

REPORT TO FORMARTINE AREA COMMITTEE – 22 AUGUST 2017

Economic Activity in Formartine – April 2016 to March 2017

1 Recommendations

The Committee is recommended to:

1.1 Consider and note the contents of the report.

2 Background / Discussion

- 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 Economic Development's activities in 2016-2017 and will be a published document. The Council's economic development activity in 2016-17 was governed by the "Economic Development Strategy 2011 - 2016" that was approved by Infrastructure Services in August 2011.
- 2.2 On 16 March 2017 Infrastructure Services Committee (ISC) approved new Action Areas for Economic Development covering the years 2017-2021. The new action plan outlines how the Council will deliver the Regional Economic Strategy, "A 20-year vision for the Well-being of the Place and Our People" which the Council adopted on 16 December 2015 (Item 15). The Regional Economic Strategy covers Aberdeen City and Aberdeenshire but the Action Areas just cover Aberdeenshire.
- 2.3 There were several big economic developments in 2016-17 in Aberdeenshire including the signing of the City Region Deal, the launch of Opportunity North East (ONE) and the formation of VisitAberdeenshire. The City Region Deal is a key area of joint work between the Council, ONE, and Aberdeen City Council and it is also informed by the Regional Economic Strategy. The City Region Deal (CRD) was signed on 21 November 2016.
- 2.4 Aberdeenshire Council is a partner in ONE which is a private sector led body, focused on ensuring a sustainable economic future for north-east Scotland. ONE aims to broaden and strengthen the region's economy by investing in and accelerating the delivery of projects of scale and impact through four sector boards: 1) ONE Oil & Gas – chaired by Trevor Garlick OBE; 2) ONE Food, Drink & Agriculture (includes fisheries) – chaired by Patrick Machray OBE; 3) ONE Life Sciences – chaired by Professor Stephen Logan; 4) Tourism – ONE support is via Visit Aberdeenshire.
- 2.5 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.

- 2.6 Aberdeenshire Council is responsible for the Business Gateway contract, the Employment Support Team and related employability activity. The Council also helps administer the European LEADER and European Maritime Fisheries Fund and works with other services on Regeneration and town centre activity.
- 2.7 This report provides a brief overview (Appendix 1) of activity in 2016-17 carried out by the Council in the Formartine Area.
- 2.8 In economic terms, south Formartine is closely linked to Aberdeen and is influenced by similar factors, the most notable being the performance of the oil and gas sector. In north Formartine a more traditional rural economy exists. The land-based sector continues to be a significant component of the Formartine economy.
- 2.9 The key concern in the last financial year is the continuing impact of the collapse in the price of a barrel of oil. In addition to this we have the uncertainty surrounding the impacts of leaving the European Union and how this will affect the land based industries.
- 2.10 Economic growth in the UK is slowing down. Gross Domestic Product (GDP) growth rate for the UK for 2016 was 1.8%. The local economy is expected to experience GDP growth of about 0.6% in 2017. It is forecasted that this figure will rise to 1.1% in 2018 and to 1.4% in 2019.
- 2.11 The number of new business start-ups in Aberdeenshire, assisted by Business Gateway, during the year 2016/2017 was 584 (Formartine area 108).
- 2.12 Unemployment figures indicate that the Formartine 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 2017 the percentage on Job Seekers Allowance and Universal Credit for Unemployed was 1.6% for Aberdeenshire with the rate for Scotland being 2.4%. For Formartine the percentage was 1.4% representing 395 individuals.
- 2.13 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments are incorporated within the report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

3 Scheme of Governance

- 3.1 The Committee is able to consider this item in terms of Section F1.1 of the List of Committee Powers in Part 2A of the Scheme of Governance as it relates to the policy issues and resource matters of Economic Development.

4 Equalities, Staffing and Financial Implications

- 4.1 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.
- 4.2 There are continuing staffing implications arising from this paper for on-going work and project work specifically from Infrastructure Services. These are managed within current staffing levels.
- 4.3 There are no particular financial implications arising from this paper but this paper shows that the Council is investing significant additional funds in the Formartine Area (See Appendix 1).

