Moray's electricity grid.
- ◆ Potential community-based heating and lighting schemes.
- ◆ Supply chain for renewables - e.g., use of Buckie harbour for operation and maintenance (O&M) of large offshore windfarms.
- ◆ Promoting short supply chains from grower to consumer for agriculture.
- ◆ Regenerative agriculture and agricultural practices, beyond simply planting more trees.

Part of the potential opportunity lies with the offshore workers in the oil and gas sector who have retained their home in Moray. There is, however, uncertainty when their current jobs may no longer exist and when the green alternative jobs in Moray would become available and offer continuous employment. The position is also complicated as there are increasingly green opportunities with the offshore workers' existing employers as those companies transition to renewable energy.



Scottish Government have established a ten year £500 million Just Transition Fund. This will support northeast Scotland and Moray's transition from fossil fuel production. The Fund will establish the area as one of Scotland's centres of excellence for the transition. It will create new opportunities for workers currently supported by the oil and gas sector and its supply chain.

MAATIC within the Moray Growth Deal will provide workers with high level skills. These could also be used, for example, in renewables O&M, but in the main could also be transferable to a range of sectors - including ones supporting the move to net zero. It could also be that young people work initially in O&M then move to jobs in advanced manufacturing.

The implied scale of the Just Transition Fund's activity is significant enough to be transformative for Moray's economy. However, eligibility criteria for the Just Transition Fund - and how it will operate - are not yet known.

It is vital that the Moray Economic Partnership follow the progress of the Just Transition Fund and others related to net zero. That will be to understand how Moray can benefit from them and influence how they are delivered and by whom. The development of these green funding schemes will represent a very significant change to the public sector funding landscape. They will be vital to supporting the major private investment needed to transition to net zero.

Given the changes in the public sector funding landscape there needs to be co-ordination across programmes - notably the Levelling Up Fund, Shared Prosperity Fund and Just Transition Fund. There will also need to be consideration of the available capacity in Moray to bid for funding and deliver projects.

SPACE, AEROSPACE AND OTHER EMERGING ENGINEERING AND TECHNOLOGY

These sectors are generally ones whose growth in Moray is relatively recent and where there is potential for further significant growth. That includes their contribution to the transition to net zero, as well growth in the local supply chain - including through attracting inward investment.

They are a source of well-paid employment with clear career paths. As such, they should be attractive to young people and act as a spur to school pupils to study STEM subjects.



COMMUNITY WEALTH BUILDING

Moray Council's Community Wealth Building Route map for Moray describes the five core principles of CWB as:

Progressive procurement - developing local supply chains likely to support local employment and keep wealth within communities. In particular, this will involve using the spend of local anchor institutions to support economic growth in the private and third sectors. (Anchor institutions are large organisations that are unlikely to relocate and have a significant stake in their local area).

Fair employment and just labour markets - using anchor institutions to improve prospects of local people by offering fair employment opportunities with progression pathways.

Shared ownership of the local economy - supporting and growing business models that are more financially generative for the local economy. Working with partners to strengthen and expand the local social business base. Enabling greater community and third sector ownership of assets, thus having a stake in the wealth that Moray's economy generates.

Socially just use of land and property - developing the function and ownership of local assets held by anchor organisations, so local communities benefit from financial and social gain.

Making financial power work for local places - increasing flows of investment within local economies by harnessing and recirculating the wealth that exists, including capitalising on opportunities for public and community investment in local development.

There is a need to raise awareness of the meaning and implications of CWB for local individuals, groups and businesses. However, they will generally recognise the benefits - keeping expenditures local, re-circulating money in the economy and supporting local jobs. Some larger businesses will already be doing this, although they may not recognise it as CWB.

In terms of the potential impacts from reducing procurement leakage, in 2020-21 Moray Council spend on goods and services was around £130 million. Of this, £100 million was spent with providers from outside Moray. Realising the opportunities that will become available will require the development of strong local supply chains.

OTHER ACTIVITIES/SECTORS AND OPPORTUNITIES

Adventure tourism is a growth opportunity given:

- ◆ Moray's fantastic natural assets both coast and inland.
- ◆ The general growth in this sub-sector and its potential to attract higher spending visitors.
- ◆ Increasing awareness of the importance of visitor infrastructure and sustainable transport modes e.g., through the forthcoming Rural Tourism Infrastructure Fund development plan for strategic walking and biking routes.
- ◆ It will also help to attract/retain people by making living in Moray an even more attractive proposition.

