

REPORT TO MARR AREA COMMITTEE – 29 AUGUST, 2017

ECONOMIC ACTIVITY IN MARR - APRIL 2016 TO MARCH 2017

1 Recommendations

The Committee is recommended to:

1.1 Note the contents of this 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 (Item 16) 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 3). 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 Aberdeenshire Council partner with Cairngorms National Park Authority to deliver services that assist the economic development of the National Park area of Aberdeenshire. This work is done through the Cairngorms Business Partnership, the Cairngorms Tourism Partnership, the Cairngorms Economic Forum and other joint bodies and working groups. The Council also contributed to the National Park Partnership Plan which was approved in April 2017.

- 2.6. 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.
- 2.7. 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.
- 2.8. This report provides a brief overview (Appendix 1) of activity in 2016-17 carried out by the Council in the Marr Area.
- 2.9. In economic terms Marr's economic base continues to be dominated by food, tourism, forestry and agriculture with an influence from the energy industry in areas nearer to Aberdeen e.g. Banchory. The north and west of Marr has a more fragile and relatively remote rural economy. The Cairngorms National Park is the larger of Scotland's two national parks and takes in Upper Deeside and Strathdon and tourism is an important part of the local economy. Economic challenges have included the impact of cuts in welfare and public services, high levels of business rates against the generally poor economic conditions and reduced consumer activity. The impact of the fall in oil price remains a concern. The difficulty in sourcing and retaining an appropriately skilled workforce is also an issue. Whilst interest rates remain at historic lows (Base Rate – 0.25%), businesses continue to experience difficulties in raising finance. Other concerns have included the impact of the above factors on town centres, rural isolation and transport, provision and retention of rural services generally and affordable housing. The United Kingdom leaving the European Union is likely to have a significant impact on the area, but this is difficult to quantify at present.
- 2.10. The North East growth rate continues to be below the Scottish average. The forecast for the North East for 2017 is 0.6% compared with 1.2% for Scotland (ONS/Mackay Consultants March 2017).
- 2.11. The unemployment rate (benefits claimants) in Marr has risen. As at March 2017 the rate stood at 1.3% compared to 1.0% in March 2016. This compares to Aberdeenshire's rate of 1.6%. The highest rate in the area was 1.4% in Huntly, Strathbogie and Howe of Alford. Banchory and Mid Deeside ward was 1.1% whilst Aboyne, Upper Deeside and Donside ward showed a rate of 1.3%. Aberdeenshire still has the seventh lowest rate of unemployment for Scotland's local authority areas. However, the official figures may overlook related but important factors, for example, youth and rural employment opportunities.
- 2.12. 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 they 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 B.12.3 of the List of Committee Powers in Part 2A of the Scheme of Governance as it relates to the receipt and review of an annual report of activity in the Marr Area.

4 Equalities, Staffing and Financial Implications

- 4.1 An equality impact assessment is not required because an Impact Assessment was carried out for the Regional Economic Strategy.
- 4.2 There are no staffing and financial implications arising from this report, however there will be on-going work which will be managed within current staffing levels.

Stephen Archer
Director of Infrastructure Services

Report prepared by Heather Macrae, Business Development Executive
Date 9th August 2017

Appendix 1

1.1 **Business Support and Growth – Support for Aberdeenshire Business Scheme**

The Support for Aberdeenshire Business (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 2016 to March 2017 12 grants totalling £56,480 and 2 loans totalling £40,000 were awarded to 12 businesses in Marr. This helped create 15 jobs as well as sustaining 28 existing jobs. These investments helped lever in an estimated £234,256 to the proposals from other sources

2.1 **Business Support and Growth – Business Gateway**

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 Marr 90 business start-ups were assisted.

Growth businesses are projected to increase turnover by more than £200,000 over the next three years. These are the businesses that have the most potential for exporting and taking on new employees, often creating highly skilled and well paid positions. Marr had 9 growth companies in 2016/17. One business was recognised as having the potential to increase turnover by more than £400,000 in 3 years and was accepted into Scottish Enterprise account management.

2.2 The **Survive and Thrive Programme** is an additional local programme delivered by Business Gateway, which provides additional advisory support to businesses needing to address challenges in the current economic climate. Two businesses were referred for support from this programme over the year from Marr.

