

Aberdeenshire Council Economic Development Priorities to 2011

A Discussion Paper

1. Introduction

There has been huge change at an international, national and local level since the Council's Economic Development Strategy was approved in 2001. This paper sets out a means whereby the Council can refocus to maximise the benefits of its involvement in economic development.

2. Purpose

The purpose of the paper is to review and reprioritise the Council's Strategic Economic Development objectives and maximise the impact of the available resources to ensure that positive action is taken to help Aberdeenshire's economy become more resilient and adaptive to change. The purpose is also to encourage the area to be outward looking and innovative and to promote and celebrate its special qualities and enterprise.

3. Context – A Changing World and Economic Environment

3.1 External Economic Influences

High oil and gas prices have led to a high level of activity in the North Sea and other areas. This has brought a significant amount of new trade to Aberdeenshire businesses.

The **competition in manufactured goods from developing countries** has had an effect on the Aberdeenshire economy. The impact of this has not been too detrimental as Aberdeenshire has never had a large manufacturing sector however access to traditional markets is becoming more competitive.

The concern over **climate change** has led to the necessity for industry and consumers to reduce use of energy. The push to reduce carbon emissions brings restrictions but also opportunities for the energy sophisticated north east in such projects as the production and sale of renewable energy.

Britain, like many western countries, is beginning to experience the impact of an **ageing population**. Apart from the burdens that this places on the economy, it also creates a skills shortage.

3.2 Changing Policy Environment

The major change over the past decade, in policy terms, has been the **establishment of the Scottish Parliament**. The Scottish Executive produced

“Framework for Economic Development in Scotland”, which sets out the key elements of the strategic approach in the primary areas of Executive responsibility. The “Framework” also provides the basis and direction for the long-term “Smart, Successful Scotland” strategy for the Enterprise Networks.

In “People and Place – Regeneration Policy Statement” the Scottish Executive states that it sees **Communities Scotland** as leading in regeneration and that the geographical focus for major projects will be the Clyde corridor.

Communities Scotland and Scottish Enterprise now have a new Memorandum of Understanding that was published earlier this year in which the roles of the two organisations are clarified. The document outlines how the two organisations will work more closely together and states that the Enterprise Networks do have a responsibility in terms of social inclusion.

The greater emphasis by Scottish Enterprise on City Regions has now transferred into a Metro Region approach. This emphasis is linked to an industry led approach which means that **Scottish Enterprise Grampian** will concentrate its effort on the strategic industries of food and drink, tourism, energy and life sciences. The details of how this approach will manifest itself in the delivery and structure of Scottish Enterprise Grampian is still to be seen but it presents opportunities for the Council’s joint working with the Enterprise Company.

The Scottish Executive is now talking to stakeholders about the formation of a new **Scottish Rural Development Plan for 2007-13**. This will set the new rural policy for Scotland and assist with the implementation of the new European Rural Development regulations.

In March 2006 the new **Aberdeenshire Community Plan** was launched. The Plan identifies how the Aberdeenshire Community Partnership will work to deliver better, more coordinated services and how communities will input to decision-making.

In the **European context** there will be a new regional development programme for years 2007 to 2013. The details of this programme are still being discussed but will be based on the EU Cohesion Policy. The Council is committed to the European Commission “**Lisbon and Gothenburg Agendas**”. These “Agendas” are based on the vision of a Europe that will be a leading, knowledge-based economy that will invest heavily in skills and technology in a sustainable way.

Two pieces of European support that will have an impact on the north east economy are the **European Fisheries Fund** and the **Scottish Rural Development Programme**. These funds will assist the fisheries industry, farming industry and rural development and will be introduced in 2007. The details of the eligibility and targeting of the funds are still to be decided.