This will build on Moray's very positive tourism growth trend pre-pandemic.

Supporting town centres and the transition to the evening economy and more lifestyle offerings will aid their regeneration. That will include attracting more tourists to spend time and money there.

There is potential to make more from Moray's food and drink supply chain through greater use of its agricultural products by the area's manufacturers. Other traditional sectors, notably forest products, could benefit from further innovation through timber processing methods for example.

Given this is a ten-year strategy there is a continuing need to be agile and alive to the opportunities from both existing and further new industries.

In addition, opportunities will arise from Scottish Government's forthcoming *National Planning Framework (NPF4)*, the Moray Indicative Spatial Strategy and Moray Local Development Plan. The availability of employment land will be an important factor for inward investment and growth.



Picture credit: Rotorworx/HIE



Picture credit: John Paul Photography/HIE

KEY CHALLENGES

LABOUR MARKET PRESSURES

One of the effects of the pandemic and Brexit has been a much tighter labour market, with several sectors particularly hard hit. There has been intensifying competition not only within but also between sectors.

Moray's ability to fulfil its economic potential will depend on sufficient numbers of workers with the right skills being available over a sustained period. This in turn requires the jobs on offer to be sufficiently attractive in terms of image, pay and career path.

Attracting and retaining working age people will require creation of a specific Moray-focused plan. That will include ensuring a sufficient supply of housing (including affordable). The lack of affordable housing is in a context of currently average low wages in Moray. This particularly affects employers' ability to attract key workers. One of the Moray Growth Deal projects will provide a number of affordable homes.

In addition, the pace of housebuilding has been slowed by interruptions in the supply of both materials and labour following the pandemic.

Recent years have already seen increasing housing demand as a result of job creation. Going forward, there will be increasing demand for other types of housing particularly among workers for some of Moray's major employers. That includes the military as the MOD's future accommodation model is one where personnel will live in general housing rather than MOD-owned properties.

Housing pressures could be exacerbated if, post-pandemic, there is continuing growth in people moving to areas such as Moray. That is to work from home in what they see as an attractive environment and relatively affordable housing market.

These issues will be considered in Moray Council's Housing Need And Demand Assessment which will be undertaken in the next year.

There is also the need for adequate childcare provision. This is a growing challenge and affects staff in a number of sectors, including those in military households.

Moray must deliver solutions at local level for local impact. However, it also needs to benefit from and inform both regional and national population, migration and talent agendas.

Wages in Moray are
BELOW
SCOTTISH AVERAGE



MEETING YOUNG PEOPLE'S ASPIRATIONS

Research with 16-24 year-olds for Developing the Young Workforce in Moray and the North East found varying interest in working in certain sectors. The highest levels of interest were in Healthcare, Digital Industries, Life Sciences and Renewables. The lowest levels of interest were in Oil and Gas, Agriculture and Construction. Although it can be the case that these aspirations are not reflected in actual apprenticeship applications and enrolments.

There was also a widespread lack of awareness about apprenticeships among young people. Only a third either understand the pathway into an apprenticeship or feel motivated to take one up. This compares to the 63% that are motivated to go to university. Around 40% of employers say that they either don't know about the three types of apprenticeships, or they are not applicable to them. Even before the pandemic apprenticeship numbers were seen as low.

Moray Council are currently producing an Apprenticeship Strategy. This will be complimentary to the Moray Economic Strategy, aligning with its objectives.

Research with 15-30 year olds in Moray found that:

- ◆ Fewer saw self-employment as a viable option than elsewhere in the Highlands and Islands, although many had an interest in starting their own business.
- ◆ The main barrier to employment was a lack of local opportunities. Lack of affordable transport and childcare were particular barriers for those in west Moray.
- ◆ They reported high levels of pride in their community. They see it as a place where they feel safe, have a good quality of life and feel included. However, more is needed to be done to ensure the needs of young people in Moray are being met.
- ◆ They are more likely than those elsewhere in the Highlands and Islands to feel that they have compromised on employment-related factors (salary, underemployment and career progression) as a consequence of remaining in Moray.

