



## REPORT TO BANFF AND BUCHAN AREA COMMITTEE – 19 SEPTEMBER 2017

### ECONOMIC ACTIVITY IN BANFF AND BUCHAN – APRIL 2016 to MARCH 2017

#### 1 Recommendations

**It is recommended that the Committee considers and notes 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, which apply to the Banff and Buchan 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 2016-2017 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 significant 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:
- ONE Oil & Gas – chaired by Trevor Garlick OBE
  - ONE Food, Drink & Agriculture (includes fisheries) – chaired by Patrick Machray OBE
  - ONE Life Sciences – chaired by Professor Stephen Logan
  - 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, 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 programme and other related employability activity. The Council also administers the European LEADER and European Fisheries funds allocated to Aberdeenshire and works with other services on the Regeneration Strategy.
- 2.7 This report provides a brief overview (Appendix 1) of activity covering the 12 month period, April 2016 to March 2017, carried out by the Council in the Banff and Buchan Area.
- 2.8 The North East had been consistently above the Scottish national average, however due to the collapse in world oil prices and the adverse impact on the local economy estimates show the North East rate being below the Scottish average for the preceding 12 months with an estimated annual growth in economic output of 0.6% for 2017 compared to 1.2% for the Scottish economy as a whole. It is forecast that the figure for the North East will increase in 2018 to 1.2%, with the Scottish economy estimated to increase 1.5%. (ONS/Mackay Consultants).
- 2.9 In economic terms Banff and Buchan continues to be influenced by agriculture, fishing and its associated supply chains and the energy industry. Economic challenges include the impact of cuts in public services and welfare as well as reduced consumer activity. Whilst interest rates remain at historic lows (Base Rate 0.25%), businesses continue to experience some difficulties in raising finance.  
The impact of the low oil price remains a concern and continues to have an impact, with redundancies within the sector and their associated supply chains. Other concerns have included the impact of the above factors on town centres, rural isolation and transport, provision and retention of rural services generally as well as affordable housing.  
The EU referendum result favoured the United Kingdom leaving the European Union. This is likely to have a significant impact on the area, however this is difficult to quantify at this time.
- 2.10 The unemployment rate (benefits claimants) in Banff and Buchan has increased and as at March 2017 stood at a claimant count of 510 or 2.2% compared to a claimant count of 490 or 2.1% in March 2016. The Aberdeenshire rate continues to be among the lowest of the mainland Local Authority areas in Scotland and as at March 2017 was 1.6%, with the rate for Scotland being 2.4%. The official figures may however overlook related but important factors, for example, youth and rural unemployment concentration. (ONS Crown)
- 2.11 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report, 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 B1.1 of the List of Committee Powers in Part 2A of the Scheme of Governance as it allows the Area Committee to determine any matter that is specific to their Area.

#### **4 Implications and Risk**

- 4.1 An equality impact assessment is not required as an Impact Assessment was carried out for the Regional Economic Strategy.
- 4.2 There are no staffing and financial implications arising from this report.
- 4.3 The following Risks have been identified as relevant to this matter on a Corporate Level: Budget Pressures; Working with other organisations (e.g. supply chains, outsourcing and partnership working). The following Risks have been identified as relevant to this matter on a Strategic Level: Regeneration.

**Stephen Archer**

**Director, Infrastructure Services**

Report prepared by June Burnett, Business Development Executive

Date 18<sup>th</sup> August 2017

## APPENDIX 1.

### ECONOMIC ACTIVITY IN THE BANFF AND BUCHAN AREA

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 2016 to March 2017 grants totalling £58,212 were awarded to 6 businesses within Banff and Buchan. In Ward 1, four businesses were awarded a total of £27,862 in grant investment, in Ward 2, one business was awarded grant investment of £16,000 and in Ward 3, one business was awarded a total of £14,350 in grant investment. This helped create 22 jobs as well as sustaining existing employment and these investments helped lever in an estimated £984,069 to the proposals from other sources.
  
