

## EXECUTIVE SUMMARY

ITEM 5  
PAGE 4

### INTRODUCTION

*Reference Economic Consultants* were commissioned to undertake a study evaluating the economic and social impacts within Moray of a possible reduction in activity at two military bases in Moray: RAF Kinloss and RAF Lossiemouth. The research was undertaken on behalf of Highlands and Islands Enterprise (HIE), Moray Badenoch & Strathspey Enterprise (MBSE) and Moray Council between October and December 2004.

The study involved:

- A review of a previous economic impact assessment undertaken by HIE.
- Analysis of secondary data describing the local economy.
- Use of the findings from a skills audit report which was conducted by another consultancy in tandem with this study.
- Workshop sessions with HIE, MBSE, and Moray Council.
- Consultations and semi-structured interviews with a range of organisations.

### THE MORAY ECONOMY

The population in Moray increased between 1991 and 2001, in contrast to some other rural areas and, indeed, the trend for Scotland. Unemployment rates have fallen in recent years, in line with national trends, and remain below those at the regional and Scottish levels.

Moray's key economic weakness is not a lack of employment but a lack of it in higher value added sectors. Manufacturing represents a more significant element of the economy than is generally the case for the Highlands and Islands. Yet the employment it generates pays relatively low wages, a feature compounded by:

- An over-representation of civilian public sector employment.
- A significant under-representation of employment in higher value added sectors such as Financial & Real Estate.
- A generally high level of part-time employment throughout the economy.
- Low rates of new firm formation and diversification into new sectors.

## EXISTING CONTRIBUTION OF THE TWO RAF BASES

### RAF Kinloss

The Base supports 3,407 Full-Time Equivalent (FTE) jobs within Moray. This includes RAF personnel and civilian employees who work at the Base, and those who are employed in the wider economy. The employment generates a total of £76.6 million gross income to Moray households of which it is estimated £36.4 million is retained within the local economy. Of these total impacts, 1,543 FTEs are civilian posts with associated gross income of £23.0 million, of which around £14.3 million is retained within the Moray economy.

Other significant impacts of the Kinloss Base include:

- Some 3,986 residents living in RAF households in Moray.
- An off-base MOD housing stock of 648 units, with a further 459 RAF households within private rented or owner-occupied accommodation.
- A total of 786 pupils who are RAF dependents attend school within the Forres Academy catchment area.
- Some 650 RAF spouses working within the Moray civilian economy, with concentrations in the local authority and NHS.
- Fundraising/charitable donations organised through the Base and the use of Base resources for community and other purposes.
- Volunteer and community work. It is estimated that at least 764 volunteers come from RAF households. The range of activities undertaken including participation in sports clubs, committee work and serving on school boards.

#### RAF Lossiemouth

The type of impacts of RAF Lossiemouth are quite similar to those for RAF Kinloss, although they are generally of greater scale, reflecting its larger number of military personnel: 2,342 at Lossiemouth compared with 1,864 at Kinloss.

The Base supports 3,850 Full-Time Equivalent (FTE) jobs within Moray. This includes RAF personnel and civilian employees who work at the Base, and those who are employed in the wider economy. The employment generates a total of £79.9 million gross income to Moray households of which it is estimated £39.5 million is retained within the local economy. Of these total impacts, 1,508 FTEs are civilian posts with associated gross income of £21.1 million, of which around £13.8 million is retained within the Moray economy.

Other significant impacts of the Lossiemouth Base include:

- Some 4,724 residents living in RAF households in Moray.
- An off-base MOD housing stock of 825 units, with a further 750 RAF households within private rented or owner-occupied accommodation.
- A total of 1,230 pupils who are RAF dependents attend school within Moray outside the Forres Academy catchment area.
- Some 729 RAF spouses working within the Moray civilian economy, with concentrations in the local authority and NHS.
- Fundraising/charitable donations organised through the Base and the use of Base resources for community and other purposes.
- Volunteer and community work. It is estimated that at least 960 volunteers come from RAF households.

### Combined Impacts of the Bases

The Bases collectively support 7,257 FTE jobs in the local economy. This equates to 21% of all FTEs within Moray. The direct on-site employment, which has been collected via survey and is thus clearly identifiable, totals 5,289 FTEs. This is 73% of the total employment impacts and represents 15% of total employment within Moray. Gross income from the Bases is around £156 million, with, we estimate, just under £76 million of this retained and spent within the local area. These impacts are of a scale where it would be reasonable to describe the Moray economy as “defence-dependent”.

