

POPULATION AND FRAGILE COMMUNITIES

DEMOGRAPHIC CHALLENGES IN THE HIGHLANDS AND ISLANDS – A FOCUS ON PERIPHERAL AND FRAGILE AREAS

Preface

This paper was originally produced for the COHI meeting in March 2020, which was cancelled due to the outbreak of COVID-19 in Scotland. Since then, the COVID-19 pandemic and the effect it has had on the economy and communities of Scotland is unprecedented.

The Highlands and Islands region has been relatively fortunate in terms of the health impact of the pandemic with the lockdown measures and ongoing restrictions largely successful in suppressing the virus. However, we have been particularly exposed to the economic impacts from these same measures due to the nature of our business base - a dependence on employment in micro and small enterprises, and in sectors more adversely affected - and relatively high levels of self-employment¹. The characteristics of our more rural areas, such as those along the West Coast that are facing population decline, provide additional challenges which require a dedicated and particular response.

The crisis presents unprecedented challenges, but also opportunities, particularly in relation to the way we work and do business and how many communities and businesses have adapted to respond to the crisis. Remote and home working have been proven as a viable business proposition, and this can help address the population challenges outlined for the West Coast of Scotland in this paper. As reflected in the paper's conclusions, promotion of rural Scotland as the place to live and work is key.

The paper has been updated to reflect the progress on related areas of work and research since February 2020, and to outline impacts in relation to COVID-19. However, given the extensive analysis in the paper, this has not been updated to incorporate subsequent publication of the mid-year estimates for 2019 and sub-national 2018 based population projections. However, topline level analysis shows a continuation of the key population trends for the region²:

- Between 2011 and 2019, there has been population decline in Caithness and Sutherland (-3.9%), Argyll and the Islands (-3.8%), Outer Hebrides (-3.5%) and Shetland (-1.4%), broad stability in Lochaber, Skye and Wester Ross (+0.5%) and growth in Orkney (+4.0%), Inner Moray Firth (2.9%) and Moray (+2.5%);
- The working age population has declined in all areas of the region between 2011 and 2019;

¹ <https://www.hie.co.uk/research-and-reports/our-reports/2020/september/16/the-impact-of-covid-19-on-the-highlands-and-islands/>

² NRS Small Area Population Projections 2019 and 2018 based Sub-national Population Projections

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- The population is projected to decline in all local authority areas in the region between 2018 and 2043. The greatest declines are expected in the Outer Hebrides (-16%) and Argyll and Bute (-15%). Note this is a change for Highland and Moray where previously population growth was projected. In addition, there are wide variations within local authority areas - particularly in Highland (Appendix 1 Table 6)

Therefore, this paper's conclusions and recommendations remain valid.

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Introduction and Background

The population challenge facing Scotland is significant given declining birth rates, reducing migration, and rural depopulation. Addressing these issues requires an array of interventions over the short to long-term at a national, regional and local level. The scale of impact is more acute within the Highlands and Islands with the need to address the specific challenges facing the region with appropriate and tailored interventions.

The pace of population growth in Scotland slowed from 4.7% between 2001 and 2011 to 2.6% between 2011 and 2018. There is a clear trend of strong growth around Edinburgh and surrounding local authorities, and population decline on the West coast. All but three of the eleven local authorities which experienced population decline are West coast local authorities, with Inverclyde (-3.8%), the Outer Hebrides (-3.1%) and Argyll and Bute (-3.0%) experiencing the greatest declines. While not a local authority, Caithness and Sutherland experienced severe population decline (-3.9%).

The COHI Senior Officers Group has identified an over-arching strategic goal of growing vibrant communities across the Highlands and Islands through population growth, inclusive growth and investment in communities and infrastructure. These goals are being pursued through a number of themes. However, within COHI, no particular actions or officer lead has been ascribed to the population issue. The broad strategic approach has been that good delivery on the individual themes will deliver economic growth and thereby contribute to the required population growth.

Building on previous papers on population discussed at COHI, this paper outlines key analysis on the population challenge across the Highlands and Islands, including a more detailed look at the sub-regional and sub-local authority picture. It also highlights other areas of work that are ongoing across the public sector to help identify and understand the scale and nature of the challenge.

The extent of the issues of population decline in Argyll and Bute, the Outer Hebrides and Caithness and Sutherland requires a targeted, inter-agency policy response. This should include the establishment of a sub-regional population response team to rapidly impact on population issues in the identified areas and bring forward a “repopulation plan”, including consideration of the establishment of a “West Coast Innovation Zone” and other appropriate policy interventions.

Population change across the Highlands and Islands³

The population of the Highlands and Islands declined steadily from the mid-1850s until around 1961, when oil and gas and other key developments lead to population growth. Between 1983 and 2001, the region’s population increased by 2.2%, fuelled by growth in Highland (6.8%) and Moray (2.9%). Orkney experienced a slight increase (0.2%), and there were slight declines in Argyll and Bute (-0.6%), and Shetland (-1.5%) and more severe decline in the Outer Hebrides (-15.7%).

More recently, between 2001 and 2018, the population of the Highlands and Islands grew by 7.6% to 489,330, in line with the increase across Scotland as a whole (7.4%). However, **population growth across the region has slowed in the last seven years, remaining relatively stable between 2011 and 2018** - up 0.4% compared to a 2.6% increase nationally (Appendix 1, Table 1).

³ Analysis of the Highlands and Islands is based on the HIE area (includes Arran and the Cumbræes from North Ayrshire but excludes Helensburgh and Lomond from Argyll and Bute). Sub-regional analysis is based on the 6 main local authority areas within the region, with analysis for the Highland Council area split into Caithness and Sutherland, the Inner Moray Firth and Lochaber, Skye and Wester Ross.

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Regional figures mask a more nuanced picture at sub-regional level, with overall population decline between 2011 and 2018 in the Outer Hebrides (-3.1%), Argyll and Bute (-3.0%), Caithness and Sutherland (-3.9%) and, albeit to a smaller extent, Shetland (-1.1%) (Appendix 1, Table 1).

In addition, **population projections⁴ show a continuing trend of population decline in the most fragile areas**, with marked decline projected for the Outer Hebrides (-14.0%) and Argyll and Bute (-9.9%) between 2016 and 2041, and smaller decreases expected for Shetland (-2.2%) and Orkney (-2.2%). Overall slight population growth in Highland (1.4%) masks significant regional disparities, with severe population decline projected for Caithness (-21.1%), East Ross (-13.8%) and Sutherland (-11.9%) (Appendix 1, Table 6).

Remote areas of Scotland are more likely to experience population decline than urban and accessible areas, while large urban areas (settlements of over 125,000 people) are a magnet for population growth. This highlights the challenge for the Highlands and Islands where over 60% of the population live in remote areas (61.8% compared to 9.3% across Scotland) and there a lack of large urban areas. (Appendix 1, Table 2).

Natural change across the Highlands and Islands (and in all local authority areas bar Shetland) has been negative (more deaths than births) between 2011 and 2018. **Migration is therefore the key driver of population change**, and the nature and extent of this varies substantially across the region, impacting demographic changes (Appendix 1, Table 5).

The **age structure within areas is critical to growing and sustaining communities.** The older population structure of the Highlands and Islands has been linked to its attractiveness as a retirement destination. **Due to the natural ageing of the population and immigration of people aged 65+, numbers in this age groups have grown considerably.** In 2018, it is estimated that around a quarter of the population in Argyll and Bute (25%), the Outer Hebrides (25%) and Orkney (24%) are aged 65+, and around a fifth in Highland (22%), Moray (21%) and Shetland (20%). The national average is just under a fifth (19%) (Appendix 1, Table 3). All areas are also experiencing a decline in both the working age and under 16 populations. **Excluding those aged 65+, the populations would have declined for each local authority in the Highlands and Islands**, with the Outer Hebrides experiencing a decline of 7.7%, Argyll and Bute of 7.4%, Shetland of 5.2%, Highland of 3.0%, Moray of 1.3%, and Orkney of 1.1%.

Reflecting this, **dependency ratios (the number of dependents (under 16's and over 65's) per 100 people of working age (16-64)) across the region are higher than the national average** and projected to increase significantly (Appendix 1, Table 4). However, it should be recognised that demographic change has prompted much policy attention on extending working lives beyond traditional retirement ages. The employment rate of those aged 65+ increased from 5.2% in 2004 to 9.1% in 2016, so there is significant potential for growth in the employment rate of older people⁵.

Regional economic context

Density of population across the Highlands and Islands is low, with around 12 people per km² compared to a figure of 65 for Scotland. Some of the more remote parts of the region have exceptionally low population densities - e.g. a figure of less than 6 in Lochaber, Skye and Wester Ross.

⁴ Population projections are trend-based and are therefore, not policy-based forecasts of what the government expects to happen and should be used with caution.

⁵ <file:///C:/Users/eilidh.macdonald/Downloads/00523867.pdf>

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This **presents a number of challenges to economic and social development** which manifests in a settlement pattern of small communities, often distant from each other, key markets and services. This results in additional costs in the provision of goods and services due to a lack of economies of scale and a corresponding enterprise base and acts as a constraint on business development and economic growth.

The Highlands and Islands faces a distinct set of other challenges - a narrower range of education and career opportunities compared to Scotland, below average wage levels in certain areas, higher cost of living, transport and digital connectivity.

The region has a **strong, but tight labour market** with higher employment and higher self-employment compared to Scotland as a whole. However, these characteristics mask the outmigration of young people, skills under-utilisation, seasonality and lack of full-time employment opportunities and occupational segregation, compounding the challenge further.

While **productivity** has been improving across the region, there are still areas lagging behind Scotland and the UK largely due to a lower share of employment in higher paying sectors, particularly evident in the Outer Hebrides and Argyll and Bute, exacerbated by the nature of the business base and geography and the higher cost of doing business.

The quality, availability and accessibility of **transport and digital infrastructure** varies across the Highlands and Islands, with people living in remote parts of the region often being access deprived. Research by HIE has shown good quality and affordable transport and digital links are particular issues for businesses and for the attraction and retention of young people. The impact of Covid has resulted in even greater challenges in delivering sustainable public transport routes in remote and rural areas.