3.3 Changing Local Environment

Like other areas in the UK Aberdeenshire has an **ageing population**. Between the years 2001 and 2021 the number of 75 year olds in the north east will rise from 30,000 to 45,000. This is especially challenging when linked to a fall of the 30-44 age group, for the same period, from 102,000 to 73,000. As was mentioned above, in Section 3.1, this places burdens on the economy and the local authorities. Coupled with an unemployment rate of 1.2% in Aberdeenshire this creates a skills shortage. Although Aberdeenshire has a younger than average population, in a Scottish context, the growing skills shortage is a problem especially in the energy, construction, food and agricultural industries.

Part of the solution to this problem locally has been to employ **migrant workers**. The large food processing sector in the north east has benefited greatly from the new wave of eastern European immigrant workers. Not only have other low paid industries, such as agriculture, profited from these individuals, but businesses are now actively seeking skilled and professional workers from these countries.

The **resilience of communities** in the north east has been helped by programmes such as Aberdeenshire Towns Partnership, Building Buchan – New Beginnings and strong Rural Partnerships. However, there are still many challenges for these communities to face including “out of town” shopping and centralisation of jobs to larger centres of population. There are also specific pressures on fisheries and agricultural communities.

3.4 Changing Partnership and Delivery Environment

Community Planning is part of the Modernising Government agenda and provides the key overarching framework for delivering more responsive services to communities. In Aberdeenshire, Community Planning is still developing especially at Area level.

The **Aberdeen City and Shire Economic Forum (ACSEF)** Action Plan, “Business 2010”, has six strategic objectives, all of which are fundamental to the work of Economic Development and the Council. These six objectives are listed in Appendix A to this document. The Council’s Economic Development Strategy and the ACSEF Strategy, “Business 2010”, set the strategic direction for economic development.

Scottish Enterprise Grampian is probably the most important partner for economic growth. Aberdeenshire Council and Scottish Enterprise Grampian work together in such areas as community economic development, business support and major programmes like Building Buchan and Aberdeenshire Towns Partnership.

The change of orientation by Scottish Enterprise Grampian to Metro Regions and the four strategic industries (tourism, food and drink, energy and life sciences) will have a big impact on the organisation. The emphasis on these industries will

provide new opportunities for Aberdeenshire. The Council is considering ways that programmes such as community economic development, the Aberdeenshire Towns Partnership and rural development can be delivered through a single regional framework.

The new role of **Communities Scotland** has led to a changing relationship with the Council. There are now Regeneration Outcome Agreements for Peterhead and Fraserburgh between the Council and Communities Scotland. The Council also works with the organisation on social justice and funding work.

VisitScotland, as the national tourism agency for Scotland, has only been in existence for a year. The **North East Scotland Tourism Partnership** (NESTOUR) was established in 2005 as an Area Tourism Partnership serving the local authority areas of Aberdeen City, Aberdeenshire and Moray and has recently produced an Area Tourism Strategy and Action Plan. It is chaired by the Provost and includes the private sector, the Councils, the local Enterprise Companies and the Cairngorms National Park Authority. The Council continues to be a large player in the tourism sector and sees partnership with VisitScotland as important.

NESTRANS is the transport partnership for Aberdeen City and Shire. Its purpose is to develop and deliver a long-term regional transport strategy and take forward strategic transport improvements that support and improve the economy, environment and quality of life across Aberdeen City and Shire. Constituted as the North East of Scotland Transport Partnership under the Transport (Scotland) Act 2005, NESTRANS began work as a statutory Transport Partnership on 1 April 2006. It is one of seven Transport Partnerships set up across Scotland to provide a co-ordinated approach to transport planning and delivery between different local authority areas.

The work carried out with these partners fits with the six ACSEF objectives listed in Appendix A.

4. Economic Development in Aberdeenshire Council - Analysis of Current Position

4.1 Picture of the current Aberdeenshire Economy

In Aberdeenshire the Gross Domestic Product* (GDP) is estimated at £2,640m (2004), representing 3.5% of the Scottish total. Through strong commuting flows, Aberdeenshire is closely linked to the Aberdeen City economy (GDP £5,974m, 2004).

* Gross Domestic Product is a measure of the value of goods and services produced in (an area), before allowing for depreciation or capital consumption.