The research points to a range of issues affecting young people's aspirations and decision making. These will need to be addressed going forward to attract or retain young people to help develop Moray's economy.

Population retention, through training young people who already live in Moray, will be a key part of this. This will include providing skills and education in the sectors/occupations that are particularly attractive to young people.

A SKILLED LABOUR FORCE FOR TOMORROW'S ECONOMY

As well as increasing the size of the workforce, it will need to have the right skills for the jobs that will change or be created in the next decade. Moray's workforce will need not only to be bigger than at present but also smarter to realise growth in sectors with more sophisticated activities.

This is in the context of:

- ◆ The very significant employment creation forecast from the Moray Growth Deal projects.
- ◆ Building sufficient capacity in Moray businesses and workforce to take advantage of new market opportunities, notably net zero.

A challenge at this time is that there is not full visibility of the future skills required for the green economy and when these will be needed. That affects not only companies, social enterprises and workers but also skills and education providers.



39%
OF EMPLOYEES
in Moray work part-time

INCREASING BUSINESS PRODUCTIVITY

The need to continue to increase productivity in many sectors is evident in Moray's relatively low wages. The current challenges to achieving this include:

- ◆ Small number of businesses employing between 50 and 249 employees, and the numbers in the pipeline to grow to that scale.
- ◆ Relatively low level of business start-ups. There is a need to increase this to strengthen Moray's entrepreneurial culture.
- ◆ Current underemployment of some workers - evident in the relatively high proportion of jobs that are part time and the significant gender pay gap.
- ◆ Ensuring sufficient and affordable childcare is available to increase-in particular-women's ability to fully utilise their skills and abilities.
- ◆ Providing local public transport that supports employment and facilitates access to education/training.

The pandemic increased businesses' use of digital processes and related revenue streams. A range of support for digital skills is available and Scottish Government plans to develop additional funds for this. However, this needs to lead on to changes that transform businesses' operating models. The acquisition of digital skills needs to be an integral part of Moray's economy - from school pupils and onwards throughout the workforce.

Innovation through automation and new work processes (including artificial intelligence) will also be required. These will, in some sectors, help to offset limited availability of workers. This will include traditionally important sectors such as food and drink manufacturing (and its supply chain) and timber processing.

This will result in a bigger share of employment in higher value/higher paid jobs. It will need to be accompanied by a supported just transition for workers who lose their job as a result.

The aim will be to make Moray's businesses and its economy more productive. Improved productivity will contribute to a fairer and more equal Moray through higher wages, closing the gender pay gap and the creation of more full-time jobs.

Moray had a total of
56 BUSINESS START-UPS
PER 10,000 HEAD
of the working population



5. VISION

OUR VISION IS TO SEE MORAY AS:

A distinctive and attractive place to live, work, operate a business or social enterprise, study and visit. That will be through taking advantage of a decade of opportunities for employment growth and higher wages, supporting a resilient and increasingly thriving economy with communities that are strong, sustainable and more equal.

In part, achieving this will require that Moray's distinctive needs and opportunities are raised and acknowledged in forums and Government at the regional and national level - using a supporting evidence base of statistics.

Some of the opportunities identified in this strategy are common to all parts of the country, such as the transition to net zero and CWB. Therefore, Moray will need to be at least as good or better than other areas, including through making the most of its distinctive assets.



