



REGIONAL ECONOMIC STRATEGY

A sustainable
economic
future for the
North East
of Scotland



May 2023 Draft



#ABZdeal

Foreword

This Strategy coincides with an anticipated period of change and will be delivered against a backdrop of economic and business models transforming to make a robust contribution to a thriving planet and the financial implications of net zero aspirations.

It sets out a long-term plan of investment for North East Scotland to transform its economy over the next decade and beyond. It provides a clear statement of the ambition for the North East economy and direction to partners, stakeholders, business and communities to enable investment that will support economic growth, retain and attract people to live, work and invest here. At the same time, it harnesses decades of expertise in offshore energy production and puts us at the forefront of Scotland's just transition to net zero and climate resilience.

Our last Regional Economic Strategy was published in 2016. That provided a framework for significant public and private investment in innovation, inclusive economic growth, infrastructure and internationalisation, and many of the fundamental principles underlying our long-term vision for the region remain relevant today. We delivered against its intended objectives and outcomes in a period of major change, including securing more than £800 million through the Aberdeen City Region Deal, expansion projects at the Port of Aberdeen and Peterhead Port, setting up Opportunity North East and delivering new programmes of innovation and support to businesses in priority sectors.

However, since 2016, the domestic and global context within which the North East's economy operates has fundamentally changed. The full scale and impact of the climate emergency is now being realised, and our responsibility to rapidly decarbonise and play a leading role in a just transition to net zero is more urgent than ever. The UK's exit from the European Union has changed the way we trade and has created new challenges and opportunities for businesses. The COVID-19 pandemic has had an effect on our economy – and stimulated new business models and opportunities. The war in Ukraine

has put domestic security, including food and energy security, back at the top of the agenda, and prompted a cost of living crisis, driven by high international energy prices and supply chain disruption. The COVID-19 pandemic has had an effect on our economy – and stimulated new business models and opportunities. The war in Ukraine has put domestic security, including food and energy security, back at the top of the agenda, and prompted cost of living crisis, driven by high international energy prices and supply chain disruption.

The North Sea will continue to power the UK and Scottish energy sectors as it pioneers and innovates low-carbon energy solutions including offshore wind and floating structures, hydrogen and carbon capture, to protect and safeguard the UK and Scotland's energy security. We must also recognise our wealth of natural capital in the region and its value as a place of wellbeing, encouraging recreation and tourism and delivering raw materials and food production. We can take advantage of the changing demand for city and town centres and the increase in hybrid-working to transform our public spaces, digital and transport infrastructure, to ensure everyone has the opportunity to be connected, and to take part in our cultural experiences. We can define ourselves as an outward-looking, diverse, and welcoming region to visitors and investors, and support businesses to cement a home in our part of the world. We can deliver a new inclusive economic model which gives everyone the best possible chance to lead healthy, happy lives and access to education and jobs by providing a model for growth that prioritises a wellbeing economy.

This new Regional Economic Strategy outlines our vision and plan to get to where we need to be in 2035. This is the start of that journey.

Ian Yuill
Co Leader Aberdeen
City Council

Alex Nicoll
Co Leader Aberdeen
City Council

Mark Findlater
Leader Aberdeenshire
Council

Sir Ian Wood
Chair Opportunity
North East



Timeline

1960s The region moves from a traditional fishing, farming and manufacturing economy to an emerging oil and gas centre with Aberdeen as its capital. The region becomes home to a number of oil rigs and other offshore facilities.

1970s Aberdeen continue to reap the rewards from oil and gas as exploration in the North Sea increases. Traditional sectors including fishing, farming and ship building continue to dominate the Aberdeenshire economy with oil and gas supply chain service centres emerging. The region's population sees a sharp rise from people drawn to the prosperous oil sector.

1990s The 1990s saw the sector rebound leading to further economic growth. The city firmly establishes itself as the "Oil capital of Europe" with a number of international operators established in the city and Westhill



2010s The 2010s see a period of economic diversification in Aberdeen and Aberdeenshire following a downturn in oil and gas. The region begins to seek and attract investment in other industries, such as renewable energy, food and drink and life sciences.

1980s A challenging decade for oil and gas leads to rising unemployment across North East Scotland. Economic resilience becomes increasingly important as the region looks to diversify its economy in the future.



2000s This is a period of sustained economic growth for the region. The energy sector continues to dominate and grow, alongside existing knowledge and research sectors.

2020s The 2020s see Aberdeen and Aberdeenshire continue to grow and diversify the regional economy. The region is well-placed to benefit from the transition to a low-carbon economy, and it is home to a number of innovative businesses in the renewable energy sector.



Introduction

In 2016, Aberdeen City Council, Aberdeenshire Council and Opportunity North East approved the Regional Economic Strategy for the North East of Scotland and a programme of actions that would contribute to overall place wellbeing. The Strategy formed the foundation from which the Aberdeen City Region Deal evolved and prioritised a number of investments that have now been implemented.

The Aberdeen Economic Policy Panel has provided an annual monitoring of the North East economy and developments since 2017. The Panel has always noted the future success of the North East is critical for the long-term health of the Scottish and UK economies and the region cannot be expected to meet the complex challenges ahead alone. In its 2022 report, the Panel highlighted that the North East economy is not immune to the consequences of high inflation driven by surging food and energy prices and the implications for the cost-of-living. And although the recent spike in energy prices has brought renewed activity for businesses in this sector, those in other sectors face a considerable increase in costs, loss of earnings, and a further period of uncertainty and instability. The Panel highlights the importance of maintaining a long-term focus for the strategic approach to the North East's economic development - investing in key areas of comparative strength in the region and improving the core enabling factors of an economy – skills, connectivity, and an attractive sustainable environment to live and work. It welcomes the development of the Regional Economic Strategy with strong buy-in from all stakeholders across the community that is accompanied by detailed implementation and resource plans.

This new Strategy captures the ambition and opportunity for North East Scotland and has been developed in consultation with partners and stakeholders and informed by economic data analysis and a new policy environment. It provides a vision and route map for the future of the North East of Scotland's economy.

The 2023 Strategy outlines the current challenges facing the region, the key policy developments and ultimately the implications for North East Scotland. The regional economy has faced unique challenges, in response to the UK's decision to leave the European Union and the response to the Covid-19 pandemic that coincided, uniquely for this region, with changes in the oil and gas exploration sector. During this time there has been new policy developments supported by funding from the Scottish Government and UK Government that has led to new developments, particularly in the energy sector, for example offshore renewables under the INTOG and ScotWind licensing rounds, carbon capture, utilisation and storage or green hydrogen production.

Building on the 2016 Strategy, it provides both an economic strategy for the region and a blueprint for sustainable economic growth that governments, local government, employers, the private sector and partner organisations can draw on as responses are developed across a number of priorities for the region.

Four 'programme areas' – A Thriving Economy, An Outstanding Natural Environment, A Healthy and Skilled Population and A Strong Community and Cultural Identity – are proposed that have been developed in response to a number of new challenges and opportunities that the North East economy faces. The Strategy also reflects emerging thinking around regional economic policy, and new governance arrangements to maximise the benefits of collaboration through Regional Economic Partnerships.

SECTION 1 – STRATEGIC CONTEXT

Planning and Transport

The National Planning Framework 4 (NPF4) establishes a new spatial strategy for Scotland affirming the national ambition for a just social, economic and environmental transition. It identifies 18 national developments of which the following are relevant to this Strategy:

- Industrial Green Transition Zone at St Fergus;
- Aberdeen Harbour Expansion;
- Urban/Mass Transit network in Aberdeen; and
- National Walking and Cycling and Wheeling Network.

NPF4 directs local authority Local Development Plans (LDP) to promote a place-based approach and to consider the type, mix and use of development; local living and 20 minute neighbourhoods and accessibility for all.

The second Strategic Transport Projects Review (STPR2) was published in 2022 and will inform the Scottish Government's future transport investment programme over the next twenty years. For the RES, the following recommendations are of particular note:

- There is clear support for Aberdeen Rapid Transit proposals and bus priority measures, which are currently being developed following the Bus Partnership Fund award.
- There is strong commitment to active travel development, including Active Cycle Freeways within the Aberdeen City area connecting to a wider regional network, aligning with the approach set out in the RTS.
- The support for improving physical accessibility at rail stations links to recent work at Inch Station.
- A project to improve passenger and freight rail infrastructure to the south of Aberdeen to improve inter-city links to Dundee, Perth and the Central Belt is also included, alongside rail decarbonisation.
- Improvements to ferry services (ferry upgrades, ferry terminal upgrades, access to ferry terminals) supported by Transport Scotland are also highlighted, which includes the Northern Isles services operating from Aberdeen.
- Ongoing support to committed schemes has also been confirmed, including junction upgrades at Laurencekirk, external Links to Aberdeen South Harbour, and the Aberdeen to Central Belt rail journey time improvement project.