The availability, quality and energy efficiency of **housing** has been a major constraint to inclusive growth in the Highlands and Islands. It constrains the aspirations of businesses, communities and people and weakens ability to successfully retain and attract talent, especially young people, to the region. A shortage of supply in **social care and childcare** is an identified barrier in many parts of the region with the outlined demographic trends intensifying the challenge.

Brexit represents a fundamental shift in the economic landscape, impacting on sectors and geographies dependent on migrant workers and frictionless trade with the EU, with labour market retention and availability of people an increasing concern. This is felt keenly within the tourism, health and social care, agriculture and food and drink sectors across the Highlands and Islands.

Growing the working age population by implementing policies to attract and retain young people to the region and through positive net in-migration is critical to address these varied challenges and opportunities.

A closer look

Analysis of population change by datazone allows a more detailed exploration of variation within local authority areas. Map 1 illustrates the extent of decline in the working age-population, highlighting the extent of the challenge across the Outer Hebrides, Argyll and Bute and Caithness and Sutherland.

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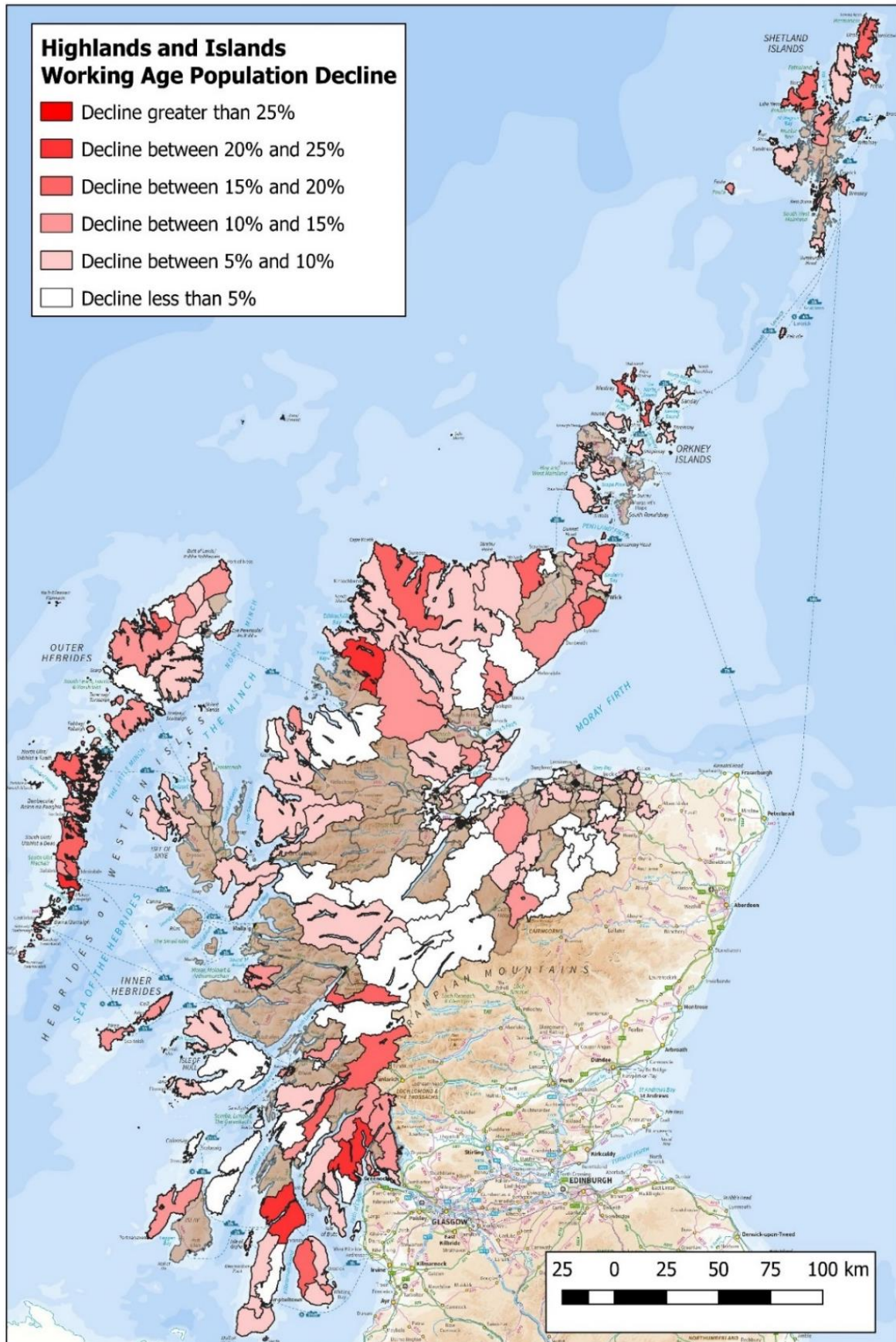
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Appendix 2 provides detailed maps for each sub-area, outlining key points in relation to the extent and nature of population change in comparison to Scotland overall.

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Map 1: Working age population decline in the Highlands and Islands



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Table 1: Summary of Key Indicators of population change

	Population Change (%) 2011-2018	Working age population Change (%) 2011-2018	Dependency Ratio 2018
Caithness and Sutherland	-3.9	-8.1	69.0
Outer Hebrides	-3.1	-7.9	71.1
Argyll and Bute	-3.0	-6.9	68.2
Shetland	-1.1	-4.9	61.6
Lochaber, Skye and Wester Ross	0.5	-3.1	65.0
Moray	2.2	-0.4	62.1
Inner Moray Firth	2.7	-3.1	61.6
Orkney Islands	3.6	-1.0	65.4
Highlands and Islands	0.4	-3.3	64.4
Scotland's Highest LA	-3.8	-7.9	71.1
Scotland's Lowest LA	9.5	7.5	41.7
Scotland	2.6	0.1	55.7

Source: NRS Mid-year population estimates

Key indicators are highlighted as follows:

	Top quarter of LAs in Scotland		3 rd quarter of LAs in Scotland
	2 nd quarter of LAs in Scotland		4 th quarter of LAs in Scotland

The Outer Hebrides and Argyll and Bute have been identified as part of a cluster of **West Coast local authorities**⁶ that have experienced and are forecasted to experience further population decline. As highlighted in Table 1, and in the context of the Highlands and Islands and Scotland, **these areas, along with Caithness and Sutherland, merit a focused policy response.**

When looking at fragility and demographic challenges at local authority level, Highland level data masks significant disparities. **Caithness and Sutherland**, although larger than most local authorities in Scotland, has experienced greater population and working age population decline than all local authorities in Scotland. Decline has occurred in both remote rural areas and the remote small towns of Wick and Thurso. The area has one of the oldest age structures in Scotland, and a correspondingly high dependency ratio. The area also has a high proportion of vacant homes and second homes.

The Outer Hebrides experienced high levels of overall (highest LA in Scotland) and working age population decline (2nd highest LA in Scotland), one of the oldest age structures and the highest dependency ratio in Scotland. Population decline was widespread throughout the islands, with the decline in rural areas (-3.7%) greater than that in Stornoway (-1.7%), and particularly high in the Uists. Population decline was due to natural change as opposed to an outmigration of people (as net migration was approximately balanced). The area has the largest proportion of vacant dwellings and the second highest proportion of second homes of all local authorities in Scotland.

⁶ The other local authorities are: East Ayrshire, West Dunbartonshire, South Ayrshire, Dumfries and Galloway, North Ayrshire and Inverclyde.

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Argyll and Bute has experienced high levels of population decline and working age population decline (second and third highest rates of decline LA in Scotland, respectively), has one of the oldest age structures in Scotland and in addition is experiencing a net outmigration of people as well as natural decline in the population. Population decline was widespread among different geographies and island/mainland areas. The area also has the highest proportion of second homes of all local authorities in Scotland.

Shetland is also showing concerning overall characteristics however, the area has a younger age structure than the three areas mentioned above (similar to that of Scotland), and more births than deaths. Half of the outmigration of people since 2011 has occurred between 2016 and 2018, after the population remained relatively stable (-0.2%) between 2011 and 2016. It is uncertain if this trend will continue or whether it could be temporary and related to developments in the oil and gas sector in the area. Population loss on islands not connected to the mainland was greater (decreasing by 3.5%) than that in mainland areas (down 0.7%). This mainland reduction was due to population decline in Lerwick (-5.7%) while rural areas of Shetland as a whole experienced population growth of 4.6%. Along with Lochaber, Skye and Wester Ross, the area had the greatest increase in the 65+ population across the Highlands and Islands between 2011 and 2018. The area also has the second highest proportion of vacant dwellings in Scotland.

Lochaber, Skye and Wester Ross experienced overall population growth of 0.5%, although this was fuelled by growth in Skye, as mainland areas experienced population decline of 0.4%. This decline was concentrated in Fort William and surrounding areas (-0.3%). The population growth of 185 people experienced in the area overall was significantly lower than the growth in those aged 65 and above (1,636 people). Along with Shetland, the area had the greatest increase in the 65+ population across the Highlands and Islands between 2011 and 2018. At 6.8%, the proportion of dwellings that were second homes was higher than all local authorities in Scotland. In addition, Skye has the greatest concentration of Airbnbs in Scotland with 18.6% of all dwellings having an Airbnb listing (e.g. at least renting a room) and 11.4% of whole properties being listed on Airbnb⁷.

Moray experienced an immigration of 2,636 people, although there was a natural decline in the population, with 586 more deaths than births. Population growth was 2.2% overall, and was widespread throughout the area, with increases in urban areas, accessible areas and small towns, with only remote rural areas experiencing a decline of 0.9%. The area has an older population structure than Scotland, however younger than the Highlands and Islands as a whole. Of all local authorities in Scotland, Moray had the third greatest increase in the population aged 85 and older (28.4%) and the overall population growth of 2,050 was lower than the increase in those aged 65 and over (3,053).

The **Inner Moray Firth** experienced population growth of 2.7%, with growth across all areas except remote small towns (-0.6%). It is expected that much of the immigration to Highland (+4,544 people) is to this area, although Highland as a whole has experienced negative natural change of 1,501 people. The growth in those aged 65 and over (5,797 people) was greater than the overall increase of people in the area (4,167). The area has the 6th highest proportion of second homes in Scotland.

