

REPORT TO FORMARTINE AREA COMMITTEE 04 SEPTEMBER 2018

ECONOMIC ACTIVITY IN FORMARTINE – APRIL 2017 TO MARCH 2018

1 Recommendations

The Committee is recommended to:

1.1 Note the contents, consider and comment on 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. On 16 March 2017 Infrastructure Services Committee (ISC) approved new Action Areas for Economic Development covering the years 2017-2021. This 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 work of Economic Development is guided by the new Action Plan and progress on the Action Plan was reported to ISC on 10 May 2018 (Item 12).
- 2.2 At a strategic level Aberdeenshire Council continues to be an enthusiastic partner in delivering the Regional Economic Strategy and the City Region Deal (CRD) with Aberdeen City and other partners. Aberdeenshire Council also supports the work of Opportunity North East (ONE) with finance and staff. The Council Leader attends the ONE Board, the Chief Executive attends the Regional Advisory Board, and the ONE Digital Board and the Head of Economic Development & Protective Services attends the ONE Food, Drink & Agriculture Board.
- 2.3 Appendix 1 gives a brief overview of activity covering the 12 month period April 2017 to March 2018, carried out by the Council in the Formartine Area although the first section gives a summary of strategic work covering the north east.
- 2.4 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.
- 2.5 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.
- 2.6 Economic growth in the North East has been showing signs of recovery. Aberdeen had the fifth best performing city economy in the UK in the final quarter of 2017. It recorded a GVA growth rate of 1.5% across the period.

Glasgow and Edinburgh saw growth of 1.2% and 0.9% respectively. Looking ahead, it is expected that Glasgow will be the best performing Scottish city this year as it is predicted to maintain its growth of 1.2% by the fourth quarter of this year while Aberdeen's rate drops to 1.1%.

- 2.7 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 2018 the percentage on Job Seekers Allowance and Universal Credit for Unemployed was 1.4% for Aberdeenshire with the rate for Scotland being 2.6%. For Formartine the percentage was 1.1% representing 300 individuals.
- 2.8 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments have been 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 F.1.1b of the List of Committee Powers in Part 2A of the Scheme of Governance as it relates to Economic Development in the Formartine Area.

4 Implications and Risk

- 4.1 An equality impact assessment is not required because this report will not directly change any Council policy or resource allocation and so does not have a differential impact on any of the protected characteristics.
- 4.2 There are no staffing and financial implications directly 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). No Risks have been identified as relevant to this matter on a Strategic Level.
- 4.4 The recommendations in this report do not require a Town Centre First Assessment. The report is for updating the committee on a multiple aspects of economic development in Formartine. Town Centre First Assessments will have been provided with any relevant committee report relating to that activity.

Stephen Archer
Director of Infrastructure Services

ECONOMIC ACTIVITY IN FORMARTINE AREA FOR 2017/18

1. Leadership and Partnership Working

- 1.1 Work to deliver the Regional Economic Strategy with north east partners includes the City Region Deal (CRD) work streams of Digital and Infrastructure; setting up of the Invest Aberdeen Region Hub; review and liaison on the Aberdeen Events Strategy, and collaboration to co-host the Aberdeen City Region stand at Offshore Europe (2017). City Region Deal work carried out by Aberdeenshire Council also includes a Strategic Transport Appraisal. Opportunity North East (ONE) are leading on the CRD Food Hub concept and the Strategic Business Case for this Hub is now being prepared.
- 1.2 Aberdeenshire Council supports ONE by participation and financial support for key projects in particular the Food, Drink and Agriculture Boards work to support the NE Food and Drink Network, the Food and Drink Growth Programme and the Food and Drink Awards. Both ONE and the Council support VisitAberdeenshire in their work to offer advocacy, business engagement events, market and product development support and annual tourism awards to the industry.