Figure 1 – Alignment to UK and Scottish policy drivers, and regional plans

Drive to Net Zero

In the rest of this decade alone, £200bn could be invested in wind, hydrogen, carbon capture and storage (CCS), and oil and gas projects. This investment is critical to realising a lower-carbon energy system and demonstrates the commitment to net zero. In 2019, the Scottish Government first introduced legislation to set a target for net zero emissions of all greenhouse gases by 2045 and committed to improve Scotland’s resilience to the impact of climate change and delivering a Just Transition. The North East is uniquely positioned to help lead this transition. The climate emergency sits inextricably alongside the nature emergency and a new Scottish Biodiversity Strategy speaks about Scotland being Nature Positive by 2030, and to have restored and regenerated biodiversity across the country by 2045. This includes actions such as expanding protected areas, nature-friendly farming, fishing and forestry and investing in nature – all posing challenges and opportunities for the North East economy as we seek to play our part in protecting our planet for future generations.

The North East can also capitalise on its land use and natural assets and resources, and the role of the agriculture and seafood production sector around food security and decarbonisation. The region remains in a strong position to accelerate

delivery of net zero given the energy assets and credentials, such as offshore and subsea capability and the location of major offshore projects which will play a key role in offshore wind, green hydrogen production and CCUS. The war in Ukraine and resulting international sanctions placed on Russia, have led to a significant reduction in supplies of oil and natural gas to the international market. This led to record high wholesale prices across Europe and spiralling energy bills for people and businesses. In March 2022, the

UK Government published the British Energy Security Strategy, committing to invest billions in North Sea oil and gas production, the development of new, low-carbon technologies and offshore wind. This aims to reduce the UK’s exposure to international oil and gas prices and supply pressures and to safeguard our long-term energy security. The impact of both this investment and high international energy prices has created a significant opportunity for the region to position itself as the home of the UK’s energy security. Both in the short-term, as we continue to utilise our oil and gas reserves in the North Sea to ensure energy resilience, and in the longer term as projects including ScotWind, CCUS and the Energy Transition Zone deliver a low-carbon energy revolution, led by this region. The North East is uniquely placed to support delivery of INTOG and ScotWind, that in turn will deliver more jobs, retaining and growing the supply chain here, and new manufacturing, skills or export opportunities.

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Ensuring a Just Transition

During the transition to net zero, oil and gas will still be the UK largest fuel for at least another decade. In 2022 oil, and gas production and supply chain activities were worth £28bn to the UK economy and provided 215,000 high value jobs throughout the UK¹ with the North East being the centre of this activity.

However, 90% of the UK's offshore oil and gas operators are cutting back investment with around half a billion barrels of oil equivalent less likely to be produced. Energy imports cost the UK £117bn in 2022 more than double the previous year. If North Sea oil and gas production continues to decline farther and faster than demand, we should naturally expect these costs to increase². By investing in domestic production, the industry is reducing the need for higher cost and higher carbon import, and in doing so, supporting the infrastructure, expertise and technologies that in turn are needed to decarbonise the offshore sector and develop the technologies for scale production of green power alternatives and corresponding jobs.

The UK's offshore sector has the potential to provide 60% of the UK's emissions reduction needs³ and much of the activity is concentrated in the North East.

To ensure long-term development, Oil Energies UK (OEUK) prioritise that the following actions need to be taken in the next five years:

- increase investment in renewable energy sources and energy efficiency⁴
- invest in reskilling and upskilling workers⁵
- Providing faster access to grid connections and approval processes for offshore wind⁶
- Putting commercial frameworks in place for hydrogen production and picking up the pace on support for CCS projects⁷.

These steps will promote sustainable economic growth, job creation, and environmental sustainability in the region. If this development takes place, it should be possible to replace the jobs lost from the decline of oil and gas as workers join these new industries.

However, replacing the lost GVA will be more challenging – for example, by 2050, total Scottish oil and gas and low carbon GVA may be reduced to £12bn from £19bn in 2019⁸. This is primarily due to the value of the jobs in the new low carbon sectors being lower than those in the existing oil and gas sector. This Strategy will focus on a just transition, ensuring that North East communities in particular are protected and benefit from the new opportunities.

Inflationary pressures

High energy prices, combined with other inflationary pressures such as supply chain disruption drove UK inflation to over 10% in the spring of 2023. This has created concerns around the cost of living across the whole of the UK. There has been an immediate response in the region to protect low-income households (in particular those in fuel poverty) from the worst impacts of the shock. In the longer term, these inflationary pressures have drawn attention to a more deep-seated trend of increasing financial pressures faced by households and businesses across the country. The Strategy recognises that reducing poverty and delivering greater financial resilience for households and businesses is even more critical to achieving a wellbeing economy. This takes a broader view of economic success beyond traditional measures of wealth such as GVA, and putting people and the environment at the heart of local and regional economies, and demand for essential infrastructure (housing, healthcare or open space).

Workforce Strategies

Recruitment of labour remains a challenge across many sectors, and this Strategy will coincide with a period of growing demand for new skills across sectors. Related, Scottish Government commissioned the Withers Review to ensure that the landscape for skills is fit to meet new challenges and opportunities in the Scottish economy. The Strategy will support employers in the region to develop new models of working to retain and attract people and secure investment in R&D and technology to improve workforce capacity. The role of further and higher education institutions in helping drive innovation, new business creation, future skills and ultimately retention of graduates will be crucial.

In the health and care sector, there are significant concerns around sustaining the role of unpaid carers, many of whom are in employment which makes demands on their time or are struggling financially as they cannot find employment that fits around their caring role. This has a knock-on effect in that if the unpaid caring role breaks down that brings additional demand to health and social care services. A Carer's Strategy has been developed to include provision for young carers, with commensurate support to complete education and/ or find work that enables them to continue caring – working with unemployed/ economically inactive individuals (including 50+ or early retirees) and sector awareness to enhance positive destinations for school pupils.

SECTION 2 – ECONOMIC ANALYSIS

North East Economic Strengths

An Economic Powerhouse

- North East Scotland enjoys some of the highest density of private sector employment in all of Scotland.
- The region contributes an estimated 20% of Scotland's food and drink industry output whilst approaching 25% of Scotland's primary agricultural output and 50% of its fish landings.
- The region generates 18% of Scotland's private sector business turnover, with Aberdeen City and Aberdeenshire private businesses generating the 2nd and 4th highest turnover in Scotland.
- Regional GVA per capita and average earnings are consistently among the UK's highest.

An Energy Region

- Europe's energy capital: Aberdeen is a world leader in the energy sector and the only UK member of the World Energy Cities Partnership (WECP).
- Home to £180m Net Zero Technology Centre, as part of the Aberdeen City Region Deal
- Home to the largest dedicated energy transition complex in Scotland, the Energy Transition Zone (ETZ) has been allocated £53million by the UK and Scottish Governments, to help the transition from oil and gas jobs to green energy.
- 80% of all UK direct oil & gas employment is in North East Scotland. Over 90% of the UK's oil and gas workforce have medium to high skills transferability¹³ and are well positioned to work in adjacent energy sectors making the North East a key energy transition region.
- Aberdeen is the UK's leading hydrogen city. Over the lifetime of H2 Aberdeen, the city hosts 85 Hydrogen Vehicles, including the world's first hydrogen double decker buses, and hosts two publicly accessible hydrogen refuelling stations.
- By deploying carbon capture, hydrogen and DAC technologies the Acorn Project at St Fergus forms an integral part of the Scottish Cluster that will support an average of 15,100 jobs between 2022 and 2050.
- The UK's highest concentration of energy supply chain companies in the UK.

