



REPORT TO BUCHAN AREA COMMITTEE – 23rd JUNE 2015

ECONOMIC ACTIVITY IN BUCHAN – APRIL 2014 TO MARCH 2015

1 Recommendations

The committee is recommended to:

1.1 Endorse the contents of this report.

2. Discussion

- 2.1 This is an annual report to the Buchan Area Committee. The Council's economic development activity is governed by the "Economic Development Strategy 2011 – 2016", which was approved by Infrastructure Services in August 2011. Progress on the delivery of the Strategy, including Aberdeenshire-wide activity, was reported to the Infrastructure Services on 14th May 2015 as part of the Economic Development Strategy Action Plan Update.
- 2.2 Aberdeenshire Council is a leading partner in the Aberdeen City and Shire Economic Future (ACSEF) which provides cross agency vision and drive for economic development in the region. The Strategy takes direction from the ACSEF Manifesto which sets out the leading economic development vision for the area, "we aim by 2025, for Aberdeen City and Shire to be recognised as one of the most robust and resilient economies in Europe with a reputation for opportunity, enterprise and inventiveness that will attract and retain world class talent of all ages."
- 2.3 Direct support to businesses, community groups and industry by the Council has been provided through a range of activities including the Support for Aberdeenshire Business scheme, community economic development, LEADER funding, industry sector teams, European policy, property services, planning activity, and assistance to gain funds from national programmes.
- 2.4 Aberdeenshire Council is responsible for the Business Gateway contract, the Working for Families programme and related employability activity. The Council also helps administer the European LEADER and European Fisheries funding and works with other services on Regeneration and Town Centres Programme.
- 2.5 This report provides a brief overview (Appendix 1) of activity in the past 12 months carried out by the Council in the Buchan Area and the contribution made to the Buchan Local Community Plan.
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- 2.6 In economic terms, Buchan is closely linked to Aberdeen and is similarly influenced by the oil and gas sector. It is also strongly linked to the performance of the fishing, agriculture and food & drink processing industries. Over the last twelve months, economic concerns have included the impact of cuts in welfare and public services, price of oil and reduced consumer activity. Whilst interest rates remain at historic lows (Base Rate – 0.5%), businesses continue to experience difficulties in raising finance although recent indications are that conditions for mortgage finance are improving. Other concerns have also included the impact of the above factors on town centres and the wish for greater tourism activity and related tourism infrastructure.
- 2.7 The UK economy continued to recover the Office for National Statistics' (ONS) revised estimates show that UK GDP increased by +0.6% in the fourth quarter of 2014. That compares with +0.7% growth in quarter 3. UK GDP growth in 2015 is now estimated at +2.6%. The North East economy had consistently been well above average but the gap narrowed in recent months. The latest estimates show the North east rate being below the Scottish average (+2.7%) for the first time in over two years. This performance is expected to continue with revised forecasts of just 2.2% growth in 2015 (ONS/Mackay Consultants April 2015).
- 2.8 The unemployment rate (benefits claimants) in Buchan has improved slightly with the number of claimants decreasing by 33 against the same period last year. As at March 2015 the number of people claiming benefit within Buchan stood at 1.1% compared to 1.3% in March 2014. This compares with Aberdeenshire's rate of 0.8%. Aberdeenshire has the lowest rate of unemployment for Scotland's local authority areas. Peterhead South and Cruden reduced from 1.2% in March 2014 to 1% in March 2015, Peterhead North and Rattray reduced from 2% to 1.8%. However, the official figures may overlook related but important factors, for example, youth and rural employment issues. (ONS Crown/Claimant Count)
- 2.9 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and any comments received have been incorporated into this report.

3. Equalities, Staffing and Financial Implications

- 3.1 An equality impact assessment is not required because there are no new actions or decisions arising from this report.
- 3.2 There are no specific staffing and financial implications arising from this report.

Stephen Archer,
Director of Infrastructure Services

Appendix 1.