Orkney experienced population growth in mainland areas and islands connected to the mainland by causeway and decline in the outlying islands of 4.1%. Kirkwall also increased more rapidly (4.3%) than

⁷ <https://www.gov.scot/publications/research-impact-short-term-lets-communities-scotland/pages/8/>

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the rest of Orkney (3.1%). The area experienced a large immigration of 1,030 people, similar to the increase in those aged 65 and over (965). The area was the third highest local authority in Scotland for the proportion of homes that are vacant (6.2%) and second homes (3.6%).

The Impact of COVID-19 and vulnerability to Brexit

The Highlands and Islands has been disproportionately impacted by the COVID-19 pandemic when compared to Scotland as a whole. It is likely to take longer to recover and face substantial economic scarring with GDP estimated to contract between -11% and -19% in 2020⁸.

The region has a higher share of employment in the sectors most exposed to COVID-19 (39% compared to 37% nationally), with this higher than the national average in Moray (49%), Highland (40%) and Argyll and Bute (38%)⁹. In addition, it has a greater share of self-employment and employment in micro businesses than Scotland overall. These are businesses most at risk as a result of COVID-19, although also the ones that are most flexible and potentially able to respond to the challenge.

Claimant count unemployment has risen across the region (from 2.4% in July 2019 to 5.7% in July 2020), highest in Lochaber, Skye and Wester Ross (7.2%) and Argyll and the Islands (7.2%) (Appendix 1, Table 8). This reflects that the number of people that are unemployed or employed and on low income and/or low hours has increased significantly. Youth unemployment also increased (from 3.8% to 9.9%) suggesting significant barriers for young people wishing to participate in the labour market.

The COVID-19 impact is compounded by the region's vulnerability to Brexit – five of the six most vulnerable local authority areas to Brexit are in the Highlands and Islands, with the Outer Hebrides, Shetland and Argyll and Bute the top three and Highland and Orkney ranked fifth and sixth respectively¹⁰.

Other related work and research

Recognising that Scotland is facing a demographic challenge, Scottish Government (SG) has established a Population and Migration Ministerial Taskforce. The taskforce is supported by a Programme Board responsible for a number of different workstreams including: reviewing the range of activity across Scottish Government and partner organisations aimed at addressing population and demographic change; identifying and addressing 'gaps' in current activity and considering the impact of population change on rural, remote and island communities and on the public sector workforce. Scottish Government also made a commitment in the Programme for Government to develop an action plan to support repopulation of our rural and island communities and work with partners to test approaches using small scale pilots in rural Scotland.

There is also a wealth of research and analysis being undertaken by public sector organisations to explore Scotland's population challenge in relation to remote and rural areas and/or the Highlands and Islands. Following discussion at the October 2019 COHI meeting, SG agreed to undertake analysis of its own footprint and the impact that a workforce dispersal policy could have on Scotland's population challenge. Other ongoing and existing work includes:

- Depopulation Analysis by Rural and Environmental Science and Analytical Services, SG;
- Area Profiling and Inclusive Growth Weighting (HIE);
- Case studies of Island repopulation initiatives (SG with SRUC);

⁸ <https://www.hie.co.uk/media/9646/the-impact-of-covid-19-on-the-highlands-and-islands.pdf>

⁹ Scottish Government June Monthly Economic Briefing. Sectors most exposed are Accommodation and food services; arts, entertainment and recreation, manufacturing, wholesale, retail and repairs and construction.

¹⁰ Scottish Government [Brexit Vulnerability Index](#)

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- Sparsely Populated Areas (James Hutton and SRUC);
- Services of General Interest in the Scottish Sparsely Populated Areas (James Hutton Institute and SRUC).

A more detailed overview of each project is provided in Appendix 3. Findings of these research studies will inform further consideration of demographic challenges in the region at future COHI meetings.

Strategic Intervention

Using capital attraction and economic development strategies to impact on population retention is the traditional methodology that has been deployed in the Highlands and Islands. This is broadly the methodology presently being deployed by Local Authorities, Highlands and Islands Enterprise (HIE) and other stakeholders. It is the approach inherent in the Digital, Transport, Skills, Talent Attraction, Marine Economy, Energy Strategy and Housing themes being developed by COHI.

This capital attraction approach has had many successes and at a pan-Highlands and Islands level has proven highly effective. It is clear, however, that the approach is not having the same impact on peripheral communities, particularly those on the West Coast and Caithness and Sutherland. It should, therefore, be equally clear that additional policy interventions are required in these localities.

In addition to the traditional economic regeneration strategies, there is work to be done to make the Highlands and Islands, and the areas along the West Coast and Caithness and Sutherland in particular, physically appealing and more connected places to live, work and study in. Complementary action to address the population challenges evident at national, regional and local geographies is paramount. Since the pandemic, increased interest in living and working in rural parts of the region is evident. This is to be welcomed however it is raising questions on whether this manifesting from those committed to working and living in the region or is representative of another urge in second home ownership. Anecdotally, it may already be impacting on price and availability of houses and there is a need for further intelligence to ensure the appropriate policy response.

Elements of such a population and place-based approach in peripheral/fragile communities may include protecting and building upon policy initiative already making an impact as well as:

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<p>Capital:</p> <ul style="list-style-type: none"> • Enhanced connectivity – digital and transport including low carbon transport development • Advance housing solutions • New social infrastructure • Regeneration of existing built environment and amenities • Innovation and academic infrastructure to support development of blue and green economy 	<p>Human Capital:</p> <ul style="list-style-type: none"> • Expansion of Higher and Further Education provision particularly to support transition to net zero, blue economy and digital innovation, but also in core regionally important professions and those likely to be impacted by Brexit • Build on innovative approach being developed around the Western Isles Charter approach to help anchor young people in remote and rural areas • Flexible apprenticeships – e.g. opportunity to share, locate remotely - that deliver for more remote areas
<p>Policy and Legislative:</p> <ul style="list-style-type: none"> • Jobs dispersal – Scottish Gov, wider public sector and private sector • Promotion of specific migration policies for the area • Strategic focus on young people and the future • Review approaches to resource allocation including those that are traditionally per capita based which disadvantage remoter areas where services and education can be more expensive to deliver • Review investment criteria for funding routes is not inhibiting opportunities in more remote areas (through metrics used or inequitable comparators with urban investments) • New innovation zone with appropriate incentives • Introduction of light, flexible systems and regulations • Review policy for dispersal of HE provision to ensure fit with region’s requirements 	<p>Population and Talent Attraction and Retention:</p> <ul style="list-style-type: none"> • Regional marketing and branding to compliment local promotion – optimising social media and TV production opportunities (eg. Shetland) • Development of key, targeted initiatives, building on the learning from the SFC case studies eg. Infrastructure to attract ‘digital nomads’; package of incentives to bring people in • Facilitation support for regional Health Boards to augment recruitment practices and joined up effort • Locally based Talent Attraction or ‘resettlement officers’ • Through UHI, use Higher Education as an attractor into the region • A regional ‘International House’ that provides support and welcome to migrant workers • Talent Retention e.g. targeted Graduate Placement opportunities aimed at UHI graduates • Create a benefits package aimed at making it more attractive for young people to remain eg. travel reductions; access to housing etc

A refocused Population and Talent Attraction and Retention approach is key – it is important that retention forms part of the policy and intervention response given the labour market impact of

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COVID. COHI SOG members are already considering a range of measures for the region, and there is evidence of a significant investment across the Highlands and Islands in digital media platforms and marketing campaigns targeting key locations. Additional focus will need to be given to the three specific challenge areas to look specifically at the jobs, skills and people we might want to attract into remote and peripheral parts. It will be particularly important to ensure that any national or regional activities are cognisant of the issues faced in these areas.

Conclusions/Recommendations

It is clear that there are particular and significant population and demographic issues across the Highlands and Islands. These issues are, however, particularly acute and severe across Argyll and Bute, the Outer Hebrides and Caithness and Sutherland. Research¹¹ has shown that the interdependencies between declining population and that of service provision are complex, and therefore improving or increasing the delivery of rural services may lead to increases in population and introduce an upward spiral of rural growth and prosperity.

There is little doubt that the identified population trends will be further exacerbated by the impacts of the COVID-19 pandemic and Brexit. Both these shock events will have significant and on-going impacts in the Highlands and Islands, with the most peripheral communities having a particular vulnerability. Certain elements of the economic structure of the Highlands and Islands (i.e., tourism, hospitality, primary sector) make the region highly vulnerable to the economically depressive impacts of COVID-19 suppression measures and to the impacts of Brexit. These impacts will in turn manifest themselves in increased population reductions. This should give added urgency and impetus to the need for rapid action and intervention around population loss.

It will be important to ensure that any regional or local policy response to address the population and demographic issues across the Highlands and Islands builds on existing national and regional activities. At the same time, ensuring that these activities are cognisant of the issues faced in the Highlands and Islands, and in Argyll and Bute, the Outer Hebrides and Caithness and Sutherland in particular, is vital to success. Many benefits could be accrued from these areas being actively pursued as priority locations as part of the government's jobs dispersal policy.

COHI members are invited to agree the following:

- 1) that the acuteness of the issues in relation to population decline in Argyll and Bute, the Outer Hebrides and Caithness and Sutherland requires a targeted, inter-agency policy response;
- 2) this response should include the establishment of a sub-regional population response team, whose goal should be to rapidly impact on population issues in Argyll and Bute, the Outer Hebrides and Caithness and Sutherland, and bring forward a 'repopulation plan', including consideration of the establishment of a "West Coast Innovation Zone" and other appropriate policy interventions.

The paper recognises that there are various workstreams related to population and fragility ongoing at present, including wider analytical work across the public sector. It will be important to draw on findings from these for consideration at future COHI meetings and to inform next steps with the Population and Migration Programme Board/Task Force.