Picture credit: Gillian Frampton/HIE



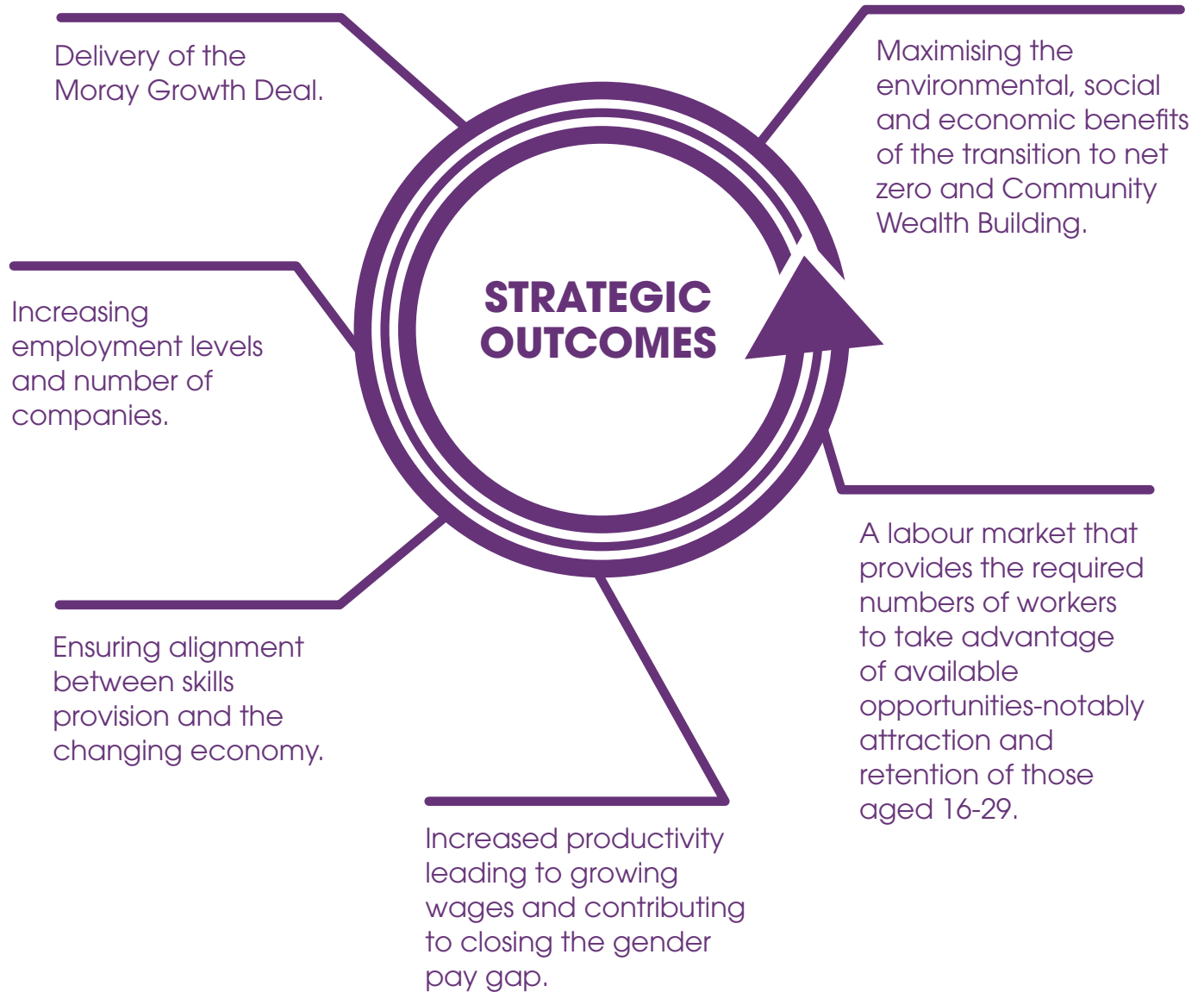
Picture credit: morayspeyside.com



Picture credit: John Paul Photography

6. STRATEGIC OUTCOMES

There are seven strategic outcomes that need to be achieved to transform Moray's economy over the next ten years. They are:



7. PRIORITY AREAS FOR ACTION

Numerical targets have purposely not been included in this document. It is assumed that it will provide a focus for the Moray Economic Partnership which will in turn create or refocus relevant work strands and working groups to take the recommended actions forward. A framework for creating Action Plans is shown in the Appendix.

Eventual targets will need to be flexible to respond to economic conditions at any given time. For example, another pandemic or changes to domestic and/or international trading conditions.

The following actions and outcomes reflect the key opportunities and challenges to be prioritised, in line with the stakeholder consultations. The Moray Growth Deal projects are part of this. They are supplemented by the other actions shown here.

A. MORAY GROWTH DEAL PROJECTS

Each of the projects will be delivered by the relevant partners. In addition, there should be:

- ◆ Support and advice to Moray supply chain companies to give them the best opportunity to win a share of the projects' construction work and ongoing project activity.
- ◆ A programme of awareness raising so that local businesses are fully aware of the opportunities that the Growth Deal will offer and the timescales over which these will become available.

