



REPORT TO GARIOCH AREA COMMITTEE - 21 JUNE 2016

ECONOMIC ACTIVITY IN GARIOCH – APRIL 2015 TO MARCH 2016

1 Recommendations

It is recommended that the Committee considers and notes the content of the report.

2 Background

- 2.1 This is an annual report to the Area Committee reporting on economic development related actions specifically in this Area. The Economic Annual Review currently being compiled will also provide an overview of all of Economic Development's activities in 2015-2016. The Council's economic development activity is governed by the "Economic Development Strategy 2011 - 2016" that was approved by Infrastructure Services in August 2011.
- 2.2 This is the last year of the present Economic Development Strategy. With the development of the City Region Deal, and the accompanying Economic Development Strategy and other strategies, (such as Regeneration, Tourism and Food and Drink) it was agreed that a new Aberdeenshire Economic Strategy would not be developed. Instead, a list of new Aberdeenshire Economic Objectives will be developed and presented to ISC and Area Committees for approval. An Economic Development Action Plan covering the next four years will then be produced.
- 2.3 There have been many changes since the last Economic Development Strategy was drawn up. The City Region Deal has been developed, Opportunity North East (ONE) has been launched, the energy industry has faced a significant downturn and VisitAberdeenshire has been formed. All these changes will have a bearing on the new Aberdeenshire Economic Priorities and the subsequent Economic Development Action Plan.
- 2.4 Direct support to businesses, community groups and industry by the Council is provided through the Support for Aberdeenshire Business scheme, community economic development, industry sector teams, European policy, property services, planning activity, Education Grants and assistance to gain funds from other national programmes.
- 2.5 Aberdeenshire Council is responsible for the Business Gateway contract, the Employment Support Team and other employability activity. The Council also administers the European LEADER and the North East Scotland Fisheries Programme allocated to Aberdeenshire.
- 2.6 In economic terms, Garioch is closely linked to Aberdeen and is influenced by similar factors, the most notable being the performance of the oil and gas sector. Inverurie and Westhill have developed as attractive alternative locations to Aberdeen for commercial and industrial development. Agriculture remains a key sector as is food processing, and Garioch contains the important Thainstone livestock auction centre. The livestock sector is highly

important to Garioch. The key concern in the last financial year is the continuing impact of the collapse in the price of a barrel of oil. This has led to an acceleration in the number of redundancies within the sector and its associated supply chains. In response to this Aberdeenshire Council has acted, along with the other partners of Partnership Action for Continuing Employment (PACE) and the newly established ONE, to help mitigate against the effects of the downturn.

- 2.7 Economic growth in the UK is slowing down. Gross Domestic Product (GDP) growth rate for the UK for 2015 was 2.3%. The local economy is expected to experience GDP growth of about 1.4% in 2016. It is forecasted that this figure will fall further in 2017 to 1.3% before recovering to a modest 1.6% in 2018.
- 2.8 The number of new business start-ups in Aberdeenshire, assisted by Business Gateway, during the year 2015/2016 was 685 (Garioch area 149). Surprisingly, given the economic climate, an increase of 62 on the previous year.
- 2.9 Unemployment figures indicate that the Garioch economy performs better than other Aberdeenshire areas and Aberdeenshire has a lower unemployment rate when compared to Scotland as a whole. The Aberdeenshire unemployment rate continues to be among the lowest of all the mainland Local Authority areas in Scotland. As at March 2016 the percentage on Job Seekers Allowance and Universal Credit for Unemployed was 1.5% for Aberdeenshire with the rate for Scotland being 2.3%. For Garioch the percentage was 1.2% representing 405 individuals.
- 2.10 The Head of Finance and the Monitoring Officer within Business Services have been consulted and are in agreement with the contents of 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 that have any adverse impact on any of the protected characteristic groups.
- 3.2 There are continuing staffing implications arising from this paper for on-going work and project work specifically from Infrastructure Services.
- 3.3 There are no particular financial implications arising from this paper but this paper shows that the Council is investing significant additional funds in the Garioch Area (See Appendix 1).