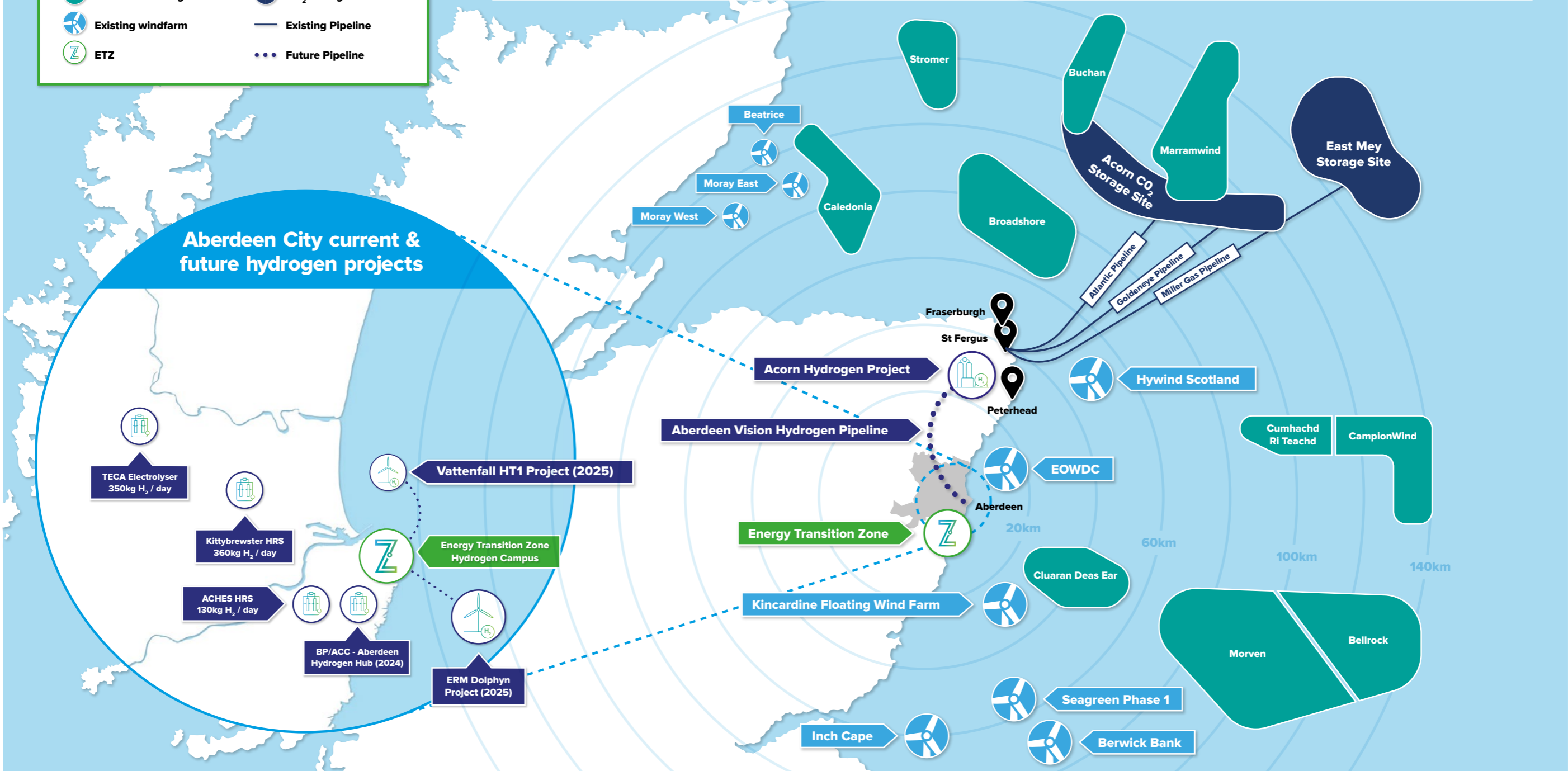
A Leading Skills Centre

- Robert Gordon University (RGU) was voted top modern university in Scotland and the UK in 2021⁹.
- The University of Aberdeen is ranked 13th in the UK in the Guardian UK university rankings 2023¹⁰. 51.9% of residents in North East Scotland have high-level qualifications, compared with only 50% in Scotland and 43.5% UK wide¹¹.
- Over the last decade North East Scotland residents have consistently reported having more job related training than Scottish or UK wide averages¹².
- North East of Scotland College is intrinsically linked to both Universities providing over 40 pathways into higher education.
- The College supports the key and emerging sectors in the regional economy through the creation of specialist courses in the care, energy and food and drink sectors as well as being home to Scotland's only Maritime Academy.

Offshore Wind Developments – the Opportunity for the North East

Energy Transition Projects Key

- ScotWind leasing areas
- Existing windfarm
- Ⓩ ETZ
- CO₂ Storage Sites
- Existing Pipeline
- Future Pipeline





An Entrepreneurial and Innovative Region

- More than 20% of Scotland's leading businesses are located in the North East of Scotland.
- The region has 568 Businesses per 10,000 residents adults compared with 393 in Scotland. Some of the largest headquartered or who host major operations in the region include, the FirstGroup, ABRDN, Karro Food, Balmoral Group, Chivas Brothers, Enquest and Wood.
- Business Expenditure on Research and Development in Aberdeen City is more than double the Scottish average.
- Aberdeen City consistently ranks in the top 10 in the UK for foreign direct investment in the UK.
- Aberdeen City consistently ranks the best in Scotland for patent applications per capita and has been in the top 10 in the UK since 2015.
- North East Scotland international exports per head are more than double the national average, representing 23% of Scotland's total international exports.
- The University of Aberdeen is in the National Decommissioning Centre partnership for the Offshore Renewable Energy Catapult: which is part of the Innovate UK Catapults¹⁴.

A Connected Region

- Exceptional digital connectivity: Aberdeen was the first city in Scotland to benefit from giga-bit speed fibre broadband investment, with over 760km of fibre cabling laid across the city and over 85,000 homes ready for service.
- With regular connections to over 40 international and domestic airports, Aberdeen International Airport looks after around three million passengers each year, travelling across the world.
- Aberdeen is home to the £400m South Harbour expansion and is the largest marine infrastructure project underway in the UK. This ambitious development for trade around the North Sea, will significantly increase opportunities for existing customers and opens the door to new markets.
- The recently completed £1bn Aberdeen Western Peripheral Route connects the region to the rest of the UK by road reducing journey times and enhancing market connectivity for the food and drink export, tourism and energy sectors.
- Works to improve the rail network in Aberdeenshire led to re-dualling the line between Aberdeen and Inverness, new cross city local connections, and the new £15m Kintore Railway station which opened in October 2020.

Looking Ahead – Economic Challenges:

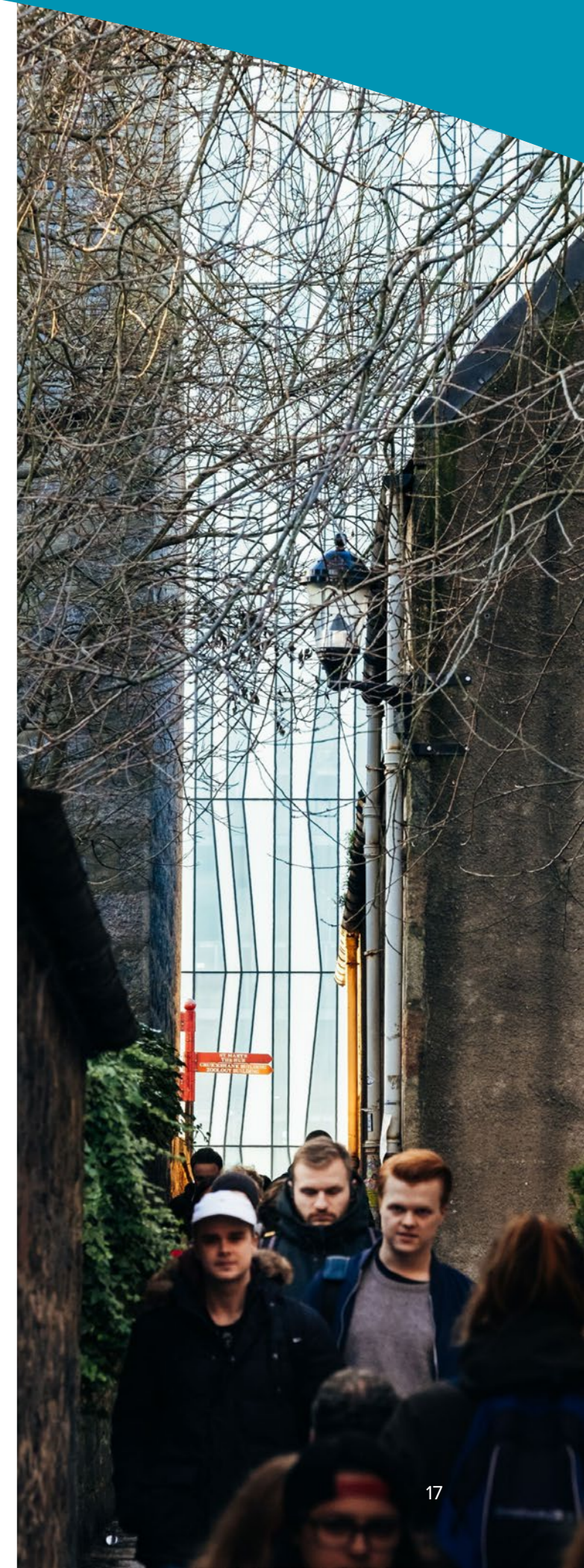
Falling Real GVA and Lower Productivity

Worker productivity which was highest in Scotland has been falling in recent years. Real GVA per head in the North East fell 9.5% in 2020 to £31,586, the lowest it has been since 2005. This is in part due to the concentration of workers in the energy sector and the fall in energy sector employment since 2014. Nonetheless productivity still remains significantly above the UK and Scottish averages.

Cost of Living Crisis

The region is being impacted by the current cost-of-living crisis. On average, people's salaries in Aberdeen were £129 a month lower in October 2022 than in October 2021 (in real terms), the third biggest drop in monthly earnings in Scotland and the sixth largest drop in the UK. However, average monthly earnings are still higher at the regional level than the Scottish or UK average¹⁵.

One group that has experienced significant disadvantage since the pandemic is young people. In Scotland, the youth employment rate (age 16-24) fell by nearly 10 percentage points to just over 50% during the pandemic although it has subsequently recovered. Aberdeen's youth employment was among the highest rates of all local authorities in Scotland pre-pandemic at over 70% and had fallen to below 40% by mid-2022¹⁶. Younger workers are over-represented in industries most affected by the lockdown restrictions within the services sector, such as retail, and hospitality.



Diversification of the Economy – Key Sectors

The region’s long-term success lies in diversification away from the dominant oil and gas sector. However the sector is also key to the ongoing diversification within the sector as it harnesses opportunities from offshore production of new forms of renewable energy and supporting the growth of other high-value jobs and businesses in other non-energy sectors.