2. Business Support and Growth

- 2.1 The number of **new business start-ups** in Aberdeenshire, assisted by Business Gateway, during the year 2017/2018 was 694 (Formartine area 125).
- 2.2 In addition, 20 businesses, in Aberdeenshire (3 from Formartine), received support through the **Survive and Thrive** programme that is provided by Business Gateway(BG). The Survive and Thrive programme is aimed at helping businesses which are struggling as result of the economic downturn.
- 2.3 Of the 55 businesses accepted into **BG growth programmes** 10 were located in the Formartine area.
- 2.4 There continues to be a demand for the **Support for Aberdeenshire Business** Scheme, and in particular from the food and drink sector. Out of a total of £175,106 in grants and £66,500 in loans awarded across Aberdeenshire in 2017-18, nineteen businesses were assisted. The scheme helped to create 45.5 jobs, safeguard a further 37 and levered in other funds totalling £3,072,485. In addition, a further 2 businesses in Formartine received support via the new First Employee Grant scheme.
- 2.5 **Positive Procurement Programme (PPP)** – PPP is a training programme designed to assist local businesses win public sector contracts. In 2017-18 five workshops and a “Meet the Buyer” event 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 July and January. Total number of attendees for these events was approximately 230.

3. Industry Support and Growth

3.1 **Food & Drink - The North East Scotland Food & Drink Awards** were delivered in partnership with Opportunity North East and held on 22 March 2018. They celebrate excellence and innovation while rewarding success in the food and drink sector. Aberdeenshire Council provided £22,156 in support as well as a time commitment from staff. 48 businesses entered (34 from Aberdeenshire) a total of 86 new products in the competition. There were 16 businesses entering for the first time (8 from Aberdeenshire). Following the trend of the last 2 years, there was a strong presence of promising young businesses participating; 22 of which had started their enterprises within the last five years.

Formartine winners included:

- Denis Emslie Above & Beyond Award – Craig Wilson, Eat on the Green, Udhay Green
- Investing in Skills Development – Duncan Farms, Turriff
- Innovation Award – Duncan Farms, Turriff

3.2 The **Taste of Grampian** annual food and drink festival took place for the 17th time on Saturday 3 June 2017 at Thainstone, Inverurie. Economic Development provided £10,600 of support for the event, which attracted over 14,000 visitors. The show had a total of 189 exhibitors, which allows food and drink producers and crafters to show and sell their products. 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. Out of the 57 who were selling 30% reported sales 'higher than anticipated', 32% had sales 'exactly as anticipated' and 39% had sales 'lower than anticipated'. Average sales were estimated at £1,466 per business.

3.3 Aberdeenshire Council contributed £10,200 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 ran till November 2017. Due to the sensitive nature of the data gathered, figures cannot be attributed to specific businesses. However, the small, owner managed companies reported collective turnover growth of £147,000.

3.4 The **Energy Sector** remains a vital component of the Aberdeenshire economy, despite the impact global events have had on the industry. There were some significant City Region Deal developments announced; TechX was launched in December 2017 as part of The Oil & Gas Technology Centre with the aim of providing expertise and support both as a technology accelerator and incubator for start-ups and SMEs; The University of Aberdeen

and the Oil & Gas Technology Centre will create a new multi-million-pound Decommissioning Centre of Excellence, based at OceanLab in Newburgh, to tackle current and future challenges with world-class research and development in partnership with industry.