Argyll and Bute Council, Comhairle nan Eilean Siar, Highland Council, Highlands and Islands Enterprise

¹¹ Services of General Interest in the Scottish Sparsely Populated Area, James Hutton and SRUC

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Annex 1: Additional Tables

Table 1: Population Change across the Highlands and Islands, 2001 to 2018

	Population 2001	Population 2011	Population 2018	Change 2001-2018	Change 2001-2011	Change 2011-2018
Outer Hebrides	26,450	27,690	26,830	1.4%	4.7%	-3.1%
Argyll & Bute	91,300	88,930	86,260	-5.5%	-2.6%	-3.0%
Shetland Islands	21,960	23,240	22,990	4.7%	5.8%	-1.1%
Highland	208,920	232,730	235,540	12.7%	11.4%	1.2%
<i>Lochaber, Skye & Wester Ross</i>	<i>36,933</i>	<i>39,146</i>	<i>39,339</i>	<i>6.5%</i>	<i>6.0%</i>	<i>0.5%</i>
<i>Caithness and Sutherland</i>	<i>38,426</i>	<i>39,808</i>	<i>38,267</i>	<i>-0.4%</i>	<i>3.6%</i>	<i>-3.9%</i>
<i>Inner Moray Firth</i>	<i>133,561</i>	<i>153,776</i>	<i>157,934</i>	<i>18.2%</i>	<i>15.1%</i>	<i>2.7%</i>
Moray	87,000	93,470	95,520	9.8%	7.4%	2.2%
Orkney Islands	19,220	21,420	22,190	15.5%	11.4%	3.6%
Highlands and Islands (LA based)	454,850	487,480	489,330	7.6%	7.2%	0.4%
Scotland	5,064,200	5,299,900	5,438,100	7.4%	4.7%	2.6%

Source: NRS Mid-Year Population Estimates

Table 2: Population Change by Urban Rural Classification

	Population Change (%) 2011-2018	
	Highlands and Islands	Scotland
Large Urban	-	4.7
Other Urban Areas	1.3	0.8
Accessible Small Towns	1.8	1.2
Accessible Rural	6.2	6.1
Remote Small Towns	-1.8	-1.6
Remote Rural	-0.4	0.1
Total	0.2	2.6

Source: NRS Mid-year Estimates

Table 3: Population share by age band, 2018

	% share of population, 2018						Total Population 2018
	0-15	16-29	30-49	50-64	65-74	75+	
Outer Hebrides	16%	12%	23%	23%	14%	12%	26,830
Argyll and Bute	15%	15%	21%	24%	14%	11%	86,260
Shetland	18%	15%	25%	22%	11%	9%	22,990
Highland	17%	14%	24%	23%	12%	10%	235,540
<i>Lochaber, Skye & Wester Ross</i>	<i>16%</i>	<i>13%</i>	<i>22%</i>	<i>25%</i>	<i>14%</i>	<i>10%</i>	<i>39,339</i>
<i>Caithness & Sutherland</i>	<i>15%</i>	<i>13%</i>	<i>21%</i>	<i>24%</i>	<i>14%</i>	<i>11%</i>	<i>38,267</i>
<i>Inner Moray Firth</i>	<i>17%</i>	<i>15%</i>	<i>25%</i>	<i>22%</i>	<i>12%</i>	<i>9%</i>	<i>157,934</i>
Moray	17%	15%	25%	22%	12%	10%	95,520
Orkney	16%	14%	23%	23%	13%	11%	22,190
Highlands and Islands	16%	15%	24%	23%	13%	10%	489,330
Scotland	17%	18%	26%	21%	11%	8%	5,438,100

Source: NRS Mid-year Population Estimates

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Table 4: Dependency Ratios

	2011	2018	2041 - projection
Outer Hebrides	62.7	71.1	94.5
Argyll and Bute	61.4	68.2	95.0
Shetland Islands	55.3	61.6	78.8
Highland	57.3	63.3	83.7
<i>Lochaber, Skye & Wester Ross</i>	59.1	65.0	*
<i>Caithness and Sutherland</i>	61.5	69.0	*
<i>Inner Moray Firth</i>	55.8	61.6	*
Moray	57.9	62.1	79.8
Orkney Islands	58.0	65.4	89.0
Highlands and Islands	58.4	64.4	85.0
Scotland	52.0	55.7	69.9

Source: NRS Mid-year Population Estimates and 2016 based Sub-national population projections

Table 5: Components of Population Change

	Estimated Population Change 2011-2018 (N)	Of which:		
		Natural Change	Estimated net civilian migration	Other changes*
Outer Hebrides	-860	-867	9	-2
Argyll and Bute	-2,670	-2,636	-473	439
Shetland Islands	-250	167	-426	9
Highland	2,810	-1,501	4,544	-233
Moray	2,050	-586	2,406	230
Orkney Islands	770	-265	1,030	5
Highlands and Islands	1,850	-4,881	6,719	92
Scotland	138,200	-5,677	144,701	-824

Source: NRS Mid-year Estimates * Other changes include armed forces and prisoner population

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Table 6: Population Projections

	2016-2041 change
Local Authorities	
Outer Hebrides	-14.0
Argyll and Bute	-9.9
Shetland	-2.2
Orkney	-2.2
Highland	1.4
Moray	8.1
Sub Highland Areas	
Caithness and Sutherland	
Sutherland	-11.9
Caithness	-21.1
Lochaber, Skye and Wester Ross	
Ross and Cromarty	8.7
Skye and Lochalsh	11.8
Lochaber	-5.9
Inner Moray Firth	
East Ross	-13.8
Mid Ross	12.2
Nairn	6.6
Badenoch and Strathspey	-5.3
Inverness	11.2

Source: National Records for Scotland, Highland Council Corporate Plan, 2017 - 2022

Table 7: Dwellings, 2018

	Occupied Dwellings %	Vacant Dwellings %	Second homes %
Argyll and Bute	88.7	4.5	6.7
Highland	93.4	3.3	3.3
Moray	94.2	4.1	1.7
Outer Hebrides	86.4	8.0	5.6
Orkney Islands	90.2	6.2	3.6
Shetland Islands	91.7	6.9	1.5
Highlands and Islands	91.5	4.3	4.2
Scotland	95.9	3.2	1.0

Source: NRS Mid-year Household Estimates

Table 8: Unemployment (Claimant Count)

	July 2019	July 2020
Lochaber, Skye and Wester Ross	1.6%	7.3%
Argyll and the Islands	2.9%	7.2%
Caithness and Sutherland	3.3%	6.2%
Outer Hebrides	2.1%	5.6%
Inner Moray Firth	2.3%	5.5%
Moray	2.5%	5.1%
Shetland	1.4%	3.7%
Orkney	1.3%	3.1%
Highlands and Islands	2.4%	5.7%

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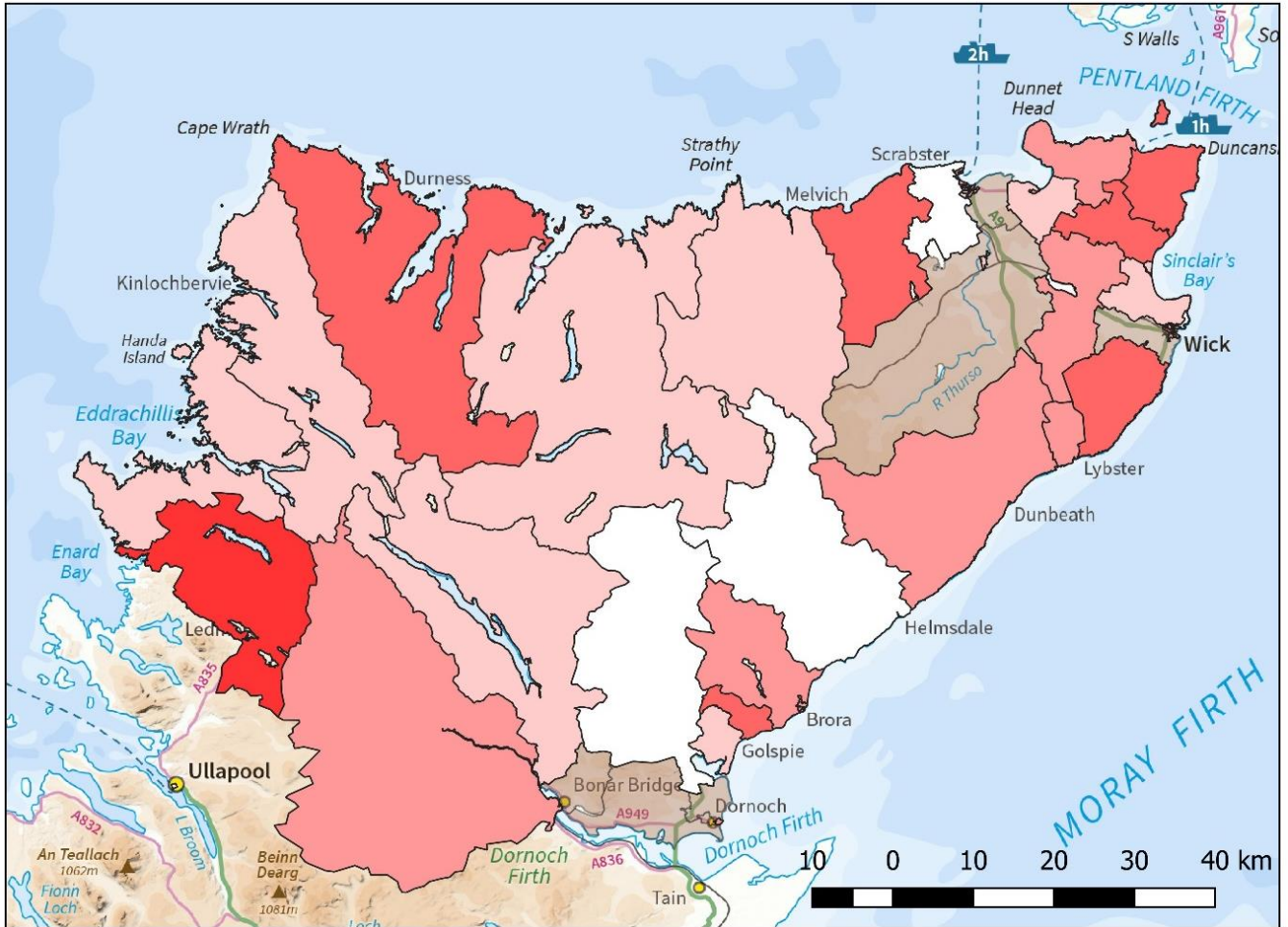
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Source: Claimant Count, July 2020. Note: Claimant count includes those on low income and eligible for unemployment related benefit support while still employed. Therefore, changes in the claimant count may not be due wholly to changes in the number of people who are unemployed.