The Aberdeen City Region Deal, Opportunity North East and partners continue to champion the diversification of the region focussing on energy transition, digital tech, food, drink and agriculture, life sciences and tourism with significant investment across both public and private sectors. While these sectors may not yet directly make up for the economic value and earnings of the oil and gas sector, they still offer high value economic activity.

However, other non-energy sectors including food and drink, financial and business services and tourism are key to the region, and it performs

well, having both sizeable employment levels and a significant share of overall Scottish sector employment as well as a high GVA contribution.

Other sectors including digital tech, life sciences and creative industries are considered significant opportunities key to the future of the North East economy. Currently they are indicating lower employment levels and GVA contribution, and are therefore classified as ‘nascent sectors’. ‘Digital tech’ is predicted to be one of the fastest growing sectors in Scotland by 2029¹⁷ – it is an important sector for the region in its own right, and digitisation and automation underpins growth across many other sectors. The creative industries sector is critical to attracting people to the region and Aberdeen in particular, an important component of reinventing cities post-pandemic to continue attract people to live and work in.

The table below illustrates the value of the key and nascent sectors for the North East by their levels and share of Scottish and Great Britain employment and GVA and their GVA per head.



Table 1: North East of Scotland – Key and Nascent Sectors by Value							
Growth Sectors*	Employment** 2021		GVA 2020		GVA per Head 2020		
	NE	Scotland (% of Scotland in NE)	Great Britain (% of GB in NE)	NE	% of Scotland in NE	NE	Scotland
Key Sectors							
Energy Sector ***	64,000	71,500 (89.5%)	195,900 (32.67%)	£8,255m	60.6%	£231,441	£188,682
Food and Drink	18,850	129,000 (14.6%)	885,000 (2.1%)	£501m	9.3%	£65,133	£45,075
Financial and Business Services ****	21,000	220,000 (9.5%)	3,422,000 (0.6%)	£1,624m	–	£77,598	–
Tourism	18,000	209,000 (8.6%)	2,379,000 (0.8%)	£205m	8.1%	£12,447	£13,393
Nascent Sectors							
Creative Industries	5,605	78,000 (7.2%)	1,641,075 (0.3%)	£307m	7%	£52,581	£55,959
Digital Industries *****	2,270	30,500 (7.4%)	593,000 (0.4%)	–	–	–	–
Life Sciences	1,100	18,000 (6.1%)	234,000 (0.5%)	£43m	2.6%	£45,141	£86,812
	NE	Scotland	GB	NE	Scotland	NE	Scotland
TOTAL	272,000	2,617,000 (10.4%)	31,360,000 (0.87%)	£15,472m	£134,982m	£33,441	£26,572

Note 1: *Growth Sectors from Scottish Government www.gov.scot/publications/growth-sector-statistics/

Note 2: ** Using SIC Codes and BRES via Nomis

Note 3: *** Energy Sector employment is direct and indirect oil and gas employment, its GVA and GVA per head is taken from the Energy Sector in the Scottish Government’s defined growth sectors. With GVA its important to note that, SIC 06 (Extraction of crude petroleum and natural gas) data is included in Energy GVA Totals. ABS data is allocated to UK regions (including Scotland) according to the address at which the business is registered - onshore and offshore Oil & Gas extraction is allocated in this way. Note that, such offshore activity, under UK Regional Accounts procedures is normally allocated to a separate “Extra-regio” category rather than allocated to a region within the UK and therefore is excluded from the North East Scotland GVA total.

Note 4: **** Financial and Business Services GVA for Scotland is not reported at a Scotland wide level due to the exclusion of financial and insurance activities.

Note 5: ***** Digital Industries is a subset of Creative Industries therefore we can only access employment data for this sector.

Skills and Labour Supply

The region has a highly educated and skilled workforce. However, concerns over workforce availability due to the impact of the UK's exit from the EU and the region's ageing workforce are increasing. For labour supply, areas of particular concern are the social care, hospitality and food, drink and agriculture sectors. The Energy sector is also not immune from shortages and –over two thirds of energy companies in the region say access to skills will be one of the defining issues for 2023. The changing demographics of the region will pose an increasing challenge to the underlying health of the North East economy. In recent decades, the region has been a net importer of people from both the rest of the UK and from overseas. But the working age population in the region has declined recently, at the same time as the general population is aging and therefore increasing the number of economically dependent people in the region. Following the pandemic, vital knowledge and experience may have been lost from key sectors as its ageing workforce retires.

Physical and Digital Connectivity

Physical and digital connectivity to key national and international centres of business activity is crucial. While there has been significant progress in the previous strategy, for example, the Aberdeen Western Peripheral Route, limited direct links to major European hubs remain and rail and road access to central Scotland have only seen limited improvement in recent years, and the proposed dualling of the A96 between Aberdeen and Inverness is currently subject to delay and review.

There is evidence of both enhanced and accelerated digital connectivity, delivered through the continued roll out of the Scottish Government's R100 programme as well as the significant investment in gigabit connectivity and a 5G 'pop up' network through the Aberdeen City Region Deal. There is also the 5G Connect Hub funded by the Scottish Government based at ONE Codebase and 5G private networks will be in the Port of Aberdeen and the Scottish Agricultural Organisation Society based in Huntly. Within the region however there are gaps. In Aberdeenshire, digital connectivity remains one of the lowest in Scotland, with over 15% of premises unable to obtain superfast broadband, compared to the Scottish average of 5%. Aberdeenshire is a challenging area to deliver infrastructure

improvements, due to the complexities of rurality, but also because of historic infrastructure issues, which sees Aberdeenshire have the highest proportion of Exchange Only lines in mainland Scotland. Greater investment is needed to bring rural areas up to the national average.

Key towns in Aberdeenshire have seen connectivity improvements through the previous Digital Scotland Superfast Broadband programme, the R100 programme and Openreach's ongoing Fibre First programme will bring FTTP infrastructure to many urban and suburban areas. However, rural areas will continue to be left behind in the journey to better connectivity because of the challenges and high cost of infrastructure deployment. Investment in 5G networks and digital place projects is essential in making Aberdeenshire and the region competitive. Discussion with, and attraction of, new telecoms operators and solutions providers, remains an important objective for improving connectivity and inward investment across the region.

Redeveloping Town Centres and the City Centre Post Pandemic

The region has a number of town centres and these have an important contribution to play to regional prosperity and net zero ambitions. Town or place plans, developed in conjunction with local communities, allow the wellbeing of people and a functioning local economy to be prioritised. The retail and hospitality offering in rural towns has also been affected, the pandemic and both sectors face challenges to recover.

Aberdeen has been hit particularly badly by the pandemic and the recent rise in inflation. This has impacted upon the wider economy with a number of indicators pointing to further decline in the city centre. Aberdeen is no different from almost all UK cities in facing such challenges. However, retail vacancy rates in Aberdeen City are the highest of Scotland's four biggest cities and show a larger increase than any of the other three largest cities in Scotland. Aberdeen faces an even more acute impact on the commercial office market, having the highest commercial office vacancy rates of the biggest four cities in Scotland.

These recent trends in the region put even greater emphasis on the Town Centre Regeneration Plans and the City Centre and Beach Masterplan to support town/city centre recovery.



SECTION 3 – VISION AND STRATEGY OBJECTIVES

Objective 1

To establish the North East as a pioneer of the energy transition, by delivering an 80% reduction in carbon emissions per head.

Protect Natural Capital



Objective 5

Protect and enhance the natural capital of the region by aligning to national ambitions to manage 30% of the region for people and nature by 2030



Good Growth



Objective 2

Maintain regional GVA as a share of Scotland's overall GVA while increasing the share of regional GVA from region's growth sectors.

RES Overarching Objectives



Objective 4

Become a Real living Wage region with 95% of overall employment offering a real living wage or higher.



Growth with Equity

Objective 3

Maintain a healthy, sustainable, working age population through increasing economic participation rates

2035 Vision

Strategy Objectives

Our vision is for a regional economy that enables us to thrive. It is leading a just energy transition, diversifying our economy, enabling entrepreneurship and innovation, and delivering a wellbeing economy for our people – a post fossil-fuel future.

By 2035, our economy will lead in the production of green energy solutions and the production of new renewable energy and will be diversifying through growth in our digital, food and drink, tourism, life sciences and creative sectors. It will be an economy that will value place, natural environment, wellbeing and be entrepreneurial and outward looking.

A set of objectives has been developed that respond to the priorities, opportunities and challenges for the regional economy and will support delivery of the long-term vision to 2035, and also to the shorter term aims of NSET, Levelling Up, Just Transition and Shared Prosperity policies.

The specific objectives were developed through a process of co-creation with local, regional and national stakeholders, through a series of workshops held between May – August 2022.

The objectives reflect both the goals of good economic growth through diversification and ensuring that growth is equitably distributed amongst all people in the region. The objectives are illustrated in the image below and described in detail with how proposed indicators and targets in table 1.