2.3 The annual **Elevator Awards (formerly Grampian Awards for Business Excellence)** event was held on 30th June 2016. The event was organised by Elevator (formerly Enterprise North East Trust) and was sponsored by The Royal Bank of Scotland, Scottish Enterprise and Aberdeen University. The awards celebrate and encourage business achievements and entrepreneurship of companies and individuals in North East Scotland.

3.1 **Business Support and Growth-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 Commercial & Procurement Services. The Procurement Unit also carried out two Procurement Surgery sessions in September and October. Total number of attendees for all these events was approximately 460.

4.1 **Industry Support and Growth – Agriculture** **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 per annum) 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.

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.

4.2 **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. The project will continue into 2017. Marr has provided several interns and mentor/employers.

4.3 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.

4.4 **Farmers markets** are very strong in Marr. The council continues to support the tireless efforts of **Ballater Farmers' Market** organiser Amy Muir. **Banchory Farmers Market** continues to perform very well at its new site at Bellfield Park while **Huntly Farmers Market** remains one of the strongest and best run in Aberdeenshire. **Torphins Farmers Market** at Platform 22 goes from strength to strength thanks to the efforts of David and Emma Pattullo. During the past 12 months Ballater, Huntly and Torphins markets have accessed a Scottish Government support fund secured by the council to help fund special events.

5.1 **Industry Support and Growth – Food and Drink**

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 were estimated at £1,322 per business.

- 5.2** 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.

288 food and drink industry representatives attended the awards presentation dinner, which provides opportunities for networking with a wide range of business from across the food and drink supply chain and serves as a platform to showcase the best food and drink from the North East. Angus Bell of Morrison's chaired the judging panel.

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

Denise Middler of Huntly based J&I Smith Bakers Ltd was the winner of the Denis Emslie Above and Beyond Award.

- 5.3** 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.

It 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 until November 2017 with most of the impacts being recognised in 2017/18. Marr businesses taking part are Aberdeenshire Highland Beef, Banchory, Deeside Brewery, Banchory and Esker Spirits, Deeside.

6.1 Industry Support and Growth – 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 on marketing the area, representing the area at tourism events outwith the north east and bringing tour operators and tourism journalists to the north east. For example, a VisitScotland and VisitAberdeenshire partnership has resulted in the relaunch of the Aberdeenshire Coastal Trail.

Aberdeenshire Council works in partnership with VisitAberdeenshire to deliver support to individual tourism businesses in Marr. This is achieved through VisitAberdeenshire Executives visiting businesses to identify any gaps in knowledge and skills and 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 different agencies. As well as assisting local groups and businesses VisitAberdeenshire worked with 19 pan-Aberdeenshire groups/organisations in 2016/17. In the Marr area VisitAberdeenshire have assisted 32 businesses and worked with 15 Marr based organisations.

7.1 Industry Support and Growth – 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.

8.1 **Community Support and Growth – Community Economic Development**

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.

Marr Area Partnership was awarded £30,333 per annum over 2014-2017. In addition Banchory & District Initiative and Royal Deeside Partnership were awarded £7,000 and £10,000 per annum respectively.

Marr Area Partnership have continued to support the work of emerging projects such as Lumsden Community Association and Mount Blair Community Development Trust. In addition the Cairngorms National Park Authority (CPNA) continues to be a focus as the Partnership have an SLA with CPNA. Community Action Plans continue to be a focus for the rural partnership. Plans were completed for Gartly and Strathdon area, whilst underway are Community Action Plans for Banchory and Howe of Alford.

8.2 Community Asset Transfers. Support and development has been provided on a number of community asset transfer applications (CAT). Not all are followed through by the community. Completed during the year; after considerable support on the business plan, was the Alford Menshed project which incorporates a Menshed, Community Orchard and Allotments.