- 2 **Business Gateway**
  - 2.1 Business Gateway is a business support programme offering a wide range of practical advice, workshops and support to new and growing businesses. Elevator is contracted to deliver this programme in Aberdeen City and Aberdeenshire with Aberdeenshire Council managing the contract on behalf of both Councils. In Banff and Buchan, 52 business start-ups were assisted; 3 businesses received more intensive support during the year which reflects their growth ambitions and one business progressed to become account managed with Scottish Enterprise.
  - 2.2 The **Survive and Thrive** Programme is an additional local programme delivered by Business Gateway, which provides additional advisory support to businesses requiring to address challenges in the current economic climate. One business was referred for support from this programme over the year from Banff and Buchan.
  - 2.3 The annual **Elevator Awards** event was held in June 2016. The event was organised by Elevator and was sponsored by The Royal Bank of Scotland, private sector companies, Aberdeen City and Aberdeenshire Councils. The awards celebrate and encourage business achievements and entrepreneurship of companies and individuals in North East Scotland. SBP Accountants and Tax Advisers was a finalist in the Business Success over 3 Years.
  
- 3 **Regeneration and Town Centres**
  - 3.1 Regeneration progress updates on each town are given by separate report every 6 months to Banff and Buchan Area Committee. Over the course of the year, a new Regeneration Action Plan was agreed by Committee titled People, Prosperity and Place for Banff, Macduff and Fraserburgh. Highlights in the first 6 months include:
    - 3.1.1 the Fraserburgh spring clean, a deep clean of key town centre streets
    - 3.1.2 the development of the first stages of the Banff Harbour Business Plan and Macduff Harbour Master plan

- 3.1.3 the heritage funds drawn in from external sources for both Banff (£500,000) and Fraserburgh (£3,000,000) CARS (Conservation Area Renewal Scheme).
- 3.1.4 work has commenced on another key capital development at South Links Fraserburgh, where the Fraserburgh South Links Sports Trust has levered in a total funding package of £1,187,809, including £150,000 of regeneration funding to develop a running track, football field and all abilities cycle track.

#### 4 **Employment Support Team**

- 4.1 The **Employment Support Team** offer support and assistance to clients with multiple barriers to work to reach employment and training. Six Key Workers cover Aberdeenshire with one-to-one support which includes building personal confidence and offering practical assistance and training. In Banff and Buchan 63 individuals were helped into full-time work, part-time work or self-employment and 56 individuals were helped into training or education.
- 4.2 In Banff and Buchan a Job Club is held in Fraserburgh one morning a week during term time. In addition there was a Job Club run at the College from April to June to help students who were leaving. Whilst this facility was mainly for students, it was also open to others. The Here4You Centre in Fraserburgh offered IT support and money advice which complimented the one-to-one support from the Key Worker.
- 4.3 There were two “Suited and Booted” courses and one “Confidence to Cook” courses run in Fraserburgh over the year. The Key Worker also linked up with the Fraserburgh Learning House to offer job search support.

#### 5 **Community Economic Development**

- 5.1 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. Banffshire Partnership was awarded £34,333 per annum over 2014-2017.

Banffshire Partnership have continued to support the work of the more established groups such as Portsoy Community Enterprise (previously known as the Scottish Traditional Boat Festival). There has also been an increased interest from groups looking at community asset transfer such as Portsoy Community Church.

Community Action Plans continue to be a focus for the rural partnership. Plans were completed for Aberchirder and Rathen, Memsie & District. In addition community action plans are in progress for Invercairn and Portsoy.

5.2 **Community Asset Transfers (CAT).** Support and development has been provided on a number of community transfer applications. Completed during the year was the McRobert Park Association's application regarding the Aberchirder Sports Pavilion (which is now going through the Common Good Order process). Portsoy Community Church were given significant support regarding their business plan development. A number of CAT applications in Banff and Buchan are on-going.

5.3 **Development Trusts and Social Enterprises.** Boyndie Trust has been supported throughout the year and continues to be one of Aberdeenshire's largest local social enterprises. They continue to share their experiences with emerging social enterprises throughout Aberdeenshire and further afield. Boyndie Trust was put forward to be featured as an international example of best practice in the European Agricultural Fund for Rural Development Projects Brochure.

## 6 **Food and Drink**

6.1 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 and allowed 109 food and drink producers and 37 crafters 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, in addition to 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.

6.2 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.

Winners included Summerhouse Drinks Ltd for the Most Successful Product from the 2016 Awards.

- 6.3 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 gain the maximum benefit from their participation.

The programme commenced with 20 businesses in January 2017 and will run through until November 2017 with most of the impacts being recognised in 2017/18. M J French Fish Export Ltd are participating in the programme.