ECONOMIC ACTIVITY IN BUCHAN AREA FOR 2014/15

1. The Council provides the **Support for Aberdeenshire Business (SAB) Scheme**. The SAB Scheme provides general advice and access to a range of business grants and loans. The grants and loans are awarded subject to the Scheme's criteria, which places emphasis on supporting businesses selling products or services outside the North East and stimulating job creation. From April 2014 to March 2015 grants totalling £21,092 were awarded to 5 businesses in Buchan. This helped create 7 new jobs as well as sustaining existing employment.
2. **Business Gateway** is a business support programme offering a wide range of practical advice, workshops and support to new and growing businesses. Elevator (previously known as Enterprise North East Trust) is contracted to deliver this programme in Aberdeen and Aberdeenshire with Aberdeenshire Council managing the contract on behalf of both Councils. In Aberdeenshire, Business Gateway exceeded its target with 623 business start-ups assisted in the year to 31 March 2015. In Buchan, 107 business start-ups were assisted. Ten businesses received growth advisory support but unfortunately none of these met the criteria to move to account management with Scottish Enterprise. Eight businesses were provided with specialist web site development and IT support.
 - 2.1 The **Aberdeen City & Shire First Employee Grant Scheme** was launched in March 2011. The scheme aims to stimulate employment further and offers advice and a grant of £1,000 to businesses taking on a first employee. For 2014/2015 awards were made to 2 businesses in Buchan.
3. **Aberdeenshire LEADER** fund with a budget of around £4.5 million, the Rural Aberdeenshire LEADER programme ran from 2008-2014 and supported a range of community-led projects which benefitted Aberdeenshire's rural communities. The programme, which was funded by the European Agricultural Fund for Rural Development and Scottish Government through the Scotland Rural Development Programme, supported almost 150 projects within Aberdeenshire, 17 projects were supported within Buchan between 2008 & 2014.
 - 3.1 **The Rural Aberdeenshire LEADER** programme has now closed, but work is ongoing to bid for additional resources for the Aberdeenshire area from 2015-2020. These programmes are set to be replaced by new North Aberdeenshire LEADER, South Aberdeenshire LEADER and North East Scotland Fisheries funds. It is anticipated that these programmes will be launched by the end of 2015.

4. The **Aberdeenshire Rural Partnership Fund** assists local rural partnerships to provide support to community and social enterprise developments in their areas and to be active participants in Community Planning. Infrastructure Services –Economic Development section administers and monitors these funds. Along with funds held by the Area Manager this funding is subject to a Service Level Agreement between Aberdeenshire Council and the Rural Partnerships. The Service Level Agreement was expanded to cover three years, subject to the availability of council budgets. Buchan Development Partnership was awarded £34,333 per annum for 2014-2017. The partnership has continued to run the caravan park through their development organisation Buchan Development Initiative.

5. AEF is the abbreviation for **Aberdeenshire European Fisheries Fund**. It was a two year programme, from 2012-2014 that aimed to revitalise fisheries areas in Aberdeen. The programme enabled fisheries communities to create new and sustainable sources of income by building knowledge and skills, facilitating innovation and increasing co-operation in fisheries areas. Funds were managed by the Fisheries Local Action Group (FLAG) a partnership between fisheries actors, public, private and community stakeholders. The Rural Aberdeenshire LEADER and Aberdeenshire European Fisheries Fund programmes are now closed for applications. These programmes are set to be replaced by new North Aberdeenshire LEADER, South Aberdeenshire LEADER and North East Scotland Fisheries funds. It is anticipated that these programmes will be launched by the end of 2015.
 - 5.1 In Buchan, an **AEFF** award of £15,000 was made to: Peterhead Heritage Trail. A small heritage trail was already in existence and this has been upgraded and extended to include the town Centre, the harbour, restaurants, coffee shops, fish market and the Arbuthnot museum. Residents and visitors to Peterhead are expected to benefit as the trail will enable wider promotion of the local area and offering. The project has linked together 23 points of interest which will increase footfall through the town centre and boost local businesses. There are also intentions to link the trail with local seafood producers to add to the visitor experience and celebrate the areas rich maritime history.

6. **Fisheries:** Economic Development hosts North East Scotland Fisheries Development Partnership (**NESFDP**), a cross party, cross-sectoral group which helps the fisheries industry engage with political representatives. Over the past year NESFDP (and the council) has submitted consultation responses to Marine Scotland – notably on the review of Quota Management.
 - 6.1 **Fisheries:** The council has funded and been closely involved in the **Introduction to Commercial Fishing project** in partnership with the Scottish Fishermen's Federation, the Scottish Maritime Academy (Peterhead) and Seafish. Similar in many respects to the rural internship project (see 14.2), twelve places are on offer to young people with a career interest in fishing. The programme includes training and a paid work placement on board a commercial fishing vessel for 8-10 weeks.