Objective	How will we measure success?	Most recent baseline	Target by mid-point review (2029)
1) To establish the North East as a pioneer of the energy transition, by delivering an 80% reduction in carbon emissions per head	<ul style="list-style-type: none"> Co2 emissions/capita Renewables jobs (work required to establish these data at regional level) 	4.8 tCO2e per person North East: 2020	3 tCO2e per person
2) Maintain regional GVA as a share of Scotland's overall GVA while increasing the share of regional GVA from region's growth sectors.	<ul style="list-style-type: none"> Regional GVA as a percentage of Scottish GVA increase share of region's GV from region's growth sectors (energy, food and drink, tourism, life sciences) 	11.3% North East: 2020 tbc	≥ 11.3% tbc
3) Maintain a healthy, sustainable, working age population through increasing economic participation rates	<ul style="list-style-type: none"> Economic Activity Rate 16-64 and 16-24 Economic Activity Absolute 50+ 	16-64 Rate: 78.7% 16-24 Rate: 64.1% 50+ Absolute: 86,900 North East: July 21–June 22	16-64 Rate: 80.1% 16-24 Rate: 66.5% 50+ Absolute: 90,376
4) Become a Real Living Wage region with 95% of overall employment offering a real living wage or higher.	<ul style="list-style-type: none"> % of employees earning above the real living wage Relative income measure (either Gini or Palma) 	84% North East: 2021 tbc	≥ 90% tbc
5) Protect and enhance the natural capital of the region by aligning to national ambitions to manage 30% of the region for people and nature by 2030	<ul style="list-style-type: none"> % of region's area benefiting from nature related designations. % of regions area managed for people and nature (work required to establish this data) 	tbc	tbc
		tbc	tbc



Four work programmes will support delivery of the vision and the high-level objectives:

1 | A thriving, innovation driven economy:

Growth across our key sectors will be driven by innovation, entrepreneurship and internationalisation so that good quality jobs are created. Investment in decarbonisation will be maximised through unlocking private capital for investment in the transition.

2 | An outstanding natural environment:

Our natural environments and biodiversity will be preserved, protected and restored, to ensure we retain their value and integrity, allowing them to continue providing all the essential services we need to support and strengthen our economy, people and places. The region remains a stunning, healthy and productive place to live, work and visit, and accessible to all. The North East's nature underpins many industries providing sustainable raw materials to business, supplying a world renowned food and drink sector, strengthening the health and wellbeing of our people and the natural beauty that the most cited reason for visiting by tourists - outdoor activity, natural environment, marine and adventure tourism are all unique features that the North East can capitalise on.

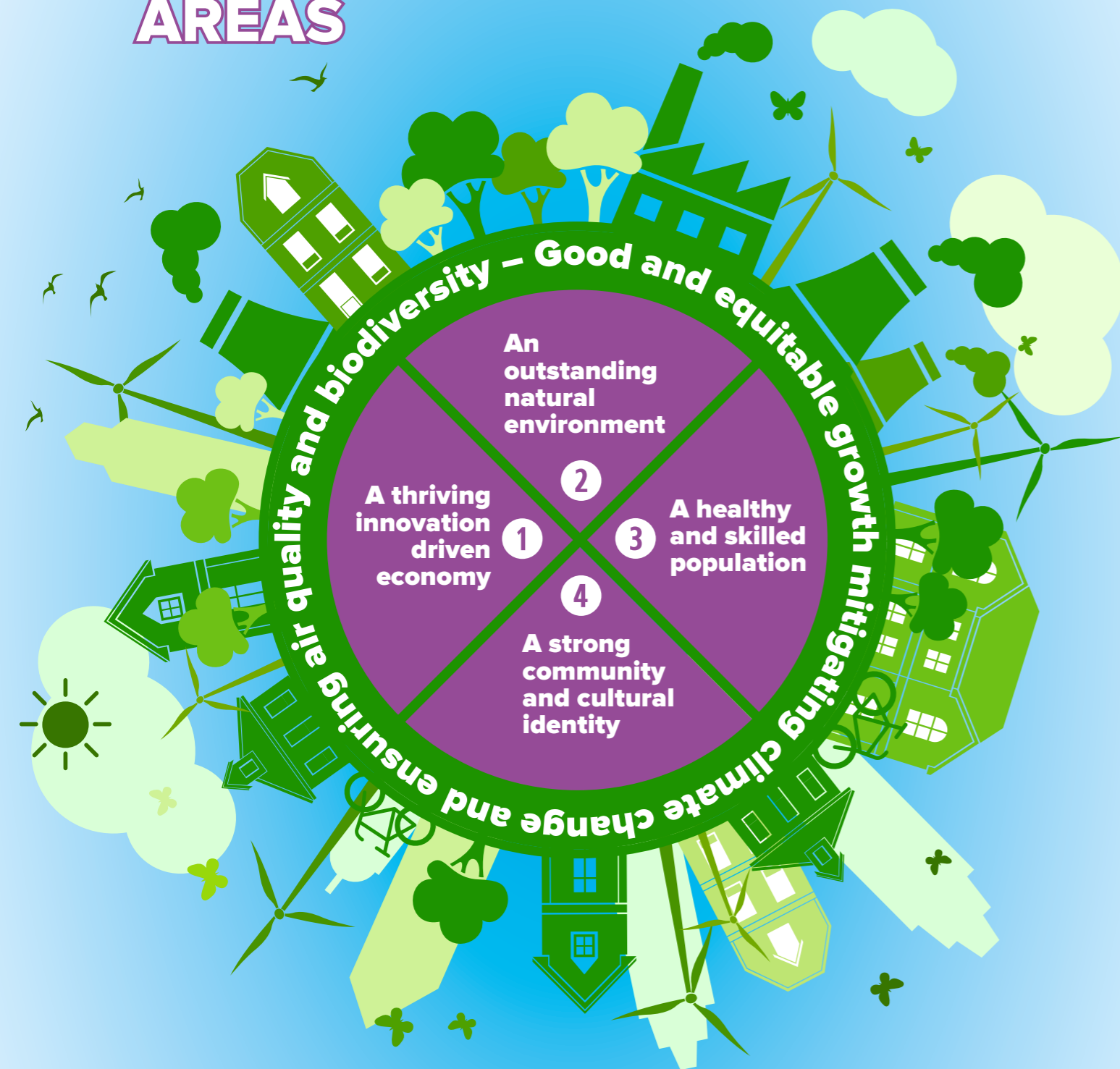
3 | A healthy and skilled population:

There will be investment in education, skills, technology and employment opportunities that help residents benefit from the transition to net zero. Individuals will be able to access high-quality education and training at all life stages. This, combined with a focus on Fair Work and a reduction in inequality will ensure that all residents and communities are equipped to fulfil their potential, contributing to an improvement in wellbeing and ultimately life expectancy.

4 | A strong community and cultural identity:

There is a vibrant culture and creative sector that is championed to enhance our distinctiveness with a successful arts and cultural sector that capitalises on new investments such as P&J Live or Aberdeen Art Gallery and forthcoming Levelling Up investments to create a new museum in Peterhead and expansion of Macduff Marine Aquarium.

SECTION 4 – PROGRAMME AREAS



Programme 1

A thriving innovation driven economy

Outcome Areas

Under this programme, the regional partners will work towards achievement of the following outcomes:

- Maintaining and growing reputation of being a global innovation hub, stimulating increased research, technology and development, supported by entrepreneurship education and investment;
- Capitalising on the region's world-class reputation for offshore energy innovation, and drive growth and decarbonisation

across wider regional industries such as food and drink, life sciences and digital;

- Supporting the internationalisation of key growth sectors, in order to maintain North East Scotland's share of overall Scottish exports;
- Maintaining and growing the North East's role as a food, drink, agriculture and fishing producer;
- Creating an investment environment where businesses can flourish; and
- Maintaining levels of inward investment into the region that in turn will grow Scottish supply chain.

Investment Environment

- Collaborate with the UK Government and Scottish Government to deliver a special economic zone with incentives to attract business to the North East and increase inward investment.
- Implement the City Centre and Beach Master Plan interventions and delivery of the Aberdeenshire Place Strategy.
- Implement digital programmes of activity including integrated and secure 5G networks by 2026 under the City Region Deal and create opportunities for digital innovation.
- Implement the Regional Transport Strategy and Action Plan
- Delivery of Invest Aberdeen support in partnership with Scottish Development International and Department for International Trade, with a focus on a pipeline of high potential opportunities in the North East.
- Support the work of the Aberdeen Convention Bureau and P&J Live to secure more UK and International business events for Aberdeen and maximise the financial and academic and investment opportunities arising from hosting.

- Deliver trading standards, licensing, planning and other local government 'business facing' services in support of businesses in a thriving economy.
- Work together to maximise opportunities from cruise market activity and secure embarkation port status.
- Support the work of VisitScotland and Visit Aberdeenshire to raise industry standards and market the region to increase visitor spend and improve the visitor experience as set out in the Destination Strategy.
- Maximise the route development opportunities and access led by Aberdeen International Airport.
- Support to Scottish Cities Alliance (SCA), Scottish Government Cities Recovery Plan, green infrastructure investment projects and the Scottish Towns Partnership. Support delivery of enhanced quayside infrastructure and expansion of Peterhead Port and Fraserburgh Harbour.
- Deliver the Aberdeenshire Harbours Masterplan.
- Deliver the Banff Active Travel Bridge to strengthen connectivity along our north coast.