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Appendix 2: A Closer Look



Caithness and Sutherland Working Age Population Decline

- Decline greater than 25%
- Decline between 20% and 25%
- Decline between 15% and 20%
- Decline between 10% and 15%
- Decline between 5% and 10%
- Decline less than 5%

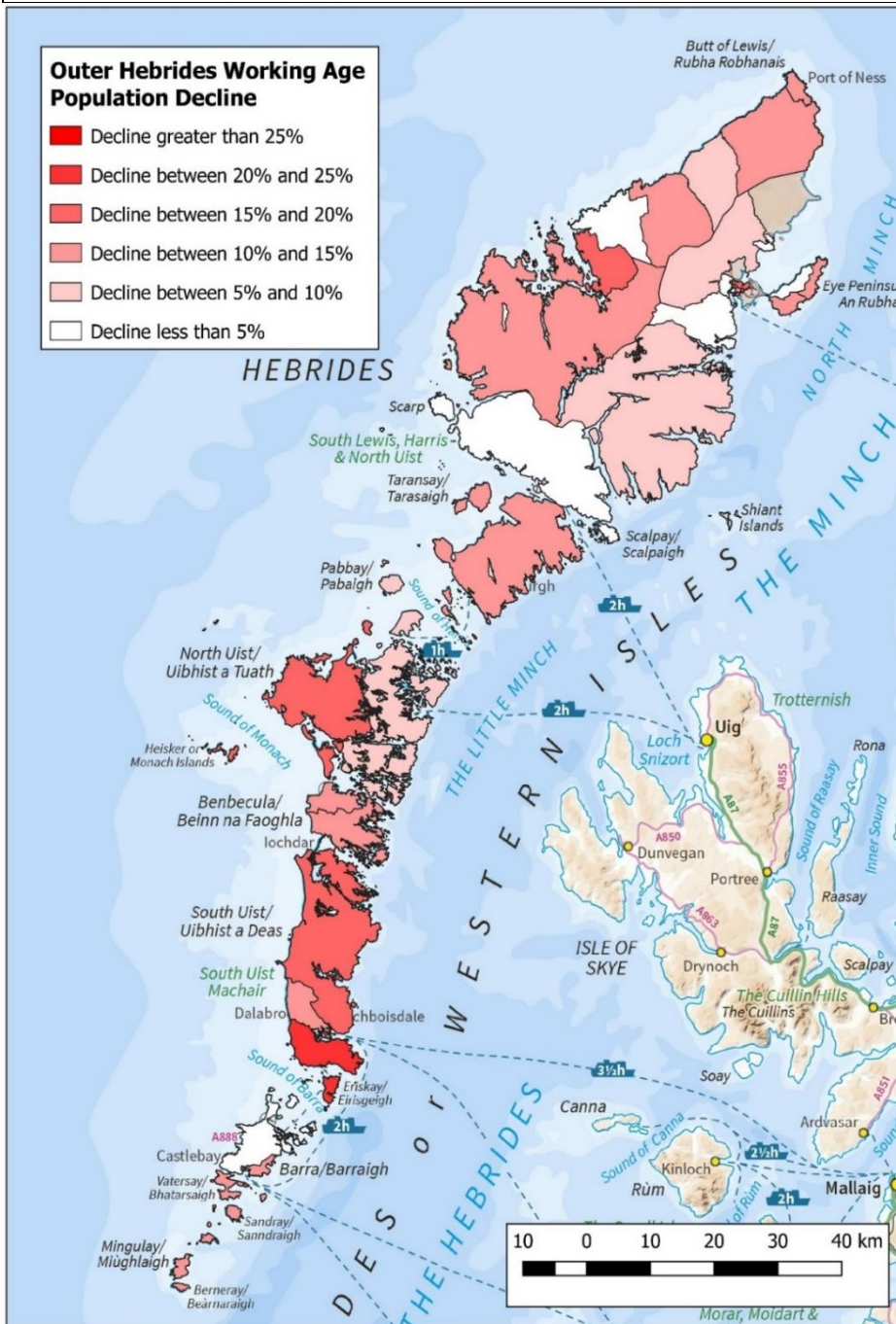
Caithness and Sutherland Key Points:

Total Population Change: -3.9% Higher than all LAs in Scotland	Working Age Population Change: -8.1% Higher than all LAs in Scotland	Dependency Ratio: 69.0 Around 3 rd highest LA in Scotland
<ul style="list-style-type: none"> Population decline in both remote rural areas (-3.2%) and remote small towns of Wick (-3.9%) and Thurso (-5.9%) Population growth in Highland overall fuelled by immigration (+4,544 people), with negative natural change (-1,501 people). Figures not available below LA level. 25.4% of the population aged 65 and over (around the 3rd LA in Scotland), and 2.9% of the population aged 85 or over (around the 7th LA in Scotland) 		

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- Around the 4th highest proportion of vacant homes (5.4%) and around the 3rd highest proportion of second homes (3.8%)



Outer Hebrides Key Points:

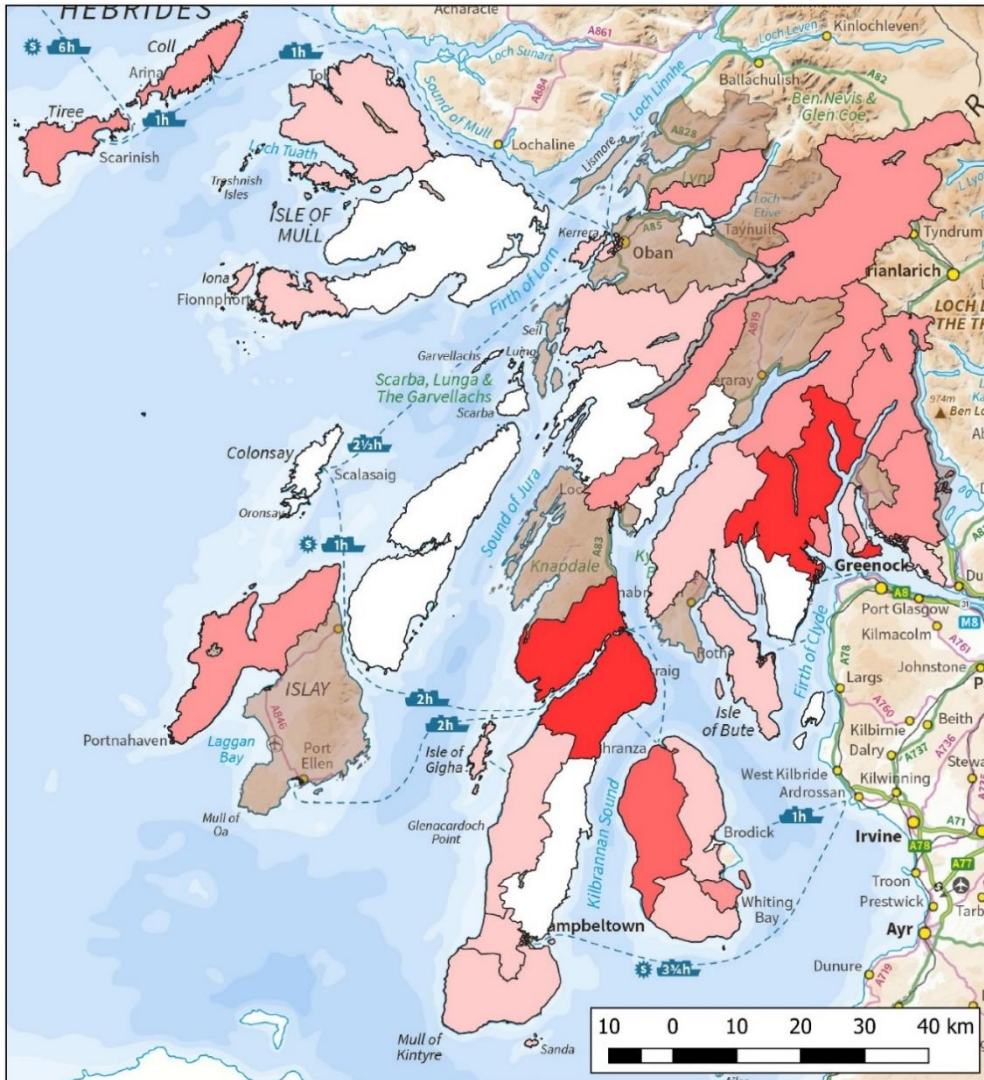
Total Population Change: -3.1% Second lowest LA in Scotland	Working Age Population Change: -7.9% Lowest LA in Scotland	Dependency Ratio: 71.1 Highest LA in Scotland
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- Population decline widespread throughout the islands, with the greatest declines in South Uist (-7.9%) and North Uist (-3.3%).
- Population decline due to natural change as opposed to outmigration
- LA with the 3rd highest proportion of population aged 65 and over (25.4%), LA with the highest proportion aged 85 and over (3.3%), and LA with the highest dependency ratio (71.1)
- Over 70% of the population live in a remote rural area. Remote rural areas declined by 3.7%, greater than the decline in Stornoway (remote small town, decline of 1.7%).