B. A SUFFICIENT LABOUR MARKET

1 Develop a talent attraction/retention plan for Moray. This would raise awareness of existing and emerging opportunities for employment and businesses, quality of life and available cultural/leisure activities.

In terms of employment this would publicise and market:

- ◆ The opportunities (including higher quality jobs) currently available and that will become available over the medium term.
- ◆ The range of occupations and career paths in harder to fill sectors, specifically hospitality - especially among younger people.
- ◆ Apprenticeships to increase awareness and understanding and thus grow the numbers. This could be through the implementation of SDS's Careers by Design - Report of the Career Review Programme Board.

This would encourage retention and attraction of 16-29 year-olds in particular. It would also lead to greater participation by other groups such as those aged 55 years+ where people left the labour market because of the impacts of the pandemic.

2 Raise employer awareness and understanding of apprenticeships and of the types of jobs that young people in particular are seeking. Again, the aim would be to grow the numbers.

3 Identify, review and address potential barriers to labour market participation.

C. ENSURING ALIGNMENT BETWEEN SKILLS PROVISION AND THE CHANGING ECONOMY

1 **Increase the responsiveness of the skills system** and thus increase employer and industry investment in skills and training. This will be informed by a greater understanding of employers' skills needs and the most appropriate forms of provision - including relatively short in-work training courses.

2 **Fully align skills provision and careers information and advice to future demand.** This would include:

- ◆ Addressing sectors with expansion and replacement needs. That will include green jobs, with the approach aligned with the Scottish level approach to the required skills as this becomes known.
- ◆ Digital skills.
- ◆ Developing enterprise skills for upscaling of sole trader and micro businesses.

This could, in part, be through the implementation of SDS's Careers by Design - Report of the Career Review Programme Board.

D. INTEGRATED APPROACH TO DELIVERING TRANSITION TO NET ZERO AND CWB

1 Implement a **communication and information strategy covering Moray Council Climate Change Strategy and the wider transition to net zero.**

This would include consistent and simplified messaging, information sources for businesses and the third sector, and signposting to other organisations, with a role for the Moray Climate Action Hub. These would be aligned with Scottish Government activities and funding streams.

2 A **communication and information strategy on Community Wealth Building**, including how this links with the transition to net zero.

3 **Develop an understanding of, and deliver, the support businesses** will need to comply with the changing policy environment. That will include benchmarking of businesses' current position, advice and financial assistance.

4 **Increased local supplier engagement** to raise awareness of opportunities and identify support required to develop skills in tendering for contracts.

E. SUPPORTING PRODUCTIVITY GROWTH

1 Support to significantly increase the:

- ◆ **Number of start-ups** including social enterprises and other third sector businesses, and among underrepresented groups, for example, women.
- ◆ **Number and speed of scale ups** with a view to them becoming the new larger local employers.