- 6.2 **Fisheries:** Economic Development also engages closely with the catching and processing sectors, their representative groups and agency partners to help strengthen the competitiveness of the seafood supply chain. The council has been actively involved in the **Fish4Market** advance landings project.
- 6.3 **Fisheries:** In spring 2014 a tender was published inviting contractors to undertake a **study of the fish processing sector in NE Scotland**. The contract was awarded to BDPlus in June 2014 and the final report was published in May 2015 and launched at Buchan Braes, Boddam.
- 6.4 **Fisheries:** The Scottish fishing fleet faces fundamental changes as a consequence of the implementation of the **Landing Obligation** (discards ban). The council contributed £10,000 to the Scottish Association of Fish Producer Organisations' 'Gap Analysis' project to gather evidence as part of the Scottish Industry Discard Initiative.
- 6.5 **Fisheries:** The last remaining **Six Key Areas fisheries projects** included the following:
- Contribution towards training costs (advanced level) of Scottish Seafood Association Development Officer
 - Stand taken at Learning Festival event (for teachers in Aberdeenshire, Aberdeen city and Moray) at AECC in February to promote fisheries careers
 - Contribution to secure International Institute of Fisheries Economics and Trade (IIFET) conference at AECC in June 2016. This is a major event and will attract 500 international fisheries industry delegates to NE Scotland.
- 6.6 **Fisheries:** The Fisheries Officer and Business Development Executive also provided support to North Bay following the devastating fire in January 2015. On-going support has been provided through the Special Task Force and North Bay are targeting an operational date of late August 2015.
7. **Food and Drink:** The **Taste of Grampian** annual food and drink festival took place for the 15th time on Saturday 7 June 2014 at Thainstone, Inverurie. Economic Development provided £10,500 of support for the event, which attracted over 12,000 visitors and provided the opportunity for 138 food and drink producers and crafters to show and sell their produce. Buchan business that attended included Mackintosh of Glendaveny, Murdoch Allan & Son Ltd & Amity Fish Co Ltd.
- 7.1 **Food and Drink:** The Seafood Pavilion was at the **Taste of Grampian** for the 2nd time. This was made possible by AEFf funding of £5,867 over a two year period matched by Aberdeenshire Council, in addition to the above support. The target was to get 8 businesses in the 2nd year and only 4 attended taking a total of 6 stand spaces - Downies of Whitehills, Granite City Fish Ltd (2 stands), Macrae Foods (2 stands) and Wester Ross Fisheries Ltd. The event helps to generate a greater awareness of local products and the producers who say that it generates good sales for them.

- 7.2 The **Grampian Food Forum Innovation Awards**: celebrated 25 years of innovation from local food and drink business on 19 March 2015. This tied into Scotland's Year of Food & Drink. 230 industry representatives attended the awards presentation dinner. Colin McLean, chief operating officer of Scotmid Cooperative Foods chaired the judging panel. The event aims to encourage companies to keep product development as a key part of their business and to highlight Grampian as a region with innovative food and drink companies. Aberdeenshire Council provided £10,000 in support for the event as well as a time commitment from staff. Participating business from Buchan included Macduff Shellfish (Scotland) Ltd, Mackintosh of Glendaveny, Murdoch Allan & Sons & Amity Fish Co Ltd (Winner - Best new Foodservice Product Award for businesses with up to 25 employees and first time entrant).
8. **4 Town's Programme**: The 4 towns work concerns the **town centres** of Peterhead, Fraserburgh, Banff and Macduff. The report identified 5 strategic objectives for Peterhead, which are to support business growth and enterprise in the town centre; to establish and promote a better balanced retail offering; to secure the redevelopment, reuse or regeneration of high profile problem sites and buildings; to improve access and visibility; and to promote town centre living.
- 8.1 **4 Town's Programme**: The Town Centres Executive and Project Officer have been working on a number of town centre projects to fast track the delivery of a town centre action plan.
- Gateway improvements to the Aldi site
 - Seagull nuisance reduction.
 - Retail Plus was initiated in Peterhead in early 2015 and has registered interest from the target 35 businesses. This project will now continue to develop and engage town centre businesses and will complete in late 2015.
 - A Heritage Trail has been developed which tells the story of Peterhead's hidden past. The project was a £30,000 project with match funding from Aberdeenshire European Fisheries Fund. It will be launched in June 2015.
 - Drummers Corner is an area which was identified as requiring change in the public consultations. An event fund has been approved of £20,000 to facilitate public events and ownership of the public space to enliven and spark interest in the town centre.
- 8.2 **4 Town's Programme**: A paper proposing a new policy to consider Business Improvement Districts was approved by ISC on 15 May 2014. This will enable the Council to consider BID proposals from communities in future. The first Town Centre's Conference was held in the Palace Hotel Peterhead on 18th March 2015 with 3 speakers from BID Scotland. Two notes of interest for a Business Improvement District have been received and have moved into the discussion stage.