8.3 Development Trusts and Social Enterprises. Braemar Care Initiative has been supported throughout the year and this could be an interesting development of a social enterprise around the topical health and social care agenda. Lumsden Community Association explored the option of creating a development trust to manage some of the developments in the area

9.1 **Community Support and Growth – Employability**

The Employment Support Team (EST) have been busy in the Marr area operating three well attended job clubs one in each of Alford, Banchory and Westhill. These are operated on an appointment basis, as opposed to drop in, which works well with the clients and guarantees one-to-one support. The majority of referrals come through the excellent partnership working with local libraries, Skills Development Scotland (SDS) and word-of-mouth. A Syrian job club has been in discussion and planning throughout the year and came into fruition at the turn of the year.

Our Key Worker is involved in the Study Leave Programmes which run in both Banchory and Alford throughout the month of May. These are open to S4 pupils who were thinking about leaving school. The course comprises of 3 elements; Employability, Independent Living and Safe Drive. The Employability aspect covered topics such as CV writing, covering/ speculative letters, job searching, interview skills and mock interviews. Community Learning and Development (CLD) run the Independent Living aspect which includes healthy eating on a budget. The Safe Drive element gives pupils the opportunity to learn basic vehicle maintenance which is delivered in

partnership with the Grampian Transport Museum and they also gain experience of driving a car in partnership with Roadwise.

One of the newest ventures EST is involved in is the work with the Syrian resettlement families. A Syrian Job Club was established at the beginning of this year and runs fortnightly on a Friday in Inverurie Town Hall. Numbers have varied for this depending on ESOL classes and JCP appointments however it is generally attended by between 6 and 12 clients. Most clients now have an active CV and have been working on interview skills. We have also discussed voluntary work and work experience opportunities. Currently in discussions regarding running a food hygiene course and holding an employer engagement event.

10.1 Community Support and Growth – Town Centres

In **Banchory** work has been undertaken on a gap analysis for the town. The local Data Company have been commissioned to do a piece of work for the 4 regeneration towns and through talks with the area office it was felt it was appropriate to bolt on Huntly and Banchory as two extra towns. The purpose of working with the data company is firstly to produce gap analysis for each town, which provides information on the vacancies and the persistent vacancies and shows various elements of data including recommendations regarding gaps in provision compared to other towns of their size. This document will then be used to create another piece of work around targeting independent business start-ups in line with the gap analysis produced. A draft report has been produced and a date has been set to showcase this report to the Banchory Business Association in order to see if a joint project could be taken forward

- 10.2** In 2016-17 the Council continued to assist the business community in Ballater in the aftermath of Storm Frank. The Council commissioned PR to get the positive story across that Ballater was open for business. The Council continued to pay for freight containers for use by businesses affected by the flood. Financial assistance was awarded to the Ballater Caravan Park to install new touring pitches during the year. The Council also assisted in the marketing and organisation of events on Deeside e.g. Ballater Cycling Week, ceilidh evenings, food events and the Etape Royale.

The Council has worked with the Ballater Business Association to introduce a retail scheme which gives expert retail consultancy to Ballater shop owners and also offers a small grant for improvements. Twelve businesses are taking part in this scheme

11.1 Community Support and Growth-European Programmes

European Union funding programmes continue to be delivered throughout Aberdeenshire. Application rounds have been held and the following projects approved:

European Social Fund- Foyer Learning Service based throughout Aberdeenshire, including Banchory and Huntly awarded £390,297.

LEADER- Aberdeenshire Highland Beef, Strachan awarded £33,730.

LEADER- Finzean Estate Farm Shop, Finzean awarded £85,087.

Guarantees to underwrite commitments up until the point when the UK leaves the European Union (estimated at March 2019) have been received from central Government. The Service is working to maximise commitments of funding to ensure that as much of the c. £11million allocated to Aberdeenshire is formally committed to projects by this deadline.

12.1 Investment and Regeneration – Estates

Alford Technology units– The scheme is subject to a private house builder undertaking their residential development as they are providing the land as part of an agreement. Due to the market down turn this has yet to progress. When the units are developed it is likely the units will be more standard advance factories as market requirements suggest this is where demand lies.

12.2 Acquisition and site servicing Huntly–Suspensive Missives have recently been concluded for the acquisition of a site at Steven Road Huntly. Following acquisition the site will be serviced to provide development plots for businesses in the area.

12.3 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.

13.1 Investment and Regeneration – Digital Connectivity

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 (1 GB 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.

13.2 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.