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- The area has the largest proportion of vacant dwellings (8.0%) of all local authorities in Scotland, and the second highest proportion of second homes (5.6%)



Argyll and Bute (plus Arran and Cumbrae) Working Age Population Decline

- Decline greater than 25%
- Decline between 20% and 25%
- Decline between 15% and 20%
- Decline between 10% and 15%
- Decline between 5% and 10%
- Decline less than 5%

Argyll and Bute Key Points:

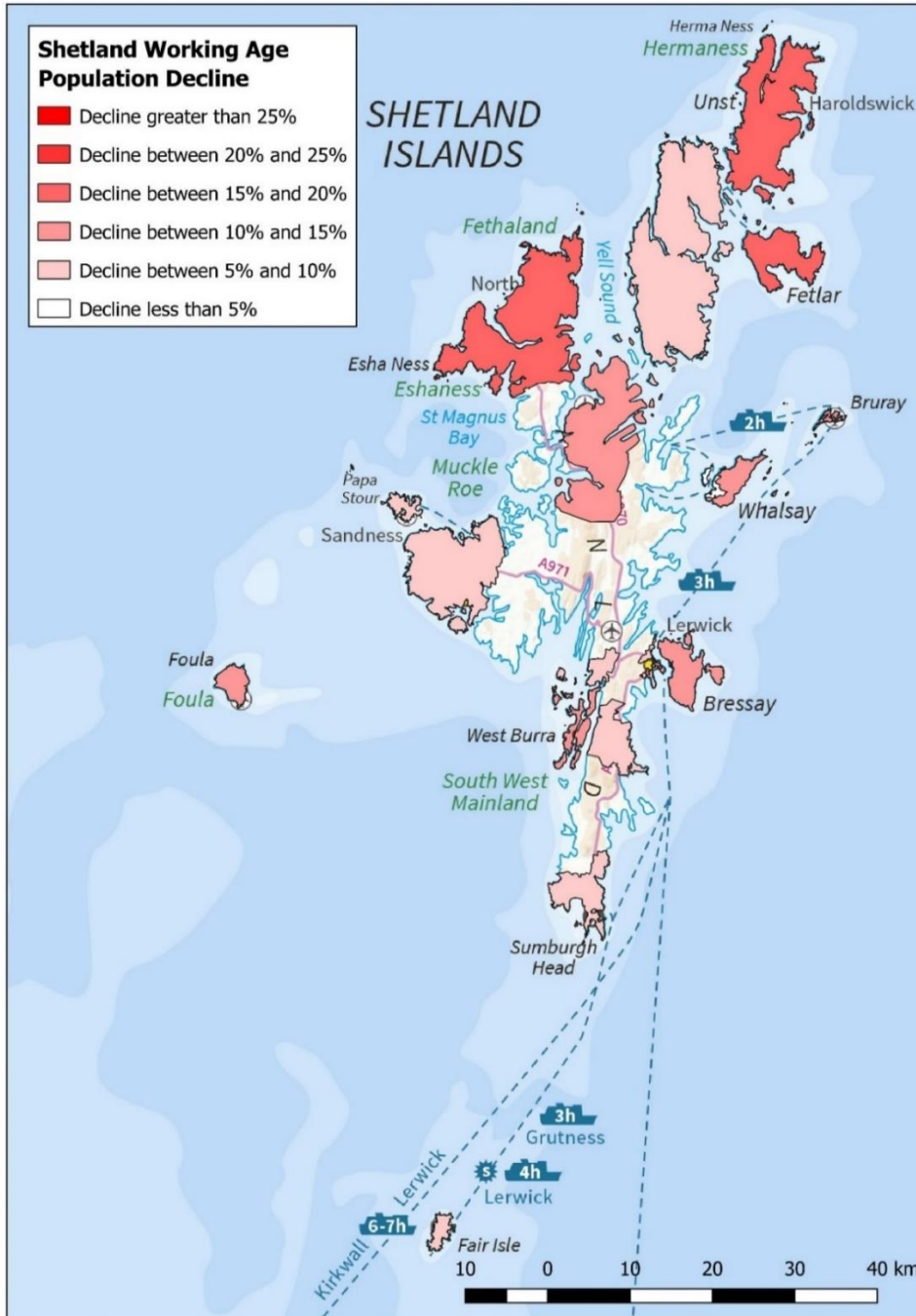
Total Population Change: -3.0% 3 rd lowest LA in Scotland	Working Age Population Change: -6.9% 2 nd lowest LA in Scotland	Dependency Ratio: 68.2 5 th highest LA in Scotland
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- Decline in Helensburgh of 4.8% (other urban area), increase of 10.6% in Garelochhead (accessible small town), decline in the remote small towns (Campbeltown, Oban, Dunoon and Rothesay) of 5.0% and decline in rural areas of 2.1%
- Population decline in both islands (-3.5%) and mainland areas (-3.1%) for Argyll and the Islands (-3.2%)

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- Population decline as a result of natural change **and** outmigration of people
- LA with the 2nd highest proportion of population aged 65 and over (25.5%), and 7th highest proportion aged 85 and over (2.9%)
- 8th highest proportion of vacant homes (4.5%) and highest proportion of second homes (6.7%)



Shetland Key Points

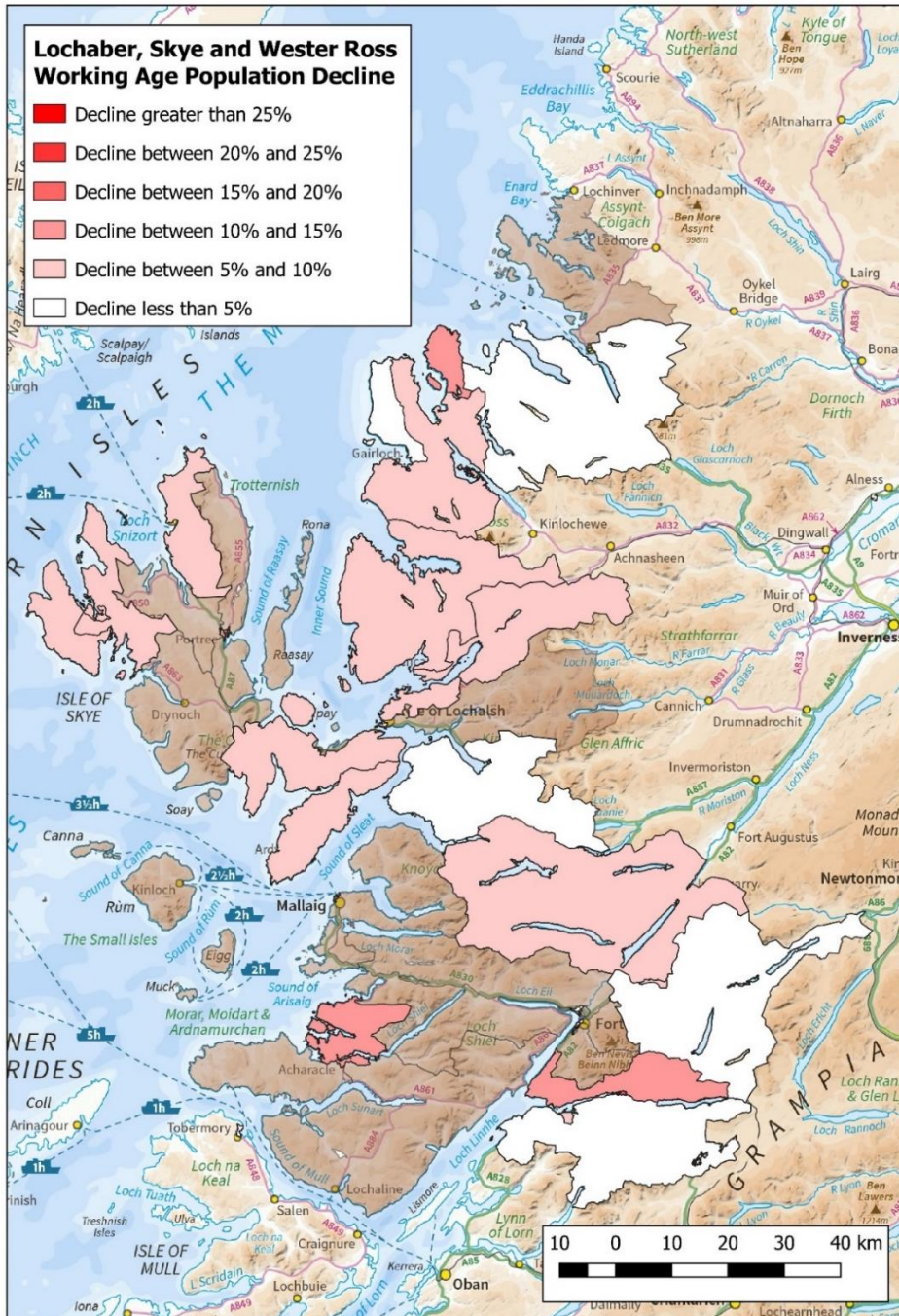
Total Population Change: -1.1% 7th lowest LA in Scotland	Working Age Population Change: -4.9% 7 th lowest LA in Scotland	Dependency Ratio: 61.6 15 th LA in Scotland
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- Natural change in Shetland has been positive, with more births than death, however there has been a net outmigration of 426 people, leading to overall population decline of 1.1%.
- Areas experiencing the greatest population decline were Bruray (-10.6%) and Yell (-5.9%)

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- Over 85% of the population live on the mainland or an island connected by causeway to the mainland. The population of the mainland area decreased by 0.7%, whilst the population of the islands not connected to the mainland decreased by 3.5%.
- Overall, there has been population decline in remote small towns (Lerwick) of -5.7% and growth in the rural areas (the rest of Shetland) of 1.6%.
- Similar age structure to that of Scotland
- Second highest proportion of vacant dwellings (6.9%) in Scotland.



Lochaber, Skye and Wester Ross Key Points:

Total Population Change: 0.5% Around the 12 th LA in Scotland	Working Age Population Change: -3.1% Around the 13 th LA in Scotland	Dependency Ratio: 65.0 Around 10 th highest LA in Scotland
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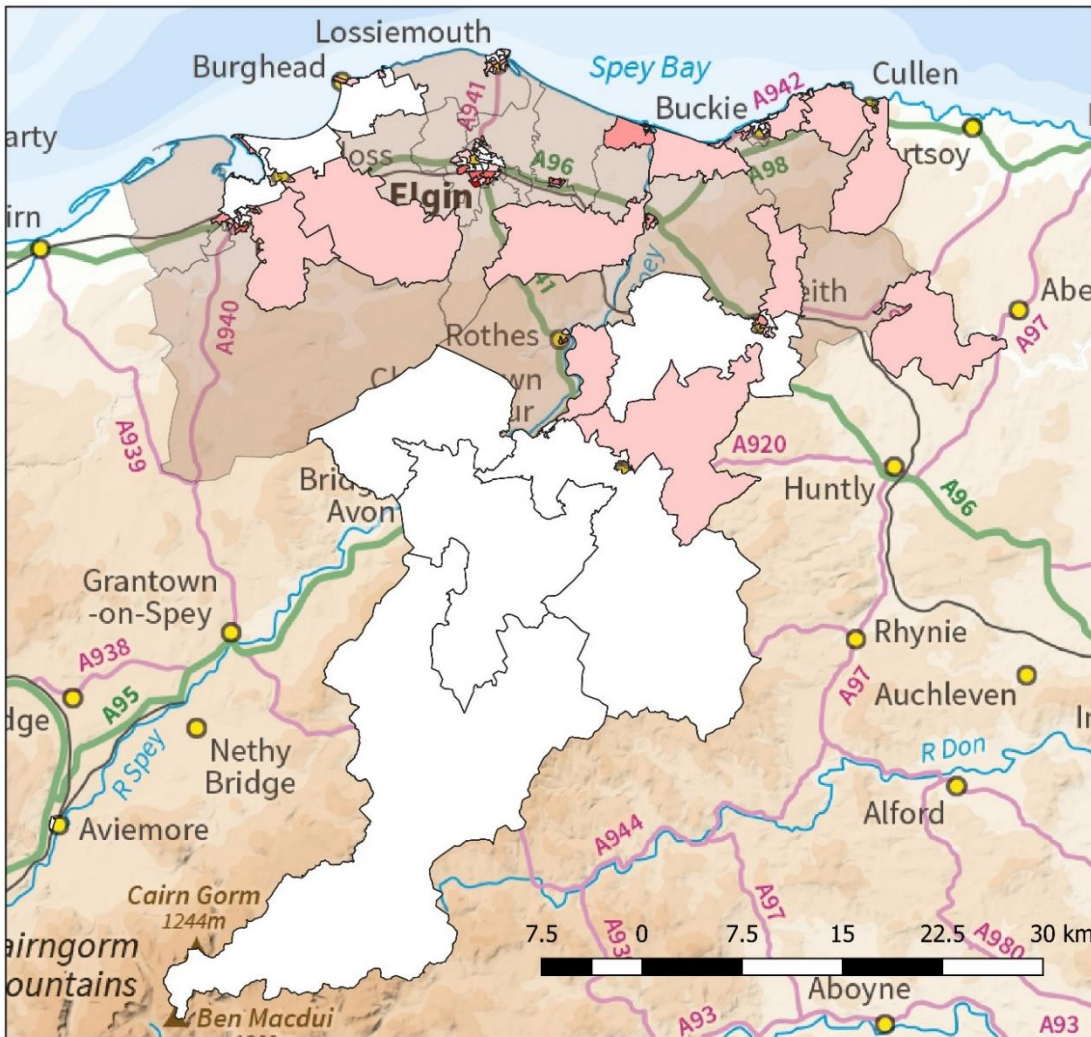
- Population growth in Lochaber, Skye and Wester Ross was fuelled by growth on the islands of Skye (2.7%) and Raasay (10.4%), as mainland areas experienced population decline of 0.4%.

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- There was population decline in other urban areas (Fort William) of 0.1%, and a decline in the area around Fort William of 2.1%. There was growth in all other areas (remote rural) of 0.8%
- Population growth in Highland overall fuelled by immigration (+4,544 people), with negative natural change (-1,501 people). Figures not available below LA level.
- 23.8% of the population aged 65 and over (around the 6th LA in Scotland), and 2.6% of the population aged 85 or older (around the 12th LA in Scotland)
- Around 3.3% of dwellings were vacant in 2018, around the 15th LA in Scotland. At 6.8%, the proportion of dwellings that were second homes was higher than all LAs in Scotland.



Moray Working Age Population Decline

- Decline greater than 25%
- Decline between 20% and 25%
- Decline between 15% and 20%
- Decline between 10% and 15%
- Decline between 5% and 10%
- Decline less than 5%

Moray Key Points:

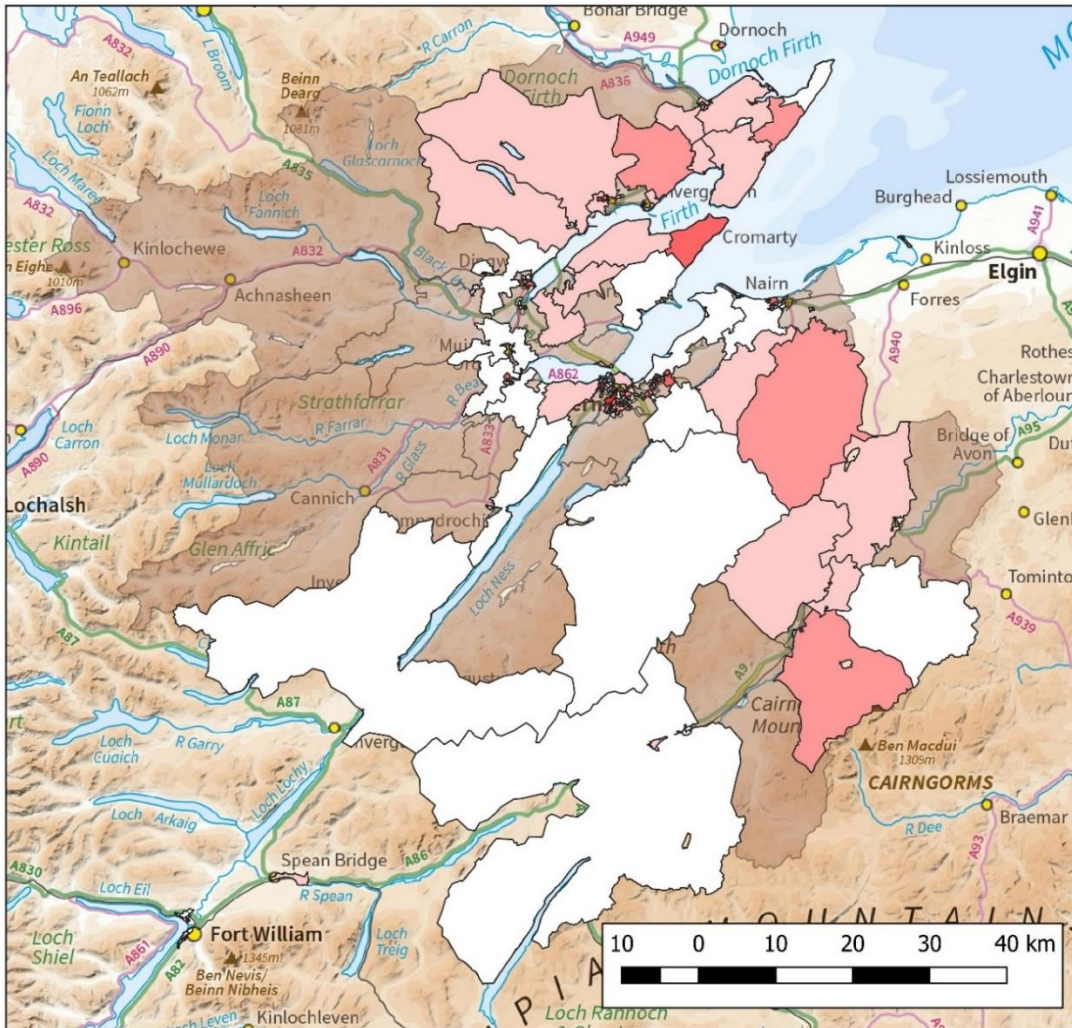
Total Population Change: 2.2% 19 th lowest LA in Scotland	Working Age Population Change: -0.4% 21 st lowest LA in Scotland	Dependency Ratio: 62.1 13 th highest LA in Scotland
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- Population growth in other urban areas (Forres and Elgin) of 2.3%, growth in accessible rural of 3.6%, growth in accessible small towns (Lossiemouth) of 1.3%, and growth in remote small towns of 3.4%. There has been population decline in remote rural areas of 0.9%.
- Population increase fuelled by immigration (2,636 including other migration) with natural change in the population negative (-586 people)
- LA with the 12th highest proportion of population aged 65 and over, and 11th highest proportion aged 85 and over (2.7%)
- 12th highest proportion of vacant homes (4.1%) and 7th highest proportion of second homes (1.7%)



Inner Moray Firth Working Age Population Decline

- Decline greater than 25%
- Decline between 20% and 25%
- Decline between 15% and 20%
- Decline between 10% and 15%
- Decline between 5% and 10%
- Decline less than 5%

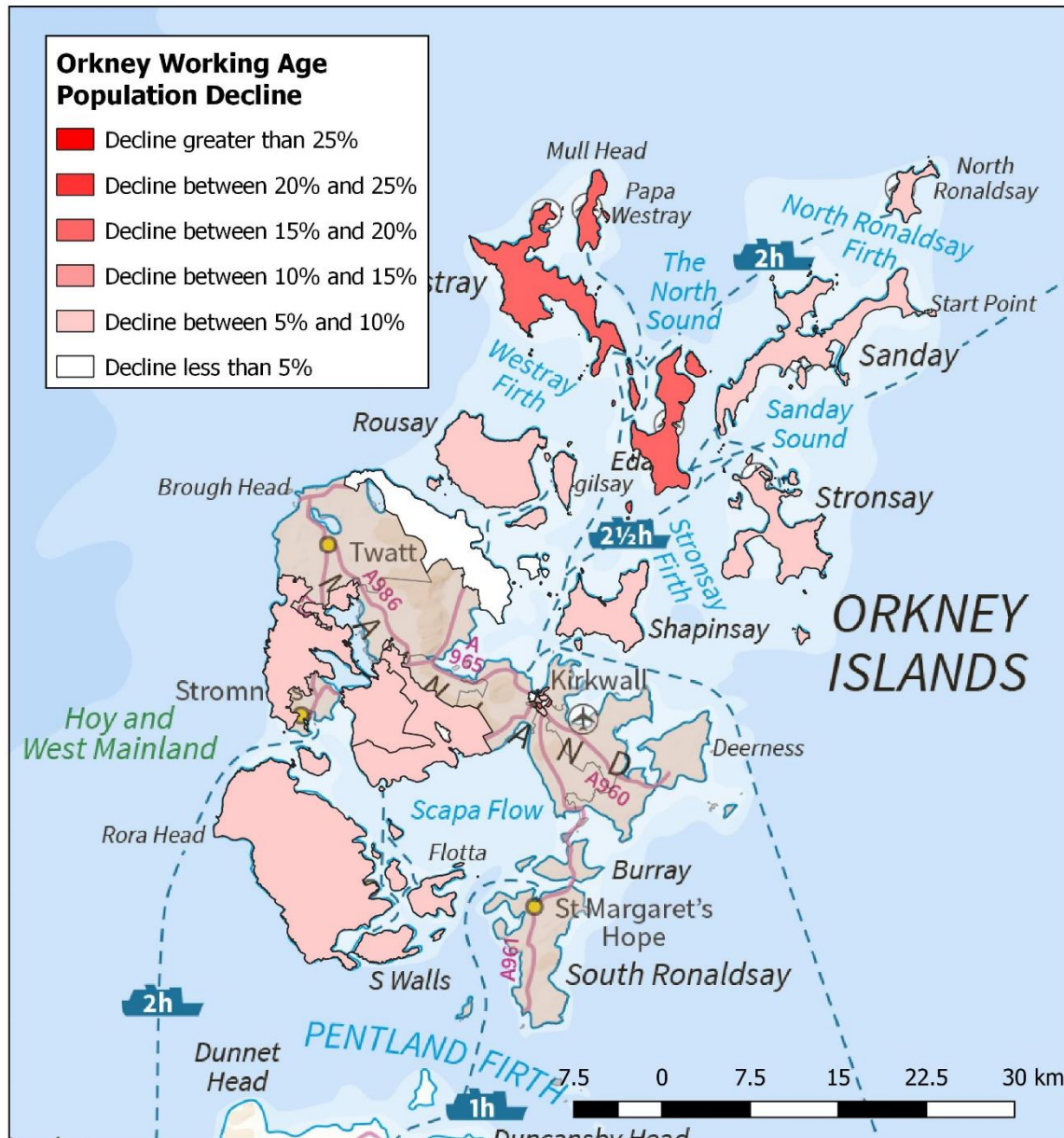
Inner Moray Firth Key Points:

Total Population Change: 2.7%	Working Age Population Change: -3.1%	Dependency Ratio: 61.6
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Around the 22 th LA in Scotland	Around the 13 th LA in Scotland	Around 15 th highest LA in Scotland
<ul style="list-style-type: none"> Other urban areas (1.2%), accessible rural areas (9.0%), accessible small towns (2.7%) and remote rural areas (2.5%) all experienced population growth. Only remote small towns experienced population decline (-0.6%). Population growth in Highland overall fuelled by immigration (+4,544 people), with negative natural change (-1,501 people). Figures not available below LA level. Just over a fifth (20.8%) of the population was aged 65 and over (around the 14th LA in Scotland) and 2.5% was aged 85 and over (14th in Scotland) Around the 23rd highest proportion of vacant homes (2.6%) and around the 6th highest proportion of second homes (2.2%) 		



Orkney Key Points

Total Population Change: 3.6% 8 th highest LA in Scotland	Working Age Population Change: -1.0 14 th highest LA in Scotland	Dependency Ratio: 65.4 9 th highest LA in Scotland
<ul style="list-style-type: none"> Population growth in mainland and islands connected to the mainland by causeway (Mainland 4.2%, Burray 12.3%, South Ronaldsay 12.2%), and decline in outlying islands of 4.1%. Natural change of -265 people countered by immigration of 1,030 people. Older population structure than that of Scotland, LA with the 6th highest proportion of the population aged 65 and over (23.6%) and the 3rd highest population growth in that age group (+965 people, 22.6%) 		

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- Population of Kirkwall expanding more (4.3%) than the rest of Orkney (3.1%)
- 3rd highest local authority for the proportion of homes that are vacant (6.2%) and second homes (3.6%)

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Appendix 3 - Other related work/research

Population Ministerial Taskforce and the Population Programme Board

A Population & Migration Ministerial Task Force has been established, supported by a Programme Board led jointly by the Director of External Affairs and the Director of Fair Work. As set out in the Scottish Government's 2020/21 Programme for Government, this Task Force will publish a Population Strategy in early 2021 setting Scotland's demographic challenge and the actions needed to address these, identifying which actions fall to local partners and which fall to Scottish Government. Underpinning this, a Population Programme has established a number of different workstreams, each of which will be supported by analysis and evidence from a range of sources:

- A National Performance Framework population [indicator](#) has been established indicating the number of council areas experiencing population decline. Because a single indicator does not reflect the impact of all of the work under the population programme, a publicly available population dashboard has also been [published](#)
- The Expert Advisory Group on Migration and Population, an independent group looking at the impacts of EU Exit and immigration on Scotland's population, has published four reports so far on the UK Government's white paper on immigration (and a further update paper in July 2020) and learning from other countries on immigration and internal migration between Scotland and the rest of the UK. These reports can be found [here](#). Further reports on rural migration pilots and family migration are expected over the coming months.

Scottish Government 'Workforce Dispersal Policy'

At the meeting of COHI in October 2019, the Cabinet Secretary for Culture and External Affairs, led a discussion on 'Population and Productivity' highlighting the barriers and opportunities in addressing the repopulation of island and rural communities. A key recommendation from that discussion was for the Scottish Government 'to undertake analysis of its own footprint and the impact that a workforce dispersal policy could have on Scotland's population challenge'. Furthermore, the National Islands Plan published in December 2019, includes a commitment for the SG to 'display leadership in the public sector by demonstrating that jobs and careers can be successful on islands.'

The Directorate for Agriculture and Rural Policy undertook initial scoping work for the People and Place Board in 2018/19, into the Scottish Government's rural footprint with a view to identifying measures that could maximise the contribution of staff working out-with the central belt to the work of the SG is supporting the rural economy. Scottish Government Talent Attraction and Retention officials are now building on this work. Through engaging with internal and external stakeholders and learning from Scottish Government location policies, past and present, we aim to clearly articulate the evidence of the benefits of workforce dispersal and to explore options for the future. The Scottish Government will be engaging with members of the COHI Senior Officers Group as part of this process.

Scottish Government Rural and Islands pilots

Scottish Government made a commitment in the Programme for Government to work with a range of partners to test approaches to support repopulation via small scale pilots in remote rural and island communities. To date, this has involved looking in more detail at identifying particularly fragile areas and undertaking a review of locally based interventions that we might test. In particular:

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- **Depopulation Analysis – Rural and Environmental Science and Analytical Services, SG** - With the aim of identifying where depopulation interventions could be trialled, Scottish Government has undertaken analysis at datazone level of areas in rural Scotland of ‘critical’ depopulation – those with high depopulation, a low working age population and high dependency ratio.
- **Case studies of Island repopulation initiatives (Scottish Government with SRUC)** - This work explored Scottish and international examples of successful policy interventions to support repopulation of island and remote rural communities, which could be piloted in similar communities in Scotland. It identified six cross-cutting themes which provide learning points for Scotland: financial resources are crucial; holistic initiatives with a suite of measures are important; support from the community is key; new/returning residents and visitors need to integrate well to ensure they stay; enabling a diverse economy presents opportunities; there may be unintended consequences.

On 10 March 2020, the Scottish Government held a “Repopulation Workshop” with stakeholders from the public, private and third sectors to develop potential pilots that would deliver repopulation initiatives in partnership with our rural and island communities.

Attendees were split into groups consisting of a mixture of all sectors to develop pilot proposals considering the six key elements to successful interventions as highlighted by SRUC’s *Case studies of Island Repopulation Initiatives*.

Suggested pilot ideas included: remote and/or dispersed working; an extension of the woodland croft initiative to facilitate further access to land, crofting and forestry; delivering small-scale mixed housing and business unit developments to support population and entrepreneurialism and home working; and two proposals that provided a ‘framework’ for developing repopulation interventions.

We are currently working across policy areas to further develop these small-scale pilot proposals, with a view to having them implemented by March 2021. The short, medium and long-term evaluation of these pilot interventions will provide crucial learning in developing our repopulation action plan.

In order that these pilots do not become projects in isolation, and to support their replicability, we are exploring how we can work in partnership with agencies such as the Scottish Land Commission to capture the challenges, lessons and experiences of delivering these projects, and use these to produce guidance for private, public and third sectors.

Area Profiling and Inclusive Growth Weighting (HIE)

HIE is currently developing an Inclusive Growth Weighting Model. The model will be a decision-support tool to support both project appraisal and corporate reporting. The approach has two analytical components, one dealing with the area characteristics and profile and one dealing with the organisation’s investment and its impact. This will allow inclusive growth to be plotted against economic growth to show the relative contribution of individual investments to each. HIE is currently working with the James Hutton Institute and SRUC to take forward the area profiling aspect of the weighting work.

James Hutton Institute and SRUC under Scottish Government’s Strategic Research Programme

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- **Sparsely Populated Areas (James Hutton Institute and Scotland's Rural College (SRUC))**¹² This work explored demographic change in Sparsely Populated Areas (SPA) of Scotland¹³, the majority of which are located within the Highlands and Islands. The research identified a divergence in the demographic development of the SPA compared to rural areas and small towns in the rest of Scotland, with lower population growth, lower growth in the 65+ population, a greater decline in the under 16 population and decline in the working age population versus a modest increase elsewhere. The key demographic issue for the SPA is not an excess of elderly people, but the relatively small number of children and young people, which in the years to come will translate into a shrinking working age population.

- **Services of General Interest (SGI) in the Scottish Sparsely Populated Area (SPA) (James Hutton Institute and SRUC)**¹⁴ Building on the SPA research, this work explored a set of exemplar services – childcare, primary and secondary education, primary care and care for the elderly – to trends in service provision in the SPA compared to elsewhere in Scotland. It shows that the differences between service provision in the SPA and in other regions are stark. In particular, over the last decade there has been:
 - a marked decrease in the number and capacity of childcare day services in some sparsely populated areas compared to increased capacity in urban and rural areas outwith the SPA;
 - a large number of primary school closures in SPA and in rural areas outwith the SPA;
 - a marked decrease in the number of GP Surgeries while services have grown in urban and rural regions outside the SPA;
 - a decrease in the number and capacity of care homes for elderly people in the North and West Highlands and in Argyll and Bute, with strikingly different patterns of public, private and third sector provision across the SPA sub-regions and a retreating private sector.

This research concludes that the interdependencies between declining population and that of service provision are complex, and that improving or increasing the delivery of rural services may lead to increases in population and introduce an upward spiral of rural growth and prosperity.

¹² <https://www.hutton.ac.uk/research/projects/demographic-change-remote-areas>

¹³ SPA's are defined as rural areas and small towns where less than 10,000 people can be reached within 30 minutes travel using roads and ferries.

¹⁴ [https://www.hutton.ac.uk/sites/default/files/files/Services%20of%20General%20Interest%20\(SGI\)%20in%20the%20Scottish%20Sparsely%20Populated%20Area%20\(SPA\)%20-%20Exemplar%20Services.pdf](https://www.hutton.ac.uk/sites/default/files/files/Services%20of%20General%20Interest%20(SGI)%20in%20the%20Scottish%20Sparsely%20Populated%20Area%20(SPA)%20-%20Exemplar%20Services.pdf)