Innovation

- Promote and attract future place and innovation investment as a next phase of the City Region Deal Innovation Programmes – SeedPod, BioHub and NZTC to maximise business investment.
- Establish the North East Innovation Alliance, aligning the R&D activities of the region’s extensive private-sector presence, universities, and public-sector initiatives under a coordinated plan to transform the North-East of Scotland into a net-zero innovation hotbed. This would improve diffusion of innovation by enhancing connectivity between private sector organisations (including SMEs) and universities.
- Maintain Aberdeen’s participation in Connected Places Catapult Innovation Place Leadership Programme.
- Expansion of entrepreneurial education across the innovation ecosystem.
- Deliver pathways for digital tech innovation, entrepreneurship, start-up and scale-up in ONE TechHub and the national Techscaler programme.

Food, Drink, Agriculture & Fishing Cluster

- Support delivery of sector specific (eg tourism, energy, life sciences, food and drink) business growth and start up support by ONE, Scottish Enterprise and Business Gateway. Deliver information, advice, and guidance to help employers contribute to the just transition to net zero and climate resilience.
- Maximise opportunity for growth in Fishing and Seafood Processing Sectors through the delivery of the Seafood Transformation Project with focus on innovation and automation.
- Support the delivery of grown on space such as Thainstone Business Park as a regional hub for agri-tech.

International Exports

- Deliver sector specific (eg tourism, energy, life sciences, food and drink) entrepreneurial, start-up and business growth support by ONE, Scottish Enterprise and Business Gateway. Deliver information, advice, and guidance to help employers contribute to the just transition to net zero and climate resilience.
- Work with the SDI and DIT to deliver the North East’s contribution to a Trading Nation with deeper collaboration on outward trade.
- Support the work of the Aberdeen Convention Bureau and P&J Live to secure more UK and International business events for Aberdeen and maximise the financial and academic and investment opportunities arising from hosting.
- Support delivery of enhanced quayside infrastructure and expansion of Peterhead Port and Fraserburgh Harbour.

Decarbonisation & Offshore Energy

- Support delivery of Energy Transition (ETZ) Campus Model at Aberdeen Harbour South
- Promote the case for the Acorn project to capture and store carbon.
- Maximise green energy production and decarbonisation from the North Sea Link, maintain the position as base for offshore subsea engineering and as a place for Offshore Wind (particularly floating offshore), green hydrogen and CCUS –
 - ensure North East representation on SG/ SE national offshore wind groups (eg SOWEC, SIM)
 - support delivery of bp Aberdeen H2 Energy Production, Storage and Distribution Hub
 - support delivery of Scotwind supplier development statements and creation of high value manufacturing facilities
 - secure industrialisation and a competitive, commercially attractive supply chain servicing green energy opportunities
 - support delivery of the Eastern Green Link to install a sub-sea HVDC from Peterhead.

Programme 2 An outstanding natural environment

Outcome Areas

Under this programme, the regional partners will work towards achievement of the following outcomes:

- Being widely recognised as Scotland

leading visitor destination by 2035 for sustainable growth, business innovation and delivery of high-quality visitor experiences; and

- Protecting the natural capital and landscape of the region;

Protecting Natural Capital & Landscape

- Support delivery of public sector and place based Net Zero, Climate Resilience and Nature Recovery ambitions through development of carbon and financial investment plans
- Using this RES as a ‘regional just transition plan’, work with Scottish Government to support businesses & communities to develop just transition & decarbonisation plans.
- Promote the work of East Coastal Grampian Partnership in their coastal development objectives including Turning the Plastic Tide.
- Support the work of Climate Ready Aberdeenshire to create a climate change adaptation and mitigation strategy for Aberdeenshire.
- Support the region’s ports and harbours to decarbonise through Shore Power Plants.
- Attract investment to deliver Sustainable Air Fuel Creation test bed for sustainable fuels such as aviation fuels and create a Sustainable Aviation Fuel Hub.

- Support Zero Waste Scotland, the circular economy and businesses to reduce, re-use and recycle – maximise gains around the energy transition and the decommissioning sector.
- Accelerate decarbonisation through accelerated implementation of digital transformation of port operations, low carbon fuelled maritime operations and onshore logistics, digital demand responsive transport solutions between employment clusters, and a future Drone Port.
- Build and implement industry methods, tools to strengthen place based approaches on data generation, analyses, monitoring and sharing as a means to drive understanding and positive outcomes on climate, nature and related matters.
- Work with partners such as the Met Office, Scottish Water, NatureScot, SEPA and others, to better understand local climate and nature challenges and develop investable, place based, blue and green network infrastructure plans, integrated with enhanced active travel networks for the benefits of people and nature.

A Leading Scottish Visitor Destination

- Deliver the Aberdeenshire Strategic Tourism Infrastructure Plan.
- Deliver the Destination Strategy Action Plan leveraging external funding to deliver projects.
- Support SE, ONE and VisitAberdeenshire activity in food tourism and North East Adventure Tourism (NEAT) project to develop the industry cluster and infrastructure.

- Support the delivery of the Cairngorms National Park Heritage Horizons Programme.
- Deliver the Fraserburgh Beach Masterplan.
- Deliver the Aberdeenshire Levelling Up Programme Peterhead Museum and Macduff Aquarium developments.
- Work with our partners to deliver the North East Highland Way.
- Support delivery of tourism attractions in Aberdeen and attracting new cruise business to the region

Programme 3

An healthy and skilled population

Outcome Areas

Under this programme, the regional partners will work towards achievement of the following outcomes:

- Delivering a world class digital skills programme within our schools;
- Reducing the % of employers with a skills gap;
- Narrowing disability, racial and gender-based inequalities;
- Driving interest in, and uptake of, educational pathways to deliver the future workforce for our key regional clusters – ensuring people achieve higher level qualifications reflecting the ongoing need for parity between vocational and academic qualifications;
- Reducing the proportion of income deprived households; and
- Getting more young people in lower SIMD out of poverty by focussing relentlessly on closing the gap.

Education, Employment & Skills

- Work with SDS to provide a regional skills plan in 2023 that will support the skills needs for delivering a just transition, offshore renewables and align to the workforce plans of the health and social care partnerships.
- Support the HE/ FE sector in their work to develop a thriving research and innovation ecosystem in the region to attract students and maximise graduate retention in support of economic growth.
- Support the regional learning and skills partners to encourage people of all ages to engage with and progress education and training opportunities.
- Work together to maximise pathways and progression routes to training and work, targeting green infrastructure and energy, health and care and tourism sectors.
- Support delivery of the Developing the Young Workforce Invest in Youth Group.
- Support work placements where appropriate within the Aberdeen Computing Collaborative initiative.
- Work with the increasing refugee population and international students in the North East to secure employment and take steps to harness the potential workforce through education and skills training.

Closing the Gap Between Places & Communities

- Promote and deliver the Real Living Wage and Community Wealth Building approach.
- Apply Fair Work practices and maximise community benefit clauses from the procurement and purchasing processes across the partners.
- Implement the ETZ Jobs Plan.
- Delivery of the Aberdeenshire Council Place Strategy.
- Support ETZ Ltd delivery of the Advanced Manufacturing Skills Hub..
- Support delivery of Energy Skills Accelerator, led by the universities and NESCOL and with support from SDS and ETZ Ltd.

Programme 4

Strong community & cultural identity

Outcome Areas

Under this programme, the regional partners will work towards achievement of the following outcomes:

- Creating a stronger identity and cultural narrative for the North East;
- Increasing the number of assets held by communities;
- Increasing the number of jobs in creative industries.

Strong Cultural identity

- Support development and attract international events and festivals in the Events 365 Plan 2023-2026, including Tall Ships 2025 and a celebration of the sea and maritime heritage in the North East.
- Support and invest in arts and cultural sector and increase participation by new audiences from local, regional and national markets.
- Deliver and market cultural, heritage and tourism attractions of national significance, and of international standard (existing and new assets).
- Support the work of venues, operators and businesses in Culture Aberdeen to deliver an inclusive and diverse programme of activity.
- Peterhead Cultural Quarter Delivery.
- Support regional festivals of cultural significance e.g. Agricultural Shows, Highland Games, Taste of Grampian, Aberdeen and North East of Scotland Music Festival etc.

Community Assets

- Promote the arts and cultural venues of the North East to attract and promote national and international exhibitions and programme.
- Support the work of venues, operators and businesses in Culture Aberdeen to deliver an inclusive and diverse programme of activity.
- Build all our communities' abilities to strengthen their local places through volunteering, friends of groups, community food, play nature and energy initiatives, asset transfers and similar approaches.
- Support communities, organisations and initiatives seeking to drive understanding, engagement and positive outcomes on climate change, nature recovery and a just transition.
- Support delivery of the Aberdeen City and Aberdeenshire Asset Disposal Strategies

Creative Industries

- Promote the arts and cultural venues of the North East to attract and promote national and international exhibitions and programme.
- Deliver the Creative Incubator Programme.
- Promote the region as a destination for film makers and work with production companies to facilitate their work.