Steven Archer
Director of Infrastructure Services
Report prepared by Douglas Rennie
Date 2 June 2017

APPENDIX 1

Economic Activity in the Formartine Area 2016-17

- 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 £213,615 in grants and £75,129 in loans awarded across Aberdeenshire in 2016-17, Formartine businesses were awarded £33,245 in grants and £10,000 in loans. Of the 35 businesses assisted 5 came from the Formartine Area. The scheme helped to create 66.5 jobs, safeguard a further 54 and levered in other funds totalling £5,650,740. One business had a total investment in the project of £4,057,005 resulting in this higher than average leverage figures in this area.
- 2 In addition, 15 businesses, in Aberdeenshire (2 from Formartine), received support through the **Survive and Thrive programme** that is provided by Business Gateway. The Survive and Thrive programme is aimed at helping businesses which are struggling as result of the economic crisis.
- 3 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. This is the final year of the Service Level Agreement (SLA), which was negotiated to cover the three years 2014-2017. Formartine Partnership was awarded £34,333 per annum over 2014-2017. Formartine Partnership have continued to support the work of village halls and potential LEADER applicants, such as Rothienorman Hall. Community Action Plans continue to be a focus for the rural partnership. Plans were completed for Fyvie and a refresh of Udny Parish. Community action plans are underway for Tarves, Meldrum, Bourtie and Daviot.
- 4 **Community Asset Transfers.** Support and development has been provided on a number of community transfer applications (CAT). During the year considerable support was provided to applicants regarding Turriff Municipal Hall. This is expected to be completed early 2017/18. Similarly a CAT regarding Deer Park in Ellon is expected to come to fruition. The Sand Bothy, at Belhelvie was a successfully completed CAT in Formartine.
- 5 The **North Aberdeenshire LEADER programme** was launched in late 2015. Approximately £3.3m has been allocated to the the North Aberdeenshire Local Action Group from the European Agricultural Fund for Rural Development and Scottish Government. So far 3 projects with total project costs of £1,354,347 have been awarded grants totalling £369,976.
- 6 **Dairy Inward Investment project**
Following the closure of the Muller Wiseman dairy processing plant in Aberdeen in June 2016, virtually all Aberdeenshire-produced milk (c.60 million litres pa) is being transported (mostly at farmers' expense) to Bellshill for processing. Unless new, large-scale processing capacity can

be attracted to the area, dairy farmers will continue to operate at a significant and economically unsustainable commercial disadvantage. There are 13 dairy farms in Formartine – by far the most important dairying area in Aberdeenshire.

Opportunity North East and Aberdeenshire Council are sharing the costs of a major project which aims to attract an inward dairy investor to secure the future of dairy farming in NE Scotland.

- 7 The **Ringlink rural internship scheme** has since 2013 provided local school leavers with a structured introduction to the land-based sector comprising training and a paid six-month work placement on a land-based enterprise. The council was closely involved in setting up the programme and was a major sponsor in 2013 and 2014. The programme is now fully funded by industry. Twelve places were provided in 2016. Eleven interns completed the programme and are now in fulltime employment or further training in agriculture (3 from Formartine). The project will continue into 2017.
- 7 The council has sponsored the **Good Farming Practice Awards** since 2005. The 2016 winner was Roddy & Angela Catto, Hillhead of Muirton, Whitecairns.
- 8 A stand was again taken at **Learning Festival** event at AECC in February 2017 to raise the awareness of land-based careers to over 1200 teachers attending from Aberdeenshire, Aberdeen City, Moray and Highland.
- 9 The council continues to provide funding, advice and support to **Ellon Farmers Market** which resumed operations in July 2015 in Neil Ross Square. Turriff Farmers market is not currently operating.
- 10 The **North East Scotland Food & Drink Awards** replaced and built on the success of the Grampian Food Forum Innovation Awards.

The Awards, which celebrate excellence and innovation while rewarding success in the food and drink sector, were delivered in partnership with Opportunity North East and held on 30 March 2017.