A significant proportion of Aberdeenshire's working residents commute to Aberdeen City, varying from 5% in Portsoy to 50% in Balmedie. The number of Aberdeen City residents travelling to Aberdeenshire is estimated to be 5,679, representing 6% of the Aberdeen City population.

Average gross weekly earnings for Aberdeenshire (workplace based) are £471.40. In Aberdeen the average gross weekly earnings are £569.70.

The male average gross weekly earnings for Aberdeenshire are £522.50 (same as the Scottish average) and the female average is £386.90. In Aberdeenshire the average female earnings were 74% of the male average, in Aberdeen the percentage is 68% and in Scotland the figure is 81%.

Total employment is estimated at 88,850. The service sector accounts for 54% of employment, growing faster than any other sector.

Other sectors are manufacturing (12%), construction (7%), oil and gas (4%), and primary - agriculture/fishing/forestry (5%). A further 19% of jobs are held by the self-employed.

The primary and manufacturing sectors have seen a decline in the number of employees, and oil employment is forecast to fall by over 30% over the next 15-20 years.

84% of the working age population are economically active, compared to 79% for Scotland.

Unemployment stands at 1.2% (2005). This is lower than Aberdeen City (1.7%), Scotland (2.8%) and the UK (2.4%), and the lowest rate of all the Scottish local authorities.

4.2 SWOT Analysis

To further the examination of the current position a SWOT analysis was carried out. The results, shown below, list internal strengths and weaknesses and external opportunities and threats for economic development in Aberdeenshire Council.

<p>STRENGTHS Development of biomass and bio fuels Staff expertise and skills EU participation and networks Strong partnerships Quality of consultation responses Successful Rural Partnership network and social enterprises Food and drink work Aberdeenshire Towns Partnership Building Buchan – New Beginnings Ports infrastructure</p>	<p>WEAKNESSES Too many partnerships Too many strategies and visions Not proactive enough Too much fire fighting No training and skills activity Lack of marketable employment land</p>
<p>OPPORTUNITIES Renewables Vertical integration in fisheries Social economy Increased energy self-sufficiency Reduction in food miles Recreational tourism Aberdeenshire coast Linkage with Cairngorms Nat. Park EU funding Skills and training Intra-regional partnerships and metro region partnerships Peterhead Power Station developments Developing ports infrastructure Reducing the male/female wage differential Climate change</p>	<p>THREATS EU funding reduction Council funding reduction SEG funding reduction New SEG metro region and strategic industry focus White fish prices Farm gate prices Peripherality Ageing population Climate change Expanding communities without appropriate infrastructure Skills shortages</p>

4.3 Present Economic Development Partnerships and Key Sectors

An analysis of the many partnerships in which the Council plays a part indicated that there was a need to refocus to increase the effectiveness of partnership working. Following a review it was suggested that there should be concentration by the Council on the partnerships listed below which reflects the sectors that Aberdeenshire Council sees as important to the future of its economy.

Community Planning Partnership
 Aberdeen City and Shire Economic Forum
 Aberdeen Renewable Energy Group

Conference of Peripheral Maritime Regions
Grampian Food Forum
NESTRANS (North East of Scotland Transport Partnership)
North Sea Commission
Rural Partnerships and north east public agencies
Aberdeenshire Towns Partnership (change post 2006-07 expected)
Building Buchan – New Beginnings (step change projects)
NESTOUR (North East Scotland Tourism)
Business Environment Partnership North East
Business Gateway
North Sea Regional Advisory Council
North East Scotland Agricultural Advisory Group
North East Scotland Fisheries Development Partnership

5. Aspirations for the Future and Resources for Success

The analysis shows a depth of experience, willing partners and opportunities for the Council to continue to make a difference to the future economy of Aberdeenshire.

Aspiration

The Aberdeenshire economy by 2011 will be an economy that is prosperous, equitable and sustainable through increasing productivity, diversification and inclusion.

Increasing productivity and diversification

By 2011 the Aberdeenshire economy will support an increase in GDP of at least 0.5% over the Scottish average (Aberdeenshire figure estimated in 2004 at £2,640m). The Scottish average is estimated to be 1.7% over the next few years.

