

ABERDEEN CITY COUNCIL

COMMITTEE	Communities Housing and Infrastructure
DATE	20 January 2016
DIRECTOR	Pete Leonard
TITLE OF REPORT	International Trade and Investment and Funding and Partnerships Plan 2016/2017
REPORT NUMBER	CHI/15/300
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The report seeks approval for the Council's planned international trade development and inward investment activities for 2016/2017, and in particular the attendance of officers and Elected Members at key overseas trade and investment events, in order to help deliver the Council's economic development priorities, notably around the internationalisation of Small and Medium Enterprises (SMEs).

The report also seeks approval for the Council's planned funding and partnerships activities for 2016/2017 including officers and Elected Members attendance at overseas events to further develop our internationalisation and potential to attract inward investment through external funding opportunities.

2. RECOMMENDATION(S)

It is recommended that Committee:

- a) Approve the report and the activities described herein, subject to the 2016/2017 budget-setting process and agreement.
- b) Approve the relevant travel by officers and Elected Members for the activities as described in Appendix One, subject to the 2016/2017 budget-setting process and agreement. However, two of the initiatives (Offshore Technology Conference in Houston in May and Offshore Northern Seas in Stavanger in August) require immediate approval so that they can be organised within the necessary timeframe.
- c) Instruct officers to provide a Bulletin report on each activity, alongside the Elected Members Overseas Travel Bulletin submitted to each meeting of Council.

3. FINANCIAL IMPLICATIONS

The delivery of the International Trade and Investment Plan 2016/2017 is dependent upon a 2016/2017 international trade budget allocation within the Economic Development budget, covering staffing costs (3 FTE) and operational programmes. This will be determined in February 2016 as part of the Council's corporate budget setting process.

If there is a significant change from 2015/2016 to 2016/2017 in the operational or staffing budgets for international trade activity, a revised report will be brought forward to the next Committee in March 2016. In 2015/2016, the allocated operational budget was £70,000, and Appendix One sets out how a similar level of budget would be allocated to priority activities in 2016/2017.

It is anticipated that some of the Plan's activity (detailed in Appendix One) will be undertaken by the Director role filled by the former Director of Enterprise Planning and Infrastructure (until July 2016) and the international trade ambassadorial role of the Depute Provost, who has a dedicated budget of £25,000 for international trade and civic development, which will help the team to deliver the approved Plan.

There are no anticipated financial implications for the Funding and Partnerships activities as travel budgets from 2016/2017 (if there is no change to current budgets and the team is allocated the same as 15/16) will be used, therefore no new resources will be required.

There are no State Aid implications.

4. OTHER IMPLICATIONS

Staffing: The International Trade and Investment team is currently staffed by one full-time Senior Executive (International Trade and Investment) – currently vacant - and two full-time International Trade Executives (one of which is specifically focused on Energy). The successful delivery of the Plan is dependent on a fully-staffed team. To ensure the most appropriate use of staff time and resources for business, Government or diplomatic visits to the city, the International Trade team works closely with other economic development colleagues and other Council services as required.

For example, the City Promotions team leads on exhibition delivery such as Offshore Europe, the Offshore Technology Conference and Offshore Northern Seas, where trade development activity is focused around the aforementioned key international conferences and exhibitions.

Furthermore, the Lord Provost's Office provides support where visiting business or Government delegations have a more civic or diplomatic focus, or constitute a study visit.

The Partnerships and Funding Team is staffed by one full time Senior Executive and three External Funding Officers. As stated above, as long as the team is fully staffed, no issues are anticipated in the delivery of the plan.

5. BACKGROUND/MAIN ISSUES

The Scottish Government Economic Strategy lists internationalisation as one of its 4 key pillars and the 2014 Wilson Review of Support for Scottish Exporting calls for further coordinated support for more Scottish businesses to export more products to more markets.

At the time of writing, a Regional Economic Strategy is being drafted and its principles, priorities and programmes, especially around internationalisation, will be adopted and embedded within the International Trade and Investment Plan.

The International Trade and Investment team helps to create the conditions for sustainable economic growth in the City by providing tailored support to City businesses to enhance their internationalisation (ie increase their export of products and services).

The team does this by working effectively in partnership with key local, national and international partners to enhance the City's strategic profile and position as a global energy capital and centre of excellence in subsea technology.

In practical terms, this means supporting trade missions, hosting inward business delegations (over 30 in 2015), facilitating contacts between local and international companies, holding business seminars, attending key industry conferences and exhibitions and providing market intelligence – including leading in the creation of new international cooperation links in specifically identified niche markets in which Aberdeen City Council is particularly well placed as a facilitator compared to other trade support organisations.