- 3.5 Aberdeenshire Council officers remain active in their support of the sector. Aberdeenshire Council shared exhibition space with Aberdeen City Council at **Offshore Europe** in September 2017 and 20 businesses joined the stand. Aberdeenshire Council was part of the Scottish delegation which exhibited at the Offshore Technology Conference in Houston in May 2017 and we took space at All Energy in Glasgow in May 2017. Exhibition space was also taken at Subsea Expo, Europe's largest subsea exhibition, in Aberdeen in February 2018. Each exhibition provided a platform from which to promote Aberdeenshire as a place to work, live and invest. Aberdeenshire Council officers maintain a close working relationship with Department for International Trade (formerly known as United Kingdom Trade and Investment), Scottish Development International and the North East of Scotland Trade Group, to ensure the profile of the area and its companies in overseas markets remains high. Officers are in regular contact with trade bodies Subsea UK and Decom North Sea.
- 3.6 Aberdeenshire Council continues to provide support to **the local dairy farming sector** following the closure of the Muller Wiseman dairy processing plant in Aberdeen in June 2016. Since then virtually all Aberdeenshire-produced milk (over 50 million litres pa) has been transported to Bellshill for processing, mostly at farmers' expense. The council is working closely with partners Opportunity North East (ONE) and Scottish Agricultural Organisation Society (SAOS) to help the farmers explore and evaluate their options and contributed to the costs of creating NE Milk Producers Association, a new body which represents farmers' interests and is leading the ongoing work. Previously, ONE and Aberdeenshire Council shared the costs of a major dairy options appraisal project which also sought to attract an inward dairy investor. The new Association has been very active and a number of avenues are under consideration. The largest concentration of dairy farming in Aberdeenshire is in Formartine.
- 3.7 **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 operated by Ringlink (Scotland) Ltd, an agricultural co-op business based in Laurencekirk and is now fully funded by industry. In 2017, the programme was accredited as a formal **Pre-Apprenticeship qualification by Scotland's Rural College (SRUC)** and its special status recognised by the Scottish Agricultural Wages Board. The number of places in 2017 increased from 12 to 15. Thirteen interns completed the programme and are now in fulltime employment or further training in agriculture. Fifteen places will again be provided for the June 2018 intake. Financial support from Scottish Government will enable 6 places to be provided for a new additional winter intake in January 2019 and work is underway to extend the model across Scotland.

- 3.8 A stand was again taken **at the Learning Festival event** at AECC in February 2018, to raise the awareness of land-based careers to over 1200 teachers attending from NE Scotland. Aberdeenshire Council also provided funding towards a Shared Modern Apprenticeship in Agriculture pilot project in association with SRUC, ONE and Ringlink in March 2018.
- 3.9 Aberdeenshire Council continues to provide support to **Ellon Farmers Market** which resumed operations in July 2015 in Neil Ross Square.
- 3.10 Aberdeenshire Council is working with Turriff District Agriculture Association (TDAA) to grow **the Turriff Show**. TDAA have purchased more land and this will be used as the new carpark, to allow the existing car park, to be used to accommodate more stands. Food and Drink has been identified as an area for improvement for the Show. The Food and Drink Marquee will be extended. This will create a larger food and drink area that will allow for a larger number of local food and drink companies to attend the Show. It is anticipated that the improvements to the Show, will attract an additional 5,000 – 10,000 extra visitors each year.

4. Community Support and Growth

- 4.1 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. Formartine Partnership (FP) was awarded £34,333 from Economic Development and £3,000 Area Manager funds for 2017-2018. FP continues to have a focus on the Formartine in Bloom work in both communities and schools. There are 4 **Community Action Plans** nearing completion covering 10 communities. During 2017, FP constructed the initial section of the Ythan Trail, the Haddo Link, between Methlick and Haddo Lodge.
- 4.2 **The Social Enterprise Support Fund** was launched in August. The scheme has been promoted through rural partnerships and through council media channels. A number of enquiries have been received in Formartine and it is hoped that some will translate in applications early in 2018/19
- 4.3 The **North Aberdeenshire LEADER programme** was launched in late 2015. Approximately £3.3m has been allocated to the North Aberdeenshire Local Action Group from the European Agricultural Fund for Rural Development and Scottish Government. So far 4 projects with total project costs of £1,367,151 have been awarded grants totalling £376,780.
- 4.4 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. EST continues to provide more focussed one-to-one support by assisting clients to create email and Universal Job accounts, help with online job-searches, CV's, applications, covering letters and mock interviews. Our key worker continues partnership work with Inverurie and Ellon Community Learning & Development staff to support groups of pupils from the associated academies with basic employability preparation. EST has

assisted 41 clients into employment and/or education during the past year and another 15 have undertaken training courses such as Construction training, Certificate of Professional Competence(CPC) and Security, with several clients gaining valuable experience through voluntary work.