SECTION 5 – GOVERNANCE

Regional Economic Policy Review

The Scottish Government Regional Economic Policy Advisory Group¹⁸ review recognises the success of regional working and collaboration evident in the Aberdeen City Region Deal and noted “there is an opportunity to learn from the model led by ONE in the North East, and identify how similar positive public/private relationships can be built elsewhere in Scotland, to support regional economic growth.”

The Review’s recommendations include:

- Enhancing regional autonomy through a REP and Scottish Government structures – encouraging the REP to take responsibility for overseeing regional delivery of projects and policy;
- Making more joined up funding decisions and potentially using existing funding streams channelled through a REP and related accountable bodies in response to strategic priorities;
- Engaging with the private sector to deliver tangible activity and benefits through a ‘regional investment prospectus’ that highlights the next phase of investment required that is a statement of intent for support from the Scottish and UK governments.
- Stronger ‘place based’ focus of regional working by coalescing around regional economic strategies, and policy areas within these;
- Raising the profile of REPs across public (including national agencies), private and third sectors to deliver coordinated responses with a regional dimension;
- Establishing regional intelligence hubs such as North East of Scotland Performs, working alongside the Office of the Chief Economic Adviser (OCEA), linking to the Wellbeing Economic Monitor.

New Model for Regional Economic Partnership for the North East of Scotland

The Scottish Government has prioritised the funding landscape, aggregated budgets and establishing regional intelligence hubs with a view to establishing longer-term 'economic compacts' across the REPs in Scotland. It is also consulting on Community Wealth Building that aims to redirect wealth back into the local economy with a view to proposing new legislation following its consultation.

Since the development of the 2016 Strategy,

the ONE Board of Directors acts in an advisory capacity to partners on any matters of regional importance – for example, comment on regional skills or economic strategies.

In the short term, there are a number of emerging government workstreams that require and would benefit from an updated REP leadership model: the case for an Investment Zone, Just Transition Fund, Shared Prosperity Fund, ScotWind (Grid connections, marine and land use planning, supplier development), Withers Review on Skills,

Regional Skills Strategy, Wellbeing Economy Monitor, Just Transition Plan (with Moray Council) or Transient Visitor Levy.

Reflecting on these new policy changes from the review, and the needs of the regional economy, a refreshed partnership model would aim to:

- Provide leadership on matters of strategic importance to the regional economy – by locally elected leaders, industry, business, education and 'third' sectors;
- Provide oversight on activities that transform opportunities for communities in the region;
- Ensure that the North East maintains and offers a competitive business environment;
- Provide an effective governance for delivering the ambitions of the Regional Economic Strategy;
- Develop the relationship with the UKG and SG and their agencies so that the North East maximises its contribution to UK and Scottish economic growth targets, ensuring resources are in place to enable effective implementation of the RES and influence the governments for a menu of local powers and responsibilities.



The proposal is that the ONE Board's Regional Economic Forum transitions to a new REP model for the North East of Scotland, and is expanded to include a broader representation.

The ONE Board is comprised of the Principals of the two universities, the Leaders of both Councils, a representative from Scottish Enterprise (SE), AGCC, Port of Aberdeen, the Chair of VisitAberdeenshire, and the ONE key sectors of life sciences, food drink and agriculture, energy, digital tech and tourism. ONE also leads a 'sector board' for digital tech, food, drink and agriculture and life sciences. Energy activities are led through ETZ Ltd and the Chair of ONE is the current Chair of ETZ Ltd.

Broader representation could be drawn from for example:

- Business organisations – Federation of Small Businesses (FSB);
- Skills partners – Skills Development Scotland, NESCOL, Local Employability Partnerships;
- James Hutton Institute
- NESCOL;
- Third Sector leads (ACVO);
- VisitScotland;
- NESTRANS;

APPENDIX ONE – 2016 RES ACTIONS THAT WILL CONTINUE

Action	Status
Development of investor ready pipeline of development opportunities	Invest Aberdeen formed in 2017 as a partnership by the two Councils, DIT and SDI. Institutional investment climate has moved away from traditional mixed use development to green infrastructure.
Develop and implement a region-wide housing strategy and action plan	Regional Housing Need and Demand Assessments are completed by the 2 Councils and Housing Land Audits with the Development Industry to ensure that at all times there is an effective housing land supply available to meet the Region's housing needs.
Lobby Transport Scotland to prioritise the implementation of key strategic upgrades on the rail and trunk road network, including A90 north and south of Aberdeen and the A96 dualling between Aberdeen and Inverness	<p>A90(N) Following earlier assessment work, a review of evidence is currently being undertaken on the A90(N)/A952 corridor linking Ellon to Peterhead and Fraserburgh. Outcomes of this work will inform next steps regarding option development, and the asks of Transport Scotland at Trunk Road Authority.</p> <p>A96 Dualling Nestrans and local partners continue to engage with and lobby Transport Scotland who are currently undertaking a review of options for dualling the A96 (including climate change assessment), as per the Government's Bute House Agreement. Outcomes are due to be published for consultation later in 2023.</p>
Deliver on commitments to implement schemes through the City Region Deal, including access to the new Aberdeen South Harbour, and, in the Scottish Government's Memorandum of Understanding, to reduce journey times to the Central Belt	<p>External Links to Aberdeen South Harbour: Following option appraisal, work is now progressing on the design and consents process for the upgraded access arrangements, following guidance in the Design Manual for Roads and Bridges. The project will see replacement of the existing coast road overbridge, and upgrade of the link along the Coast Road to Hareness Junction via Altens. Active travel improvements are also included.</p> <p>Aberdeen to Central Belt Rail Journey Time Improvement Project: Design development continues on this project which will provide improved inter-city journey times between Aberdeen and the Central Belt, improved local rail connectivity between Aberdeen and Dundee, and enhanced rail freight opportunities by 2026. This is being achieved through signalling upgrades, changes to the track layout at key stations, and the construction of passing loops. This infrastructure provides opportunity to recast timetables in order to deliver the key project outcomes. Beyond 2026, work will continue</p> <p><i>Continued/</i></p>

Action	Status
	Continued/ on the railway in order to deliver electrification, currently planned for 2030. This will bring further benefits, including increased line height clearances for freight, and new electric powered rolling stock.
Deliver detailed design and cost proposals for site preparation and infrastructure to facilitate developer investment at Energetica Industry Park	Preparation of site briefs and development prospectus for Energetica Corridor being prepared by SE with support from Aberdeenshire Council
Consult with the UK Government and Scottish Government to ensure that successor programmes to EU Structural Funds are aligned to the economic needs of the North East (Shared Prosperity Funds)	Aberdeen City and Aberdeenshire Councils have now received their allocations from UK Government for UK Shared Prosperity Fund and the respective investment plans have been approved.
Implement the digital programme within the Aberdeen City Region Deal and build upon the projects that have already been delivered: 1: City Network Extension 2: Full Fibre Network 3: Duct Network 4: Gigabit Voucher Scheme 5: Port of Aberdeen 5G network 6: Scottish Agricultural Organisation Society (S.A.O.S) 5G network 7: 5G “pop up “ network to be used in the field across the region where required to test applications	The digital programme of City Region Deal has largely been delivered in Aberdeen City with further investment required in Aberdeenshire to address gaps in digital connectivity. City Network Extension and Full Fibre projects successfully delivered. Duct Network has three phases. Phase 1 complete, Phase 2 to be completed in May 2023 and Phase 3 completed by December 2024. The Gigabit Voucher scheme is ongoing and will provide immediate help for people experiencing slow broadband speeds in rural areas. Legal agreements are being drafted for the grant funding for the Port of Aberdeen 5G network, S.A.O.S 5G network and the ONE 5G “pop up” network.
Ensure we build on the Digital Programme in the City Region Deal to secure additional investment into development of Smart City activities and the rollout of 5G technologies across public sector and industry	5G projects continue to be developed in the region. Liaising with UK Government on rollout of Project Gigabit across North East of Scotland. Smart City strategy currently being refreshed with a new roadmap to support fostering citizen innovation, Digital Tourism, jobs and skills and an integrated data infrastructure 5G projects continue to be developed in the region. Liaising with UK Government on rollout of Project Gigabit across North East of Scotland.
Deliver Food Hub within the City Region Deal that provides R&D infrastructure and expertise for regional primary producers, processors and manufacturers	The construction programme for SeedPod has been finalised and the construction contract was awarded on 31 March 2023. Mobilisation is now underway and activity will commence on site in May 2023. The construction programme is being finalised, with completion currently scheduled for Q2 2024/25.