## 7 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.

Aberdeenshire Council works in partnership with VisitAberdeenshire to deliver support to individual tourism businesses in Banff and Buchan. 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 Banff and Buchan Area VisitAberdeenshire have assisted 28 businesses and worked with 13 Banff and Buchan based organisations.

## 8 European Team

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

8.1.1 European Social Fund – Bridge Project, Banff awarded £360,290

8.1.2 European Social Fund – Happy Days Training Company, Banff awarded £85,588

8.1.3 European Social Fund – Here for You Centre, Fraserburgh awarded £148,126

8.1.4 European Social Fund - Foyer Learning Service based throughout Aberdeenshire, including Banff awarded £390,297

8.1.5 LEADER – South Links Sports Development, Fraserburgh awarded £271,868

8.1.6 LEADER – Raising the Roof Project, Macduff awarded £64,560

Guarantees to underwrite commitments up until the point when the UK leaves the EU (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£11m allocated to Aberdeenshire is formally committed to projects by this deadline.

## 9 Fisheries

9.1 The council was closely involved in the **Fraserburgh Task Force**, set up by Scottish Government to address the consequences of the downsizing of Young's. The council has funded various initiatives arising out of the Task Force including a feasibility study for an **electronic auction at Fraserburgh** fish market and most notably a business case assessment for the proposed **Scottish Seafood Centre of Excellence** which aims to raise the capacity and capability of the local seafood and also the wider food sector. The assessment is currently being carried out by SAC Consulting and is scheduled to report in late August 2017.

9.2 A stand was again taken at Learning Festival event at AECC in February 2017 to raise the awareness of land-based and fisheries careers to over 1,200 teachers attending from Aberdeenshire, Aberdeen City, Moray and Highland. The council also had a stand at the Skipper Expo in May 2016 to promote its support for the sector.

## 10 Agriculture

### 10.1 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. There are 5 dairy farms in Banff and Buchan.

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.

- 10.2 **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. Nine of the interns were from Aberdeenshire, with one from Banff & Buchan. The project will continue into 2017.
- 10.3 Since attracting new volunteer organisers in 2015, **Macduff Farmers Market**, which is held on the last Saturday of the month at Macduff Fishmarket, continues to grow and develop. During the past 12 months the market has accessed a Scottish Government support fund secured by the council to assist pay for market signage.

## 11 **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, a major part of which was successfully delivered by Technip, a Westhill based subsea contractor.

Aberdeenshire is also an important location for energy assets, being home to the expanding Peterhead Port, the region's leading deep sea harbour, St Fergus Gas Terminal, which has the infrastructure to support a major CCS project, Peterhead Power Station and the Northconnect transformer station. When built, the transformer station will be a major receiving and

transmission station for offshore generated electricity, with a capacity of 1400 MW which is greater than the generating power of Peterhead Power Station.

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.

## 12 **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.

## 13 **Broadband Infrastructure & Service Upgrades**

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.

## 14 **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.

## 15 Industrial Development Activity

- 15.1 **Banff - Tannery Street Depot**- The Council's agency partners, Ryden have prepared a marketing strategy for the Roads Depot at Tannery Street, which will become vacant following the relocation to a new facility at Tarlair Business Park in Spring 2018. The particulars have been prepared and the property is ready to go to market.
- 15.2 **Fraserburgh - Demolition and new units at Kessock** – Having recently acquired the remaining long leasehold interest, giving the Council control of the whole site, the current planning application, for development of part of the site, has been withdrawn. The Council's contractor has been briefed and will come back with updated appraisals, including associated demolition costs, together with costs for the redevelopment of the whole site, possibly in a phased manner.
- 15.3 **Fraserburgh - Fairney** – The remaining serviced sites, extending to approximately 2.9 acres, are on the open market and terms agreed for the grassum lease of a one acre site to an energy company. Potentially they may take additional adjacent land.
- 15.4 **Fraserburgh - Acquisition and servicing of industrial land** - A site has been identified and negotiations are progressing for the acquisition of a site to provide approximately 4 Hectares (10 acres) of serviced industrial land. A report will be submitted for Committee approval once Heads of Terms have been agreed.
- 15.5 **Macduff - Site servicing at Tarlair Business Park** - The site servicing has been completed and the sites are on the market with agency partners, Ryden. Work on the new roads depot is underway and the date for completion is Spring 2018. There has been some interest in the serviced plots and there is going to be some target marketing done for the site.
- 15.6 **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.