There were 76 entries from 39 businesses and a total of 64 new products in the competition. There were 15 businesses entering for the first time (8 from Aberdeenshire). As in 2016, there was a strong presence of promising young businesses participating; 16 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 – Mackies of Scotland for Best New Retail Product

- 11 **The Taste of Grampian** annual food and drink festival took place for the 16th time on Saturday 4 June 2016 at Thainstone, Inverurie.

Economic Development provided £10,500 of support for the event, which attracted over 14,000 visitors. The show had a total of 170 exhibitors, which allows food and drink producers (109) and crafters (37) to show and sell their products.

BrewFest and the Seafood market returned and there was the inclusion of some street food vendors. For the first time in 2016, there was a Business to Business event held prior to the show, which was deemed to be good for networking and making new contacts/increasing trade between sponsors and exhibitors.

The event helps to generate a greater awareness of local products and the producers still report it is their best one-day show in terms of sales. 32% of the 75 respondents report sales higher than anticipated; 30% said exactly as anticipated and 38% said lower than anticipated. Average sales was estimated at £1,322 per business.

- 12 Aberdeenshire Council contributed £14,500 towards **the Business Growth Programme**, delivered in partnership with Opportunity North East. The programme has been designed specifically for owners and managers of small food and drink businesses as well as aspirational staff from larger companies.

This is a modular programme which allows delegates to continue to run their business while they participate. In addition to group workshops, business speakers, practical exercises and visits, each delegate will be supported by an experienced business mentor, to help build their growth plan and get the maximum benefit from their participation.

The programme started with 20 businesses in January 2017 and will run till November 2017 with most of the impacts being recognised in 2017/18.

Formartine businesses participating include:

Big Beefys Biltong, Turriff
Mackie's of Scotland, Rothienorman
Springwood Wagyu, Ellon
The Store, Foveran
The Veg Company, Foveran

- 13 **Positive Procurement Programme** – In 2016-17 two workshops and four “Meet the Buyer” events were delivered for local businesses in partnership with Aberdeen City Council and the joint Commercial and Procurement Service (CPS). The CPS also carried out two Procurement Surgery sessions in September and October. Total number of attendees for all these events was approximately 460.

- 14 **Tourism**
Tourism is recognised as an important sector of the Aberdeenshire economy generating over £200 million per annum. The Council has a direct input to tourism through provisions of leisure facilities, visitor attractions, path networks, business support, funding events and operating museums.

In April 2016 **VisitAberdeenshire** was created by amalgamating VisitAberdeen, Visit Royal Deeside and the Banffshire Coast Tourism Partnership. The Council contributes to the funding of VisitAberdeenshire and also works closely with VisitScotland. Both organisations collaborate to bring visitors to the area and they concentrate marketing the area, representing the area at tourism events outwith the north east and bringing tour operators and tourism journalists to the north east.

Aberdeenshire Council works in partnership with VisitAberdeenshire to deliver support to individual tourism businesses. This is achieved through VisitAberdeenshire Executives visiting businesses to identify any gaps in knowledge, skills etc. and to assist by direct advice or signposting to sources of funding, relevant agencies or organisations. The business can also be informed about the relevant activities and support that VisitAberdeenshire can offer such as, free marketing activities (including website listings), social media promotion, partnership attendance at trade shows and exhibitions including the VisitScotland Expo. VisitAberdeenshire can support local tourism groups by giving advice on marketing, funding and explaining the role of the different agencies.

In the Formartine Area VisitAberdeenshire have assisted 15 businesses and worked with eight Formartine based organisations. In partnership with VisitScotland, they have also been working on the relaunch of the Aberdeenshire Coastal trails leaflet. The leaflet highlights a number of coastal attractions such as the Forvie National Nature Reserve.

15 **Property Activity**

Balmedie - Servicing of sites/new road at Eigie Road: Morrison Construction and their design team are currently preparing plans on behalf of Aberdeenshire Council to create a business park at Eigie Road. Once these are refined a Planning Application will be submitted seeking planning consent to develop serviced business plots for companies to develop their own bespoke workshop, warehouse and office facilities. If approved, the intention is to commence works as soon as possible so that the sites are available for occupation as close as possible to the completion of the AWPR.