9. **Energetica:** Two new posts were approved to manage and coordinate Energetica. These posts, for Energetica Development Manager and Marketing and Communications Officer, will be based within Aberdeenshire Council teams with funding from Scottish Enterprise.
- 9.1 **Energetica** Steering Group has also welcomed a new Chair and Partner Representatives. Prof. Ferdinand von Prondzynski, Principal at The Robert Gordon University has replaced Prof. Steve Logan as Chair.
- 9.2 The **Energetica** Team has been working to implement the new workstream structure, identify opportunities and respond to the challenges of the significant drop in oil prices. The new team has helped refocus the Energetica Strategic Objectives, ensuring that these align with the three partner organisations own priorities. This has resulted in a reworking of the Energetica Workstreams, which are now titled:
 - Strategic Management
 - Place and Project Marketing
 - Investment Support Services
 - Key Industry Projects
- 9.3 The Investment Support Workstream has developed a consolidated package of support measures and assistance that are available through all of the Energetica Partners. Clear investment support measures will be sign-posted through the refreshed Energetica Website. The content within the Energetica Website is currently being refreshed and should be up and running by early July 2015.
- 9.4 **Energetica:** There are a number of key projects progressing, which demonstrate that the Energetica Corridor is an attractive location for innovative and high value investment.
 - Carbon Capture and Storage at Peterhead Power Station
 - NorthConnect/ Four Field Project. This application will be considered by the Buchan Area Committee on the 23rd June
 - Statoil's Hywind Project
 - Growth of the Aberdeen Hydrogen project
 - New Aberdeen Exhibition and Conference Centre
10. **Community Asset Transfer (CAT) Policy.** A local steering group of officers drawn from key Services relating to Buchan oversees the transfer process and is led by the Buchan Area Manager. Services represented include Corporate, Finance and Infrastructure Services. Officers from Economic Development are members of this group, providing business-related support and advice to community organisations for example with business planning and financial issues. During 2014/15 advice and support has been provided to two local community groups, in respect of the Council's premises in Strichen, Tennis Courts (potential all weather sports facility) and Buchanhaven School (potential to be developed into a Community Hub). The Mormond Thistle Stage 2 CAT transfer was approved by Area Committee in January 2015.

The Buchanhaven CAT stage 2 was approved by the Buchan Area Committee at their last meeting on 2nd June 2015.