Steven Archer
Director of Infrastructure Services

Report prepared by Douglas Rennie
Date 12 May 2016

Appendix 1

Economic Activity in the Garioch Area 2015-16

- 1 There continues to be a demand for the **Support for Aberdeenshire Business** Scheme, and in particular from the tourism sector. Out of a total of £228,735 in grants and £66,180 in loans awarded across Aberdeenshire, Garioch businesses were awarded £34,398 in grants. Of the 40 businesses assisted 4 came from the Garioch Area. The scheme helped to create 58 jobs, safeguard a further 13 and levered in other funds totalling £2,393,735.
- 2 In addition, 6 businesses, in Aberdeenshire, received support through the **Survive and Thrive** programme that is provided by Business Gateway and 4 of these were businesses in Garioch. The Survive and Thrive programme is aimed at helping businesses which are struggling as result of the economic crisis.
- 3 The **First Employee Grant (FEG)** scheme looks to assist businesses that are taking on their first employee. A grant of £1000 is available to employers to set aside time and resources to induct and train their first employee. In Aberdeenshire, 32 businesses were awarded a FEG grant in 2015/16 and 11 of these were in Garioch.
- 4 The **South Aberdeenshire LEADER programme** was launched in late 2015 and has held an application round. The programme will award funds from the European Union and Scottish Government to community, private and public sector projects for activities which support the implementation of the South Aberdeenshire Local Development Strategy. (Garioch, Kincardine & Mearns and the Marr area out with the Cairngorms National Park)

Applications for **European Social Fund** grants were submitted for two programmes in Aberdeenshire. The Inclusive Aberdeenshire programme will provide support for financial inclusion advice services and the Aberdeenshire Employability Pipeline support to help those further from the labour market into sustainable employment. Funds will be allocated to third sector organisations to deliver such services through a competitive application process managed by the Community Planning Partnership. (All areas)

An application for **European Regional Development** Fund money to support Business Gateway activities was submitted. The funds will allow enhanced Business Gateway services to be provided when the contract for services is re-let. (All areas)

- 5 The Council's **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. Economic Development staff administers and monitors these funds. The Service Level Agreement was expanded to cover three years, subject to the availability of council budgets. Garioch Partnership was awarded £34,333 per annum for 2014-2017.

The main **Community Economic Development** work over 2015/16 has been supporting SensationALL ; a small charity, which lacked the capacity to bring

forward a Community Asset Transfer application on its own for the Old Schoolhouse, Westhill. Having spent 2015/16 undertaking a feasibility study the hope is that the group will bring forward a Stage 2 application and supporting sustainable business case in 2016. Support and advice was also offered to Cornfields Scotland regarding its social enterprise development in Garioch, building on its work from the Oyne site.

- 6 The **Employment Support Team** worked with over 100 clients during the past year 22 of whom have gone into employment. The team continue to run and organise two weekly job clubs in Ellon and Inverurie where clients are assisted with Universal Job match, online job searching, CV and job applications and covering letters to aid employment. A new Job Club in Kemnay is being organised in partnership with Community Learning & Development (CLD) and Library Services.

Many of our clients who are furthest from work are suffering multiple barriers to employment with the most common being training, long-term unemployment, additional support needs alongside a growing number presenting with mental health and financial difficulties, and requiring legal support and food bank assistance. This is done through sign-posting onwards to appropriate partners.

The continued practice of partnership working is one of the big highlights of how unemployment is being tackled in the Formartine and Garioch areas, with the Employment Support Team working closely with CLD, Employability Service, NHS, Skills Development Scotland and greater joint working with Criminal Justice, Local Academies and Opportunities for All will see a more co-ordinated approach in the years to come.

The Employment Support Team are co-facilitating a Steps Confidence course with CLD and feedback from clients attending is very positive.