Within the civilian economy, the Bases’ combined impacts are:

- Employment: 3,051 FTEs.
- Gross income: £44.1 million.
- Income retained and spent in Moray: £28.1 million.

RAF households within Moray have a total population of 8,710. Wider impacts are summarised in the following Table.

<b>TABLE 1: RAF KINLOSS AND RAF LOSSIEMOUTH: OTHER IMPACTS</b>	
Housing: Number of Units	
MOD Off-Site	1,473
Private	1,209
<b>Total</b>	<b>2,682</b>
School Pupils In Moray Council Schools	
Nursery/Primary	1,307
Secondary	709
<b>Total</b>	<b>2,016</b>
Engaged in Community/Voluntary Work	
<b>Total</b>	<b>1,724</b>

### IMPACT SCENARIOS

Three scenarios were developed to appraise the impacts of possible reduced activity at one or both of the Bases. These are hypothetical scenarios. They are not based on any particular information we have received from the RAF or any other sources. In reality the impacts will be more complicated than those assumed for the purposes of this study. This is because if activity was reduced, the following are not presently known:

- Timescale over which this would happen.
- The type of RAF military posts that would be lost at the Bases and the consequent impact on numbers of MOD civilian and third-party contractors.
- Proportion of RAF military personnel who would join civilian life in Moray as a consequence of their post no longer existing at one of the Moray bases. There is considerable uncertainty over this aspect but for the purposes of the research, it was assumed that one in four would no longer be in the RAF but remain living in the area.

### Scenario A: 10% Reduction in Personnel At Both Bases

This would lead to a reduction in employment in Moray of 726 FTEs, of which 305 are civilian FTEs. This equates to 2.1% of the area's present FTE employment. The area's population is forecast to fall by around 650 people, representing 0.8% of Moray's 2001 population level. Up to 238 housing units could be placed on the market, with 151 fewer children on the rolls of Moray schools.

### Scenario B: 25% Reduction in Personnel At Both Bases

The impacts are significant under this scenario. There is a forecast reduction of 1,814 FTEs, of which 763 FTEs are held by civilians. This equates to 5.2% of all employment in Moray. The area's population is forecast to fall by 1,633. This represents 1.9% of the 2001 levels in Moray. Some 595 housing units could be placed on the market, with 378 fewer pupils in Moray's schools.

### Scenario C: Closure of One Base

The impacts of the closure of RAF Kinloss would be highly significant. The loss of 3,407 FTEs equates to 9.7% of all employment in Moray. Of these, 1,543 FTEs would be in the civilian economy which implies a significant impact on non-military employment. The implied reduction in population is approaching 3,000. This equates to 3.4% of Moray's 2001 population level. Up to 1,000 housing units could be placed on the market, with 590 fewer pupils in the area's schools.

The impacts of closing RAF Lossiemouth would be similar to those for its sister base, although more pronounced. The loss of 3,850 FTEs would represent 11% of all employment in Moray, with 1,508 of the FTEs being within the civilian economy. An associated out-migration of over 3,500 people would equate to 4.1% of Moray's 2001 population. The potential impact on the housing market is highly significant with, possibly, almost 1,400 units being placed on the market. The actual impact of this on house prices would depend on

the timescale over which the Base was closed and any phasing of associated MOD disposals. The implied reduction in the school roll is 923 pupils.

## STRATEGIC RESPONSES

For each of the three scenarios, the study proposed strategic responses from the public sector. The themes underpinning each of the responses are:

- Placing an emphasis on higher value added activities.
- Focusing on Moray's "USP": that is, in this case, the skilled personnel associated with the Bases.
- A need to encourage greater entrepreneurship within Moray.
- Making more from existing sectors of the economy.

A series of activities was developed for each of the scenarios. Those common to all are:

- Raising the profile of Moray.
- Improving Moray's connectivity, particularly with regard to transport links.
- Labour market interventions to help match employees with the employment opportunities that emerge from the strategy.
- Achieving "early wins" and other demonstrable signs of intervention.