11. **Tourism** - is recognised as an important sector of the Aberdeenshire economy generating some £200 million per annum. Following the establishment of the Aberdeen City and Shire Tourism Partnership in 2012/13, an Area Tourism Strategy was launched in March 2013 and is entitled "Building on our Strengths 2013-2020".
 - 11.1 The Council supports the tourism industry by working in partnership with VisitScotland under an annual partnership agreement and budget approved by Infrastructure Services. In some cases the Council has a direct input to tourism, for example, through its provision of leisure facilities in each Area, visitor attractions and museums and during 2014/15 a number of additional tourism projects were able to be supported using funding from the European Regional Development Fund for Rural Tourism projects.
 - 12.2 **Coastal Trail** - Building on the established brown and white Coastal Trail road signs, officers have worked with VisitScotland and a range of partners to develop an Aberdeenshire Coastal Trail leaflet, along similar lines to the Castle Trail. By promoting some of the fascinating attractions and beauty spots along the magnificent Aberdeenshire coastline and directing people 'off the beaten track', the initiative aims is to keep visitors in the area for longer and improve visitor spend in some of the less well established areas for tourism. Within the Buchan Area, there are 15 attractions featured as part of the Coastal Trail.
 - 11.3 **Golf Tourism** - Following research looking at the potential of golf tourism for the North East of Scotland, the Council supported the launch and development Aberdeen City and Shire Golf Tourism Alliance as a vehicle to promote the area as a golf tourism destination and to help local golf clubs and hotels engage with the tourism sector. This project is underpinned by the Golf Aberdeen City and Shire website, www.golfaberdeen.com , which features golf courses across Aberdeen and Aberdeenshire, including 5 golf courses in Buchan Area.
 - 11.4 **German Tourism Workshops** – Building on our marketing of Aberdeenshire in Germany to attract more German visitors, we worked with our German tourism adviser, to organise two workshops with local Aberdeenshire businesses on how to welcome German visitors, which were held in Alford & Cruden Bay.
 - 11.5 **Heritage and Visitor Attractions Forum** - In conjunction with the Council's Cultural Services team, we helped to establish a new Forum for museums, heritage centres and visitor attractions across Aberdeen City & Shire, in order to share expertise, good practice and explore opportunities, such as joint marketing.

12. **Industrial and Commercial Property:** The relative strength of the North East economy continued to create demand for industrial and commercial property in 2014/2015. The rolling programme of property improvements to the existing portfolio by the Estates section has helped stimulate this demand.
- 12.1 **Mintlaw-Site servicing Aden Business Park** – A detailed scheme has been prepared and costed. However, there is currently a developer interested in purchasing the entire site and developing it himself with the council retaining a serviced plot upon which to build small advance factories. This is an attractive option for the Council as the cost to service the sites is greater than the capital value that can be raised from subsequent site sales.
- 12.2 **Mintlaw– Site servicing Northwood’s Business Park** - In the event that the site at Aden is not developed by the Council an alternative site at Northwoods Business Park has been identified. This would involve the acquisition of industrial land for serviced plots and the land will also provide a site for a new Roads Depot in accordance with the Depots Strategy.
- 12.3 **Peterhead- Provision of serviced industrial land at Dales** – Committee approval has been obtained for the sale of approximately 3.23 Hectares (8 acres) to a local developer/builder who will service the site at his expense and thereafter provide serviced plots and bespoke industrial units. This is something the Council had intended to do but with the developer doing it instead this allows a capital receipt for the Council and still provides serviced industrial plots/units. If the developer doesn’t proceed with the servicing the Council has the ability to buy back the site.
- 12.4 **Peterhead-Redevelopment of former Terex factory at Catto Drive**– Lease terms have been issued to a potential tenant which would involve the demolition of a substantial part of the former Terex factory (essentially all of the vacant space) and the construction of a new bespoke workshop offices and yard facility. If this went ahead it would require the Council to buy back the site which was previously sold to Police Scotland, due to the substantial size of the development. In the event that the tenant decides not to proceed, officers have also been working up a scheme for the demolition of the vacant space and the constructing of new small industrial units. Consultants have been instructed to provide a scheme and costs now rather than wait for the large scheme tenant to decide in order to minimise delay if they decide not to go ahead.
- 13.0 **Positive Procurement Programme (PPP):** Run in partnership with Aberdeen City Council the Positive Procurement Programme (PPP) offers a programme of activities including workshops and networking events aimed at assisting north east businesses tender for public sector contracts. During 2014/15 a total of 8 events were held that attracted over 200 attendees. In 2015-16 both Councils will re-join the national procurement training network, the Supplier Development Programme (SDP). SDP will offer an online training service to all businesses that cannot physically attend the training events offered via PPP.