- 7 Aberdeenshire Council is one of the major sponsors of the recent Royal Northern Agricultural Society (RNAS) **Countryside Live** event at Uppermill Farm Kintore on 29-30 May. The council also continues to sponsor the RNAS-organised Good Farming Practice awards which promote good business management on farms in NE Scotland.
- 8 **The Land-based Sector in NE Scotland – facing the future** a major study of the farm-based economy was published on 15 March 2016. The project was supported financially by Angus and Moray Councils, Scottish Enterprise, HIE Moray and Forestry Commission Scotland and led by Aberdeenshire Council. A copy of the report is available at:
<http://www.aberdeenshire.gov.uk/facingthefuture/>
- 9 Starting in 2013, **The Ringlink rural internship scheme** provides school leavers/young people with training and a paid work placement on a land-based business. Twelve places were provided in 2015. Eight completed the programme and are now in fulltime employment in agriculture. The project will continue into 2016 with a further 12 places. Over the past 3 years a good number of interns and mentor/employers have come from Garioch. A stand was again taken at Learning Festival event at AECC in February **to raise the awareness of land-based careers** to over 1200 teachers attending from Aberdeenshire, Aberdeen City, Moray and Highland.

10 The council continues to provide close support to **Inverurie and Westhill Farmers Market**. Over the past 18 months, funds and resources from the Community Food Fund (Think Local) have been obtained by council officers to promote the markets (including cooking demos at Inverurie).

11 The **Grampian Food Forum Innovation Awards** was held on 24 March 2016.

283 industry representatives from 115 different organisations attended the awards presentation dinner. Sarah Mackie, Scottish Procurement Directory for Brakes 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.

39 businesses entered 64 new products. There were 12 businesses entering for the first time. There was a strong presence of promising young businesses participating, 15 of which had started their enterprises within the last five years.

Aberdeenshire Council provided £10,000 in support for the event as well as a time commitment from staff.

Winners included –

First time entrant Barra Bronzes, Inverurie
Also Highly Commended were Davidson's Specialist Butcher, Inverurie

An **Impact Assessment of the Innovation Awards** was carried out with the 29 businesses who participated in 2015; a few findings are given below – It was estimated that gross impact of the Innovation Awards on turnover is a rise of 3% across all entrants. Allowing for non-additionality (i.e. discounted benefits which may have happened anyway) the impact across all businesses is estimated to be an uplift of 1% of turnover. This increased turnover supported an increase of 9 FTE jobs.

12 The **Taste of Grampian** annual food and drink festival took place for the 15th time on Saturday 6 June 2015 at Thainstone, Inverurie. Economic Development provided £10,500 of support for the event, which attracted over 14,000 visitors and provided the opportunity for 155 food and drink producers and crafters to show and sell their produce.

The event helps to generate a greater awareness of local products and the producers who report that is their best one-day show in terms of sales.

An independent impact assessment was carried out in 2015. 84% of those who responded stated the event had a direct 'positive' or 'very positive' economic impact.

The direct sales generated on the day is estimated in the region of £150,000 with businesses estimating future sales as a direct result of the event at £1,615,000.

- 13 A small group of key business owners, IBA and community group members in partnership with Aberdeenshire Council have instigated the development of a **Business Improvement District (BIDs)** for Inverurie Town Centre. The group have been successful in applying to the Scottish Government seed fund for £20,000 which the group will look to match fund. This monies will pay for a 12-14 month development stage in which the steering group will go to consultation with all town centre businesses to create a business plan for the BID area. A BID co-ordinator has been recruited, Ashley Wilson, and a steering group is being formed in order to take the BID to Ballot in June 2017. The IBA has allowed the Inverurie BID to use the name Inverurie4U along with the website and branding that goes with it.
- 14 **Positive Procurement Programme** – In 2015-16 seven workshops and three “Meet the Buyer” events were delivered for local businesses in partnership with Aberdeen City Council and the joint Procurement Unit. The Procurement Unit also carried out two Procurement Surgery sessions in June and December. Total number of attendees for all these events was 374.
- 15 **Tourism** is recognised as an important sector of the Aberdeenshire economy generating some £200 million per annum. During 2015/16 the Aberdeen City and Shire Tourism Partnership commissioned consultants to review the structures for the management of tourism in the North East of Scotland. This concluded that a new Tourism Organisation should be established to manage and develop tourism across Aberdeen City & Shire. A considerable focus for 2015/16 has therefore been working with the consultants and partners to establish how this could be set up and what the implications would be to existing tourism structures, with a view to the new organisation, Visit Aberdeenshire, being in place for April 2016.