Increasing prosperity

By 2011 the Aberdeenshire economy will have an increase in full time average gross weekly earnings of 2% over the Scottish average. (Aberdeenshire figure estimated at £471.40 in 2005)

Increasing equality

By 2011 the average full time female earnings in Aberdeenshire to be 100% of the male average full time earnings. (Figure for 2005 - 74%)

Increasing participation

By 2011 there will be an increase in employment in Aberdeenshire of 4% (estimated at 88,850 in 2006).

6. Key Strategic Priorities and Outcomes

To be able to deliver against these headline aspirations a number of key objectives have been identified. The Partnerships listed in Section 4.3 will be vital in the delivery of these objectives.

This section details the specific areas of priority from an Economic development perspective that the Council will focus on within the framework of Community Planning and the Objectives of the ACSEF strategy.

Table 1 lists the proposed **objectives**.

Table 1

By 2011 Aberdeenshire will:
1. Lead the UK in biomass/biofuels production and related technology.
2. Be known as the location for innovative energy related and hydrogen fuel technology.
3. Have acquired a world-class reputation for recreational tourism and creative industries.
4. Have appropriate supply of marketable industrial land and units to enable the expansion of Aberdeenshire businesses and to attract businesses from elsewhere.
5. Be home to agriculture and fisheries businesses that have a greater control of the supply chain.
6. Be nationally recognised for the self-sufficient and inclusive communities in its area.

Table 2 lists the proposed **actions** to achieve the **objectives** in Table 1. The ACSEF Objective that will be strengthened by these actions is shown in brackets.

Table 2

The Council will do the following:
1.1 Create, with the farming and forestry sectors, a biomass/biofuels industry and build up the expertise in this sector through partnerships in Aberdeenshire and Europe.
1.2 Work with transport providers to develop opportunities for a public transport system using sustainable fuel. (Objective 5; sustainable economic growth)
2.1 Work with ACSEF partners to create a centre in Aberdeenshire for energy related and hydrogen technology that may be linked to the carbon capture/abatement technology of the proposed new Peterhead Power Station. (Objective 5; sustainable economic growth)

3.1 Along with artists and local agencies, create the studios, galleries and facilities to enable artists to holiday and live on the Banffshire Coast that will, in turn, create a centre of national significance.

3.2 Assist new recreation based tourist businesses in the Cairngorms National Park and on the Banffshire Coast to create two areas known for outdoor activities and recreation.

(Objective 4; a unique destination for leisure and business visitors)

4.1 Work with Property, Structure Plan and Local Plan officers to ensure a suitable supply of land for industrial development, where it is needed, and to encourage graduation to larger premises of certain tenants to let more small businesses into Council-owned units.

4.2 Help Property to monitor the need for different types of industrial space.

4.3 Encourage relocation to Aberdeenshire and assist Property to market sites and units.

(Objective 3; world class strategic location)

5.1 Work with the private sector and national and local bodies to bring about vertical integration in the agricultural and fisheries sector which would mean the primary producers working in partnership with those selling to the public.

5.2 Stimulate research and new product development in food and fish processing through innovation and processing activities.

(Objective 5; sustainable economic growth)

6.1 Assist all larger rural partnerships in gaining an asset to produce income that can fund rural partnership work. For example some community partnerships are now receiving income from wind farms.

6.2 Work with the retail industry and developers to improve town centres and create green spaces in the major towns.

6.3 Work with businesses and communities in the towns to create jobs to sustain the towns and reduce commuting.

6.4 Investigate the details of the new European Social Fund (to be introduced in January 2007) to gain funding for a programme of work to help women, young people and disabled into sustainable employment.

6.5 Using our partnership working in Social Investment North East, to develop financially self sufficient social enterprises, financially assist two enterprises a year.