5. Investment and Regeneration

5.1 Following approval by Infrastructure Services Committee (30th November 2017, Item 16) an inward investment hub (**Invest Aberdeen**) has been put in place. The resource of four investment officers (two with Aberdeenshire Council and two with Aberdeen City Council) are working closely with colleagues at Scottish Enterprise, Scottish Development International and the Department of International Trade along with key partners across the North East to develop a pipeline of investment leads and respond to and co-ordinate investment enquiries. There were 46 enquiries/leads that came into Energetica Jan-Dec 2017. 13 of the 46 were in Formartine.

5.2 Broadband

The Rest of Scotland(i.e. the area outwith Highlands and Islands) **digital infrastructure upgrade programme** is nearing a conclusion – this has seen over 300 new street cabinets built in Aberdeenshire and one of the highest increases in fibre penetration in the country – up from 20% in 2014 to 89% now – the national average is just over 95%. Because of high rates of uptake of fibre broadband, the Gainshare provision in the contract with Openreach was triggered – this has injected a further sum of over £20m into the programme. The Gainshare element of the contract committed Openreach to paying back (for reinvestment in the contract) a sum of money, triggered by an uptake if fibre enabled broadband exceeded 20%. This cash will be deployed until the end of the 2018 calendar year, with some physical work stretching into 2019. Whilst the number of Aberdeenshire beneficiaries of Gainshare monies is in the hundreds, many will receive a “fibre to the premises” solution which is the best future-proofed solution possible. Aberdeenshire was the first Council area in the Rest of Scotland to see uptake of fibre broadband exceed 40%. This shows clear evidence of demand for better connectivity. The Digital Scotland Superfast Broadband (DSSB) programme will be closed in Q3 of 2018. This will be followed by an audit and detailed report on how the Council's £16m contribution to the project was spent and this information will be presented to the Council. Average upgrade costs per premises in Aberdeenshire are high due to there being twice the national average of Exchange Only lines, which are more expensive to upgrade.

The anticipated outcome for Aberdeenshire from the DSSB programme, is for just over 89% of premises to be passed by fibre, with the majority of these able to access a download speed of 30 Mbps or better.

5.3 The **mobile network operators** have also been investing in their infrastructure to improve coverage and services. Whilst there is no map showing coverage by all operators, much of Aberdeenshire now has 4G coverage and individuals can check the situation at any address on the OFCOM website.

Whilst much has been achieved, there remains a significant number of residents who don't have access to realistic broadband speeds and mobile

phone services and most businesses don't have access to gigabit capable services, however, work is continuing to address these challenges.

5.4 **Property Services Activity**

Balmedie - Servicing of sites/new road at Eigie Road– Morrison Construction and their design team have prepared plans and provided indicative costs on behalf of Aberdeenshire Council to create a Business Park at Eigie Road. It had been intended to submit a Planning Application seeking planning consent to develop serviced business plots for companies to develop their own bespoke workshop, warehouse and office facilities. This is still the case, but following an approach from an adjoining land owner, officers are now investigating the possibility of working jointly with the land owner to create a more comprehensive master-planned development. The provision of advance factories at Eigie Road is programmed to follow on from the site servicing. 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 - The existing Business Centre at Markethill Turriff is currently leased to a head-tenant who in turn sub-leases small offices and meeting rooms to local businesses on a serviced basis. An area of land adjacent to the centre has been reserved for the possible extension of the business centre and early indications are that this is of interest to the head tenant, subject to agreeing terms.

Ellon Balmacassie Industrial Estate - The council has worked closely with a major employer in Ellon to assist with their rapid expansion plans. This involved a complex series of transactions comprising acquiring land, disposing of land and relocating an existing Council building, all to the demanding timescales of the company.