2 Business support for **more productive business operations.**

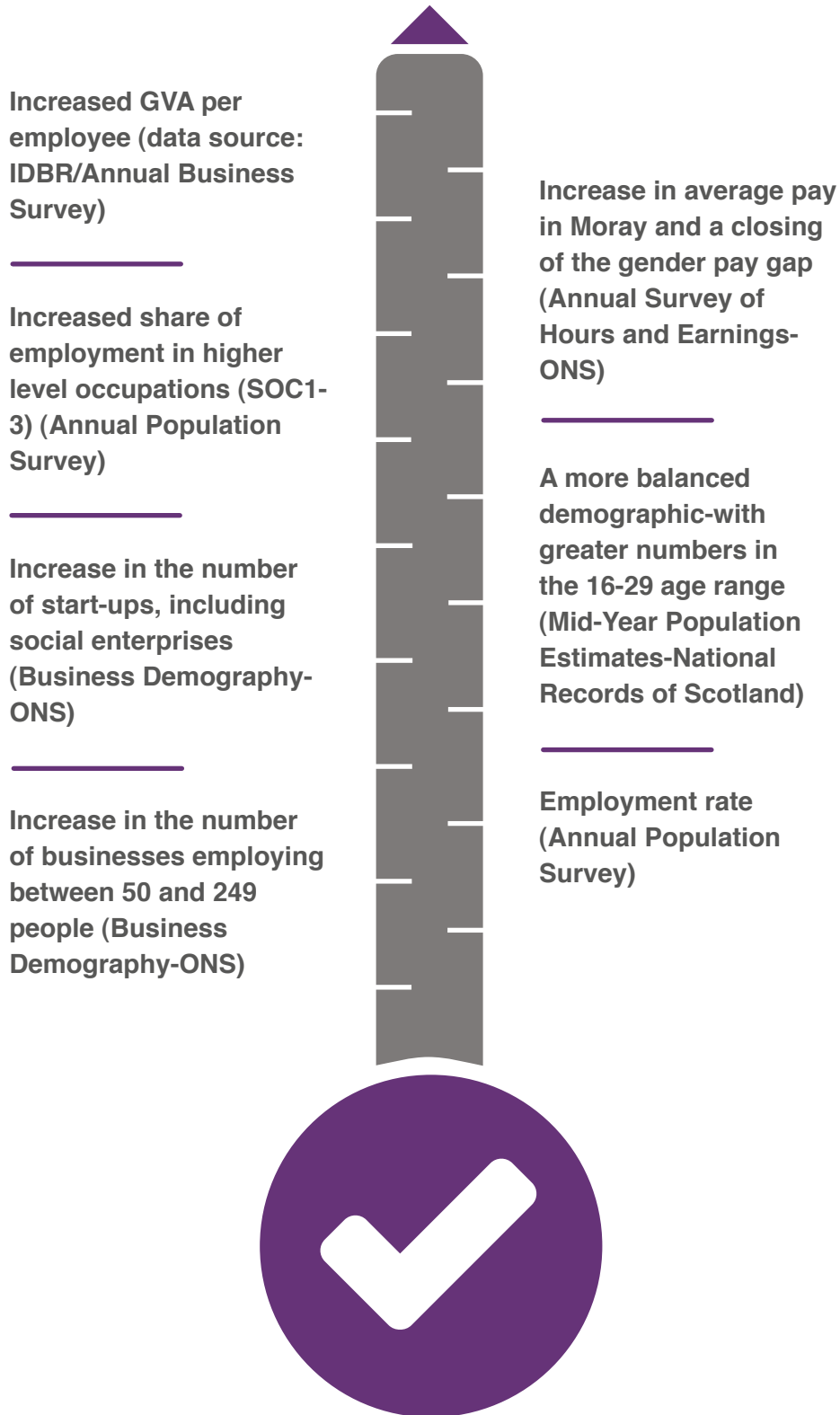
That will include new production processes (including automation) and the application of digital skills including to introduce artificial intelligence.

3 **Enhancing critical infrastructure:**

- ◆ Providing a sufficient supply of housing, including to support staff recruitment and retention.
- ◆ Childcare.
- ◆ Transport, including making the case for Moray's specific needs within overall Scottish Government policy - e.g. A96 dualling, sufficient electric vehicle charging points.
- ◆ Identifying and address specific sectoral constraints. For example, ongoing investment as required in general tourism infrastructure such as camper van facilities, stopping places and car parks, which could form part of the next Visit Moray Speyside destination strategy.

8. OUTCOMES AND MEASUREMENT

The following outcomes reflect the key desired changes from the Moray Economic Strategy. A number of wellbeing related measures should be added in due course following publication of Scottish Government's proposed wellbeing economy monitor.



Appendix: Action Plan Framework

Each priority area will have its own individual action plan created for detailing activities, reporting and ongoing development as we move through the various stages of delivery.