Castle Trail - During 2015/16 officers worked in partnership with VisitScotland, National Trust for Scotland; Historic Environment Scotland and a small number of privately run castles on the 2016 Scotland’s Castle Trail leaflet. This very popular Trail is being promoted via a new user-friendly, slim-line leaflet, supported by social media and online marketing. Not only did this now include the Castles in Area, but also for the first time, highlighted nearby attractions, in an effort to keep visitors in the area for longer.

Pictish Stone Trail – Building on the success of the **Stone Circle Trail**, the Economic Development and Archaeology teams worked together a similar guide, which highlights 10 of the best Pictish Symbol Stones in Aberdeenshire. As one of the heartlands of the Pictish community, Aberdeenshire is home to around 20% of all the elaborately decorated Pictish carved stones in Scotland. This guide also proved very popular with visitors, who were given an introduction to the subject and directed to 10 locations, mainly within central Aberdeenshire, to visit these fascinating stones. Within the Garioch Area, there are 4 Stone Circles featured in the Trail.

Golf Tourism – 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 7 golf courses in Garioch Area. In total 41 golf clubs in Aberdeenshire are participating in the Alliance.

Routes Europe – after an 18 month build-up by a wide range of local and national partners, the region hosted Routes Europe in April 2016. This is the largest forum for companies involved in the airline and airport sector in Europe and attracted around 1,000 delegates. A Gala Dinner at Castle Fraser and pre-event tours around the region provided an opportunity to showcase the tourism offering of Aberdeen and Aberdeenshire.

- 16 **Broadband** – Since April 2014, when the first publicly funded fibre enabled street cabinet in Scotland was commissioned in Kirkton of Skene, some 60,000 homes in Aberdeenshire have been able to access fibre broadband for the first time. Uptake of fibre broadband in Aberdeenshire is around 50% above the national average. Satellite installations are being offered to such premises with the hardest to reach addresses being targeted first. To date, over 220 satellite installations have been completed and there has been no adverse feedback on service speeds or stability.

The mobile network operators agreed to collectively invest £5bn by the end of 2017 in new infrastructure to improve coverage and services. Coverage criteria will now be determined by geography rather than population and signal strength will be measured inside rather than outside buildings – both pluses for Aberdeenshire. The Council expects planning applications for over 40 masts to be submitted by the Network Operators (Vodafone, O2 and EE). It is safe to predict a step change in improvement in digital connectivity in Aberdeenshire in the five year period from 2012.

- 17 **City Region Deal** – Over 2015-16 there has been significant development of the City Region Deal (CRD). On the 28 January 2016, the UK and Scottish Governments signed a City Region Deal (CRD) Heads of Terms with Aberdeenshire Council, Aberdeen City Council and Opportunity North East. The principal objective is to ensure the region continues to make the optimum contribution to both the Scottish and UK economies. The CRD, and a separate Scottish Government commitment, will fund/contribute to a number of projects including:

- a new oil and gas technology centre supporting the industry to exploit remaining North Sea reserves
- diversification of the biopharmaceutical and agri-food industries and so diversifying the area's economy and creating new jobs and export opportunities
- improving digital connectivity across the area
- a transport appraisal which will take a long-term strategic view of the transport implications of the CRD

- 18 **Employment Land Development – Inch-Provision of serviced industrial land at Inch Business Park** – A closing date was recently set for the sale of approximately 1.74 Hectares (4.3 acres) and a report will be submitted seeking Committee approval to the proposed sale. This is the last large plot at

Insch Business Park and Estates has, therefore, been in negotiation with a local land owner to acquire additional land for development. This would allow the Council to provide serviced business land for owner occupiers and potentially a new Household Waste Recycling Centre. A report will be submitted very shortly seeking Committee approval to proceed.

Inverurie-Development of advance factories at Thainstone – Committee approval was granted for the acquisition of a 2.87 Hectares (7 acres) site at Thainstone, Inverurie. The site will be used in the main for the provision of a new Roads Depot in accordance with the approved Depots Strategy, with the balance being used to provide small advance factories. The development requires the land owner to service the site and there have been lengthy negotiations regarding this. A solution is now imminent and further details will be provided to Garioch Area Committee shortly.