Action	Status
Delivery of Bio-therapeutics Hub within the City Region Deal, to grow and develop spin-out and start-up life sciences businesses beyond early stage development.	The construction of Bio-Hub is complete with a launch date at the end of May 2023. BioHub will provide a unique combination of facilities, networks and support programmes to its tenants, enabling business leaders, academics and clinicians to realise their commercial ambitions in life sciences.
Ensure opportunities for a Smart City Action Plan are maximised	Detailed stakeholder interviews and workshops were held, and a new Smart City Roadmap has been produced.
Putting inclusive growth at the heart of public sector investment, maximise opportunities for targeted recruitment and training activity for all potential procurement spend through community benefit clause	Inclusive growth objectives and outcomes now being monitored using the wellbeing economy monitor
Support delivery of Developing Young Workforce Programme	Ongoing
Continue the delivery of Business Gateway business start-up, funding and development support which is available to all businesses (including social enterprises in key health and social care sector)	Ongoing
Work with businesses on a more inclusive approach to business support and how they work with their supply chains to support business growth, including workplace innovation and adoption of progressive people practices	Use Wellbeing Economy Monitor approaches Refresh of the ACC Business Charter in 2023
Ensure we maximise opportunities for the fisheries sectors as the landing and processing hub for the UK in the context of Brexit	Ongoing
Delivery and marketing of cultural, heritage and tourism attractions of national significance, and of international standard (existing and new assets) and maximising tourism potential of accredited archives	Ongoing ACC
Establish a new Convention Bureau model to maximise the impact of the new arena and conference centre and the Aberdeen Harbour expansion	Established within VisitAberdeenshire and supported by operators of P&J Live. Also includes the Ambassador Network to support the bids for international business events
Support delivery of Offshore Europe 2019, and secure support from 2021	Complete. Now focus on the 50th edition of OE in 2023
Support and attract events that will be of international and national significance as part of the delivery of the Aberdeen 365 events and festivals plan	Events 365 set up and operational and has seen a number of new national events been secured and existing events expanded

APPENDIX TWO – 2023 PROGRAMME AREAS – SUMMARY OF TARGET OUTCOMES AND MONITORING



Programme 1 – A thriving economy – Target KPIs (Outcome Areas of innovation, decarbonisation, international exports, food, drink, agriculture and fishing and investment)			
Outcome	How will we measure success?	Most recent baseline	Target by mid-point review (2029)
Maintaining and growing reputation of being a global innovation hub	• BERD (% of GVA)	1.2% of GVA	2% of GVA
Supporting the internationalisation of key growth sectors, in order to maintain North East Scotland's share of overall Scottish exports	• Total exports value	£11.3bn (23.1% of Scotland's total)	≥ 23.1% of Scotland's total North East: 2029 TARGET
Creating an investment environment where businesses can flourish	<ul style="list-style-type: none"> • Start ups achieving year-4 turnover of ≥£25m. • Increase the share of high growth businesses, those identified as increasing turnover by at least 20%, per year over a three year period 	1.1%	1.5%
Maintaining levels of inward investment into the region	• FDI/year	6 Projects (5.3% of Scottish Total) 14 Projects (13.1% of Scottish Total)	≥ 5.3% of Scottish Total ≥ 13.1% of Scottish Total

Programme 2 – An outstanding natural environment – Target KPIs (Outcome Areas of being a leading Scottish visitor destination and protecting natural capital and landscape)			
Outcome	How will we measure success?	Most recent baseline	Target by mid-point review (2029)
Increasing the number of businesses in the region with accredited net zero credentials	<ul style="list-style-type: none"> Decarbonisation within key sectors of energy and food and drink i.e. proportion of energy sector companies in oil and gas activities 	70% (2022 Energy Transition Survey 36)	50%
Being recognised as a leading visitor destination by 2030	<ul style="list-style-type: none"> Overnight Visits Day Visits Bednights Spend Occupancy/ Revenue per available room Attractions 	1.2m (2019) 34.9 million (2017-2019) 4.4 million (2019 NE Scotland) Day Trip Spend £1,199m (2017-2019 average NE Scotland) Overnight Trip Spend £300m 2019 NE Scotland 67% Aberdeen Grampian tbc	1.5m (back up to 2013 levels) 38.5m (10% increase) 5 million (back up to 2013 levels) £1,400m (back up to 2013 levels) £450m (back up to 2013 levels) 74% Aberdeen (10% rise) Grampian tbc
Protecting the natural capital and landscape of the region	Blue Flag status Green Flag status Value of heritage tourism	9 beaches – kg of litter removed (East Grampian Coastal Partnership) Value of heritage tourism	12
Delivering a step change in the number and take up of active travel schemes	Number of active travel schemes established and usage	RTS key target is to reduce car/ sustainable travel to 50/50 mode split	

Programme 3 – A healthy and skilled population – Target KPIs (Outcome Areas of closing the gap to best performing places and communities and education and skills)			
Outcome	How will we measure success?	Most recent baseline	Target by mid-point review (2029)
Improving our citizens' self-reported wellbeing	<ul style="list-style-type: none"> Warwick-Edinburgh Mental Wellbeing Scale (WEMBS) City Voice / citizens' forums 	WEMBS data that we sourced previously Aberdeen City: 49.9 Aberdeenshire: 50.7 (Scores range from 14 to 70 and higher scores indicate greater positive mental wellbeing)	Remain above the Scottish average
Reducing the % of employers with a skills gap to <5%.	• % of employers with a Skills Gap	12%	≤ 7.2%
Narrowing disability, racial and gender-based inequalities	<ul style="list-style-type: none"> Difference between median hourly earnings of men and women Improved employment rates for groups with protected characteristics 	Aberdeen: 11% Aberdeenshire: 13.8% Gap (16-64) Disability Disabled vs Not Disabled: 32.2% Gender Male vs Female: 6.9% Racial White vs Non-White: 14.7%	Aberdeen: 4.7% Aberdeenshire: 7.1% Gap (16-64) Disability Disabled vs Not Disabled: 27% Gender Male vs Female: 3.9% Racial White vs Non-White: 9.7%
Ensuring people achieve higher level qualifications	<ul style="list-style-type: none"> Working Age population with SVQ4+ Qualifications Latest RSA states that 57% of jobs between now and 2031 will require SCQF7 or above 	65.3%	≥70.8%
Delivering a just transition by reducing the proportion of income deprived households	• % of income-deprived households to be equivalent to, or lower than, the median of the top-five performing local authorities in Scotland.	Aberdeen City: 8.6% Aberdeenshire: 6.3%	For Aberdeen City and Aberdeenshire to be in the top five least deprived councils in Scotland
Improving levels of healthy life expectancy	• Healthy Life expectancy Males and Females	Aberdeen City Male: 58.3 Female: 61.3 Aberdeenshire Males: 67 Females: 65.9	Get to or above the Scottish Average – Aberdeen Remain above the Scottish average – Aberdeenshire:

Programme 4 – A strong community and cultural identity – Target KPIs (Outcome Areas of strong cultural identity, community assets and creative industries)			
Outcome	How will we measure success?	Most recent baseline	Target by mid-point review (2029)
Fostering a strong sense of cultural identity and belonging in the region	• Participation in a cultural activity in last 12 months (%)	Aberdeen City: 72.8% Aberdeenshire: 75.7%	Aberdeen City: 82.6% Aberdeenshire: 83.9%
	• Visits to relevant attractions	1,310,772	≥ 1,631,196
Increasing the number of assets held by communities across the region	• Number of assets in community ownership	34	≥ 57
Creating a clearer/stronger identity and cultural narrative	• Number of distinct (to North East) festival and events	XX	XX
Increasing the number of jobs in the creative industries	• Number of jobs classified as being in the creative industries sector	6,100	≥ 7,700
	• Student enrolments in creative-related courses in higher and further education	6,669	XX



Footnotes

Section 1

- ¹ Offshore Energies UK, Business Outlook 2023
- ² Offshore Energies UK, Business Outlook 2023
- ³ Offshore Energies UK, Economic Report 2022
- ⁴ Energy System and Just Transition, Scottish Government March 2023
- ⁵ UK Offshore Energy Transferability Review, Robert Gordon University, May 2021
- ⁶ Offshore Energies UK, Business Outlook 2023
- ⁷ Offshore Energies UK, Business Outlook 2023
- ⁸ Just Transition Review of the Scottish Energy Sector. EY February 2023

Section 2

- ⁹RGU: Modern University Complete University Guide: www.rgu.ac.uk/news/news-2021/4193-rgu-is-scotland-s-top-modern-university-in-the-complete-university-guide-2022
- ¹⁰Guardian: [UK University rankings: www.theguardian.com/education/ng-interactive/2022/sep/24/the-guardian-university-guide-2023-the-rankings](http://www.theguardian.com/education/ng-interactive/2022/sep/24/the-guardian-university-guide-2023-the-rankings)
- ¹¹Working age population with high skills (NVQ4 or above) qualifications, 2021 (%)
- ¹²Annual Population Survey: Job Related training in the past 13 weeks 2012-2022: www.nomisweb.co.uk/sources/aps
- ¹³Making the Switch – The Future Shape of the Offshore Energy Workforce in the North East of Scotland, Robert Gordon University, May 2022
- ¹⁴www.abdn.ac.uk/news/16035/
- ¹⁵ONS (2022) Earnings and Employment from Pay As You Earn Real Time Information – August 2022
- ¹⁶Annual Population Survey
- ¹⁷[Building a New Scotland, October 2022](#)

Section 5

- ¹⁸The Regional Economic Policy Advisory Group (REPAG) is a representative body of stakeholders established to provide Ministers and officials with independent support understanding and managing the impact of the UK Government’s Levelling Up Agenda across Scotland. In addition, the Group has been tasked with developing a Review into Regional Economic Policy in Scotland, which was committed as part of the 2021 Programme for Government, considering the use of regional geographies to deliver a sustainable, wellbeing economy. Opportunity North East (ONE) was part of the Group.

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