Date For Completion of Action Plan Documents:

December 2022

February 2023

PRIORITY AREA/ACTIONS	LEAD AND SUGGESTED PARTNERS INVOLVED	ACTIVITY	MEP SUBGROUP / OWNERSHIP
A. MORAY GROWTH DEAL PROJECTS			
1. Support and advice to Moray supply chain companies	<ul style="list-style-type: none"> ◆ Business Gateway ◆ HIE SDS 	Programme of Work	Moray Growth Deal
2. Programme of awareness raising	<ul style="list-style-type: none"> ◆ Chamber of Commerce 	Programme of Events	Moray Growth Deal
B. A SUFFICIENT LABOUR MARKET			
1. Talent attraction/retention plan	<ul style="list-style-type: none"> ◆ HIE ◆ Talent Attraction Group ◆ (Moray Council, SDS, Chamber of Commerce, VMS, tsiMORAY, RAF/MOD, Moray College/UHI Moray) 	Programme of Work	Communities and Place
2. Raise employer awareness and understanding of apprenticeships and young people's aspirations, targeting agreed sectors	<ul style="list-style-type: none"> ◆ Chamber of Commerce, SDS, DYW 	Programme of Events	Local Employability Partnership
3. Identify, review and address potential barriers to labour market participation, targeting agreed sectors	<ul style="list-style-type: none"> ◆ Moray Employability Partnership 	Programme of Events - continuation	Local Employability Partnership
C. ENSURING ALIGNMENT BETWEEN SKILLS PROVISION AND THE CHANGING ECONOMY			
1. Increase the responsiveness of the skills system	<ul style="list-style-type: none"> ◆ Moray Employability Partnership ◆ Partnership 	Plan	Local Employability Partnership
2. Fully align skills provision and careers information and advice to future demand	<ul style="list-style-type: none"> ◆ Moray Employability Partnership 	Programme of Events	Local Employability Partnership

D. INTEGRATED APPROACH TO DELIVERING TRANSITION TO NET ZERO AND CWB

1. Implement a communication and information strategy covering Climate Change Strategy and the wider transition to net zero	<ul style="list-style-type: none"> ◆ Moray Council ◆ HIE ◆ tsiMORAY 	Programme of Events	Communities and Place
2. Communication and information strategy on CWB	<ul style="list-style-type: none"> ◆ Moray Council ◆ tsi Moray ◆ HIE 	Programme of Events	Communities and Place
3. Develop an understanding of, and deliver, the support businesses will need	<ul style="list-style-type: none"> ◆ Chamber of Commerce ◆ Moray Council ◆ HIE 	Just Transition Plan	Business Support
4. Increased local supplier engagement	<ul style="list-style-type: none"> ◆ Chamber of Commerce ◆ Moray Council ◆ HIE 	Programme of Events	Business Support

E. SUPPORTING PRODUCTIVITY GROWTH

1. Support to significantly increase the number of start-ups and number/speed of scale ups	<ul style="list-style-type: none"> ◆ Business Gateway ◆ HIE 	Programme of Work	Business Support
2. Business support for more productive business operations	<ul style="list-style-type: none"> ◆ HIE ◆ Business Gateway ◆ Visit Moray Speyside ◆ Moray Chamber of Commerce ◆ Business Enterprise HUB 	Programme of Work	Business Support
3. Enhancing critical infrastructure- notably housing, childcare and transport	<ul style="list-style-type: none"> ◆ Moray Council ◆ HIE ◆ Private Sector RAF/MOD 	Plans for individual topics (e.g., housing) (From master plans) Funding Programme	Communities and Place

FOUR SUBGROUPS:

1) MORAY GROWTH DEAL

- A. 1. Support and advice to Moray supply chain companies
- A. 2. Programme of awareness raising

2) COMMUNITIES AND PLACE

- B. 1. Talent attraction/retention plan
- D. 1. Implement a communication and information strategy covering Climate Change Strategy and the wider transition to net zero
- D. 2. Communication and information strategy on CWB
- E. 3. Enhancing critical infrastructure-notably housing, childcare and transport

3) BUSINESS SUPPORT

- D. 3. Develop an understanding of, and deliver, the support businesses will need
- D. 4. Increased local supplier engagement
- E. 1. Support to significantly increase the number of start-ups and number/speed of scale ups
- E. 2. Business support for more productive business operations

4) LOCAL EMPLOYABILITY PARTNERSHIP

- B. 2. Raise employer awareness and understanding of apprenticeships and young people's aspirations, targeting agreed sectors
- B. 3. Identify, review and address potential barriers to labour market participation, targeting agreed sectors
- C. 1. Increase the responsiveness of the skills system
- C. 2. Fully align skills provision and careers information and advice to future demand





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