(Objective 6; sustainable, competitive and inclusive communities)

One of the important tools in achieving the above goals will be EU funding, sourced independently or with partners, in the North Sea Commission. The actions in Table 2 are in line with the Aberdeenshire Council European themes of innovation, self-sufficient and inclusive communities, sustainable transport, recreational tourism and sustainable energy. These themes were approved at Infrastructure Services Committee on 22 June 2006. The objectives above also meet the aspirations of the Lisbon and Gothenburg Agendas.

7. Resources

To achieve the objectives contained in Table 1 all parts of the Council will have to work together. Within Economic Development there will be a new structure that will reflect the new priorities and the concentration on fewer areas of activity. This will enable the Council to make a greater positive impact on the economy of Aberdeenshire.

The following diagram shows the new structure. The arrows indicate the support given to Project Teams by Facility Teams. The Facility Teams will still carry out some of the day-to-day tasks such as arranging events, contributing to Area Community Planning Teams etc. The Facility Teams will also carry out vital tasks such as sourcing European Funding.

Project Teams

Facility Teams

Objective 1
Biomass and Biofuels
Lead - Industry Sector Manager
Renewables Post
50% Rural Development Officer

Objective 2
Hydrogen Fuel Technology
Lead - Industry Sector Manager
50% Economic Development Officer

Objective 3
Recreational Tourism & Creative Ind
Lead - Business & Comm. Support Manager
50% Senior Marketing Executive
50% Sen.Business Dev. Executive M, K&M
Grampian Film Officer

Objective 4
Supply of Employment Land and Units
Lead - Business & Comm. Support Manager
50% Sen.Business Dev. Executive G, F

Objective 5
Agriculture & Fisheries
Lead - Industry Sector Manager
Fishing Industry Co-ordinator
Food Forum Co-ordinator
FBDS Officer
Marketing Executive
50% Rural Development Officer

Objective 6
Self Sufficient and Inclusive Communities
Lead - Business & Comm. Support Manager
CED Co-ordinator
CED Facilitators (2)

European Unit
EU Programmes Executive
EU Services Executive
Project Support Officer
Project Support Officer (Temp)

Business Analysis and Support
Business Support Admin.
50% Economic Dev. Officer
50% Sen.Business Dev. Executive M, K&M
50% Sen.Business Dev. Executive G, F
EU Fisheries Projects Officer

This Facility Team supports all the Project Teams.

Events Management
50% Senior Marketing Executive

ATP and BBNB
ATP Co-ord.
ATP Towns Co-ords (4)
F'burgh Project Manager
Growing Business Manager
ICT Broadband Manager
RevitHar Manager



The annual financial resources to carry out this work will include £600,000 of project funding from the Economic Development revenue budget, European Funds, Scottish Executive finance and funds from partners. Other Services within Aberdeenshire Council will contribute towards the implementation of these projects and will contribute resources.

There is the opportunity to create wider intra regional partnerships to deliver some of these projects and this is the approach that the Scottish Executive and Scottish Enterprise are more likely to support.

8. Action Plan/Measurement of Impact

Once the **actions** in Table 2 have been agreed an Action Plan with sub actions will be drawn up showing timescales, outputs and resources against each sub action.

This Action Plan will be monitored on an annual basis along with the higher level economic indicators set out in Section 5 (Aspirations for the Future) above. It has to be recognised that while these are our high level aspirational outcomes, actual performance will depend more on external factors than on this Strategy.

At a lower level there will be quarterly monitoring of the Action Plan to ensure there is no slippage and that spend is in line with budget.

Iain Gabriel,
Director of Transportation and Infrastructure,

Report by Director
August, 2006

APPENDIX A

ABERDEEN CITY AND SHIRE ECONOMIC FORUM OBJECTIVES

Objective 1

To raise the profile of the region, nationally and internationally utilising the Regional Identity 'Aberdeen City and Shire – a brighter outlook'

Objective 2

To attract and develop the best people

Objective 3

To be a world class strategic location

Objective 4

To be a unique destination for leisure and business visitors

Objective 5

To promote sustainable economic growth

Objective 6

To develop sustainable, competitive and inclusive communities