Balmedie - Provision of advance factories at Eigie Road: This is programmed to follow on from the site servicing, as highlighted above. A small number of starter business units will be built for lease in order to both kick-start the business park development and at the same time provide facilities for smaller companies who may not be in a position to construct larger bespoke units.

Turriff - Acquisition and servicing of site at Markethill Road: A planning application will be lodged shortly for this 4 Hectares (10 acres) site at Markethill Road Turriff. If planning permission is granted the site will be serviced to provide industrial/business land for companies to develop their own bespoke workshop, warehouse and office facilities. In addition the site will be capable of accommodating a new Roads Depot.

Turriff - Provision of new/extended business centre at Markethill Road: officers are looking into the possibility of providing an extension to the

Business Centre at Markethill Turriff. This is at an early stage and will be subject to there being sufficient demand identified. An area of land adjacent to the centre has been reserved for this purpose meantime.

Ellon - Provision of advance factories at Balmacassie Industrial Estate: To facilitate this development the Council propose to acquire the Council's Joint Venture partner's interest in these sites. Thereafter a number of small starter business units will be constructed. The acquisition of the land will also give the Council full control over the remaining land which currently sits in the Joint Venture.

General - In addition to the above it is hoped to acquire a small workshop or workshops somewhere in the area to lease out to suitable tenants. This will provide a source of revenue for the Council and will also potentially provide business/industrial facilities for small businesses who perhaps may not have been able to purchase the property themselves. There is also a regular programme of capital improvements to the Council's current portfolio to ensure these remain fit for purpose for small businesses.

- 16 The first **Energetica** signage has been erected within the corridor on the A90 at Ellon with negotiations currently progressing with landowners to deliver second and third signs at the northern and southern ends of the corridor. This has helped to create a physical presence on the ground within the corridor and has generated additional awareness of the programme.

As previously noted the Energetica website has been refreshed and is regularly updated with new information including news, events, investments and opportunities along with support for businesses that is available within the corridor.

The Energetica Summer Festival has continued to grow in terms of its reach and participants whilst offering improved value for money. On a reduced budget the Energetica has doubled in size year on year since 2014. With increased support and collaboration with partners, the festival has grown from a single weekend to a summer long range of over 40 events from photography workshops to coastal walks with the purpose of showcasing what the North East coastline has to offer for both residents and visitors alike and promoting the high quality of life in the region to attract and retain skilled people and new businesses. The original Walking and Wildlife Festival drew tens of visitors, whilst the 2016 offering attracted over 1200 participants. Details of this year's festival can be found at <http://www.energetica.uk.com/festival2017>

Energetica has continued in raising its profile, showcasing the best of North East Scotland as well as investment opportunities and support available to investors through a range of activities both domestically and overseas. Over the last nine months Energetica has exhibited at Offshore Northern Sea, Subsea Expo, Peterhead Energy Hub Showcase and Offshore Technology Conference, and will also exhibit at Offshore Europe in September. This increased awareness-raising combined with other promotional and investment support activity has led to a greater number of investment enquiries. Over the last six months there have been five

inward investment enquiries specifically relating to the Aberdeenshire part of the Energetica corridor. Two of which remain live enquiries and one which a commitment has been made to invest in the North East. Greater awareness of Energetica is now also being recorded anecdotally and through website and social media traffic. Furthermore, a key development project at Blackdog has progressed following the meeting of Full Council on 27th April 2017 where the Aberdeenshire Council was minded to grant planning permissions subject to notification to Scottish Ministers. Energetica staff are engaged with the developer to co-ordinate interest from investors and occupiers.

The Energetica Development Manager has specifically targeted increased co-ordination and awareness raising with Scottish Development International (SDI) working with field officers based in Denmark, Russia, the Middle East, Africa, Canada and USA. Through briefings, tours and Energetica specific marketing materials, staff working in international locations are now able to provide information and opportunities associated with Energetica to companies interested in investing in Europe, Scotland, and particularly the North East.

Energetica staff have also worked with SDI to build links to support indigenous companies internationalising their products and services. Following introductions made by Energetica staff, a North East business joined a SDI visit to Africa to investigate the market in relation to selling their equipment and services there for the first time.