- 14.0 **Agriculture:** Aberdeenshire Council continues to sponsor the **Good Farming Practice (GFP) Awards**. The awards are organised by the Royal Northern Agricultural Society and promote good business management on farms in NE Scotland and are extensively covered in the farming press. The 2014 winner was Chapelpark Farm, Mintlaw.
- 14.1 The Council continues to contribute actively to consultations on the reform of the **Common Agricultural Policy (CAP)**, both through direct responses and via **North East Scotland Agricultural Advisory Group (NESAAG)**. NESAAG comprises a wide range of public and private sector rural stakeholders including 4 local authorities (Angus Council joined Aberdeenshire, Aberdeen City and Moray Councils during the year), Scottish Enterprise and HIE Moray, agriculture, forestry, food safety and environment agencies, private and industry bodies including academic and research institutions and industry and farming sector representatives. Aberdeenshire Council provides the administrative support and facilitates the group's meetings.
- 14.2 **Rural internship project:** An innovative rural internship scheme offering local school leavers the chance to train for a career in the land-based sector was launched in April 2013. The internships offer an individualised and highly-practical work-based programme for people wishing to pursue a career in the land-based sector. The number of places was increased from 6 to 15. A high proportion of the interns and mentor/employers were from northern Aberdeenshire. Twelve completed the 6 month course and are now in full time employment in the sector. The 2014 programme was funded by Aberdeenshire Council, Ringlink, NFU Scotland's Centenary Trust, The Mains of Loirston Charitable Trust, AgriScot and the Royal Northern Agricultural Society.
15. **Broadband Infrastructure & Service Upgrades:** The 2014/15 financial year saw significant activity in Aberdeenshire as the Rest of Scotland broadband infrastructure upgrade programme started to deliver new fibre optic cable routes and new street cabinets to allow businesses and householders to access high speed broadband. From April 2014, when the first cabinet was commissioned in Kirkton of Skene until March 2015, 80 new cabinets became operational allowing over 26,000 additional premises to access fibre broadband. By March 2015, a start had also been made on providing fibre services to the tens of thousands of exchange only customers in Aberdeenshire. Uptake of fibre services has been above national average rates in most upgraded locations, evidence that there is demand for better broadband services in Aberdeenshire. Aberdeenshire Council contributed £16m to improve broadband services in its area – the largest contribution from any UK Local Authority.

16. **Working for Families:** The Working for Families team offer support and assistance to clients with multiple barriers to work to reach employment or training. We offer a 1:1 Key Worker service and organise and develop training courses that meet the needs of local areas. This can be recruitment centres for new and existing businesses, entry level courses such as Construction Skills Certificate Scheme (CSCS) cards or Child Care related assistance to allow clients a greater chance of successfully gaining employment. The team operates throughout Aberdeenshire running 8 job clubs and supporting both the Employability and Tackling Poverty partnerships.
- 16.1 A new Key Worker has been employed to cover the Buchan area and this is having a positive impact on the work being undertaken. We are seeing more clients from outwith Peterhead such as Maud, which is interesting. Interventions are mostly 1:1 at this time although we have participated in the PACE event on 25th March 2015 which was targeting those impacted by the Oil and Gas downturn. Work continues with HMP Grampian & YOI (Young Offenders Institute) on assisting ex-offenders as they come leave the prison.
- 16.2 **Working for Families** has a partnership with Jobcentre Plus to run construction skills and security courses as well as digital upskilling, digital peer to peer training and digital business courses. These intervention resulted in over 240 people interacting with the service and having a positive interaction. We have an Employer Engagement post (based in Buchan) jointly funded by Working for Families and DWP which has resulted in 74 companies interacting with the employability pipeline. This in turn has led to vacancies being advertised directly to partners and 11 full-time and 3 part-time posts being filled, a further 19 going into education, training or voluntary positions.
17. **Renewable energy:** Aberdeenshire Council promotes investment in low carbon energy solutions to communities and businesses and provides support through seminars, conferences and exhibitions.
- 17.1 The **All Energy Exhibition (AECC May 2014):** 9 organisations from across the shire joined the Aberdeenshire stand. In attendance from Buchan were the Peterhead Energy Hub who represent a number of Buchan business. The show was busy again, with a separate area on the Aberdeenshire Council stand for biomass suppliers.
- 17.2 The **biomass sector** continues to show strong grow with a 50% year-on-year growth in the number of wood-fuel boiler installations. Suppliers have increased production of wood chips, with a new entrant Kinloch Biomass of St Fergus.