The Energetica Steering Group are currently undertaking a review of the positioning of the current Energetica programme in light of work being undertaken by Opportunity North East (ONE) and the emergence of a City Region Inward Investment Plan looking at the future governance and funding of the Energetica programme. The Group has agreed that there is value in the Energetica programme, and details on how it might work alongside the recently adopted City Inward Investment Plan (March 2017).

17 **Broadband**

2016/17 saw further significant progress in rolling out fibre broadband to Aberdeenshire residents and businesses. Most of the work is now focused on Exchange Only (EO) lines which require to be addressed individually – Aberdeenshire has 46% EO lines, twice the national average, which makes it correspondingly more expensive to upgrade premises in Aberdeenshire.

Uptake of fibre broadband in Aberdeenshire is 39% which is above target and above the national average. By the end of 2018, we expect just under 90% of premises in Aberdeenshire to be able to access fibre broadband – in the vast majority of cases, the last part of the journey made by the signal is on copper wires so distance from the cabinet or exchange determines speed enjoyed at the premises.

The Council is actively pursuing the construction of ultrafast fibre (1Gb symmetrical high bandwidth) along arterial roads to key industrial estates within 18 miles of Aberdeen in the first instance, as part of the City Region Deal Digital Infrastructure programme.

18 **Mobile Phone Coverage and Services**

In December 2014, the Mobile (Phone) Network Operators collectively agreed to spend £5bn upgrading their coverage and services.

Key changes were that coverage would be based on geography as well as population, signal strength would be measured indoors rather than outdoors and the Council lobbied for a waiving of rates on masts in areas with low population densities and for wayleave payments rather than rents to be payable on mast sites, to encourage more masts to be built as each mast is a profit centre and 50% of the operating costs of a mast are rent and rates.

All four operators (EE, O2, Vodafone and 3) are delivering much improved services in Aberdeenshire, which was one of the poorest served areas in the country and at the end of December 2017 EE will be delivering 80% 4G coverage in Aberdeenshire with Vodafone's coverage being similar.

4G is required for home working so 4G services are important to the Council and other employers.

- 19 **ENERGY** – Although significant employment has been lost from the sector, the wider energy industry still accounts for over 50% of jobs in North east Scotland. Whilst cost cutting has been an important part of adjusting to an oil price which is around 50% lower than it was in the run up to September 2014, there is an understanding that in the longer term technology and methodology will have their parts to play in ensuring the industry has a long term future in the North Sea.

Increased alignment of specifications and standards and a sharing of best practice will be elements of this new approach and the Oil and Gas Technology Centre, which is supported by significant funding from the Wood Foundation via Opportunity North East, is helping to develop technology to address generic offshore oil and gas exploration and production challenges to help ensure that the North Sea remains a competitive location and that the supplier base here is able to develop services and products which have global applications.

Cost reductions and efficiency savings have seen average lifting costs in the North Sea reduce to \$15.30 per barrel in 2016, a more realistic number in an era where the oil price may remain below \$50 for a prolonged period.

The Council maintains links with trade organisations such as Decom North Sea, Subsea UK and Scottish Renewables to ensure that it is well positioned to support the area's aspirations to participate in developments such as Statoil's Hywind floating wind turbine development and BP's Quad development.

To support north east businesses in 2016-17 the Council, in partnership with Aberdeen City Council, took a stand at Offshore Northern Seas in Stavanger, Norway. Both Councils also attended the Offshore Technology Conference in Houston. This showcasing activity has led to investment enquiries to the Council and to individual business.

- 20 The **Employment Support Team (EST)** has worked with more than 100 clients during the past year, whilst continuing to run weekly Job Clubs in both Ellon and Inverurie: assisting clients to create email and Universal Job accounts, help with online job-searches, CV's, applications, covering letters and mock interviews. The key worker continues to operate in partnership with

CLD at both job clubs. In a positive development staff from HR in Woodhill House have attended and delivered a presentation at Ellon Job Club to reinforce good practice for job application completion. Twenty-five EST clients have gone into employment and/or education during the past year and several others have undertaken training courses such as Construction training, CPC, Security; several clients are gaining valuable experience through voluntary work