To maximise benefit to the business community, the team frequently works in partnership with Scottish Development International, UK Trade and Investment and other local and national organisations via the North East Scotland Trade Group to ensure there is a coordinated approach to international trade activity planning, avoiding duplication and addressing gaps in service provision.

North East Scotland Trade Group (NESTG)

NESTG comprises the following partners:

Aberdeen City Council, Aberdeenshire Council, UK Trade and Investment, Scottish Development International, Aberdeen and Grampian Chamber of Commerce, Scottish Council for Development and Industry, Subsea UK, Robert Gordon University, University of Aberdeen.

The Group has developed a shared international trade events calendar for ease of use by the business community and holds joint events such as trade seminars to help companies export more products to more markets.

World Energy Cities Partnership (WECP)

Aberdeen City Council is a founding member of the World Energy Cities Partnership – a 22-strong network of global energy cities that encourages the exchange of energy industry knowledge and economic and infrastructure development strategies and good practice. The network is a powerful example of how city-to-city connections can “open doors” and facilitates direct business-to-business links and market entry.

Representatives of the City Council attend two WECP meetings per year: the Annual General Meeting each October, and a working meeting during the Offshore Technology Conference in Houston each May.

The focus of activity in 2016/2017 will be on maximising business development opportunities, sharing experiences of dealing with the downturn and developing comparative economic indicators.

Memoranda of Understanding (MOU)

Aberdeen City Council has seven Memoranda of Understanding (economic cooperation agreements)

- Nova Scotia, Canada (jointly with Aberdeenshire Council and Moray Council)
- City of Halifax (signed in September 2013 renewing and extending the Nova Scotia MOU on a direct city-to-city basis)
- Newfoundland and Labrador (jointly with Aberdeenshire Council and Moray Council);
- Torshavn, Faroe Islands;
- State of Rio de Janeiro, Brazil;
- The regional authorities [oblasts] of Western Kazakhstan;
- Villahermosa and the State of Tabasco, Mexico.

On 21 January 2014, Committee approved a report proposing a new, tightly-focused and time-limited MOU with the city of Mokpo, South-Korea, with cross-institutional links to encourage the involvement of the wider Aberdeen community.

A separate report to this Committee proposes a new 3-year MOU with Pemba, Mozambique.

Sector, Market and Activity Prioritisation

In order to deliver most benefit to local companies, it is necessary to prioritise certain sectors and markets, and to determine the type and amount of activity to be undertaken, taking into account the budget and staffing resources available.

This prioritisation is based on three main principles:

- 1) A demand-led, target market focus: concentrating resources on key target markets and activities identified as “most needed” by companies.

2) **Additionality:** focusing on markets where Aberdeen City Council can deliver significantly more compared to other partner organisations, using inter-governmental links or specific expertise. As well as responding to company demand, the team also identifies and promotes new and emerging opportunities, which require a longer-term, strategic role in exploring new niche markets, such as Mozambique.

3) **Diversification:** working with Aberdeen Renewable Energy Group and the hydrogen team to identify and support opportunities for supply chain development and diversification from oil and gas into renewable energies and beyond, and helping Aberdeen's SMEs to access these opportunities in priority international markets.

Sector

It is proposed that the City Council's International Trade and Investment team should continue its primary (though not exclusive) focus on the energy industry (all energies) for the following reasons:

- The energy industry, both oil and gas and renewables, remains the key driver for the regional economy
- The energy industry is where the team can add most value for SMEs through supporting trade missions, hosting inward delegations, holding seminars, etc
- There is significant industry-led demand for support to increase internationalisation and support further exports
- Support for high-value jobs in the city
- Future potential of subsectors such as subsea, decommissioning, unconventional oil and gas, cross-over activities between oil and gas and renewable energy (offshore wind supply chain), etc
- Activity complements national support from SDI and UKTI
- Existing knowledge, expertise and experience within the team is focused on the energy industry
- Other sectors benefit from existing support elsewhere (e.g. support for life sciences from SDI; support for tourism from the Council's City Promotions Team and Visit Aberdeen; support for food and drink from Aberdeenshire Council)

Market

Market prioritisation is considered very carefully to ensure staffing resources are targeted where they can deliver most value and benefit to local companies.

The priorities below are determined by taking into account the following:

- Intelligence from local companies, for example, through trade survey information shared through NESTG
- Current knowledge, experience and expertise within the team
- Forecasting of future market developments
- Views of Council officers, Elected Members, AREG and NESTG
- Opportunity for best return on investment

- Cities/regions where good working relationships are already in place
- Opportunities for cross-over between the oil and gas and renewable energy supply chains
- Accessibility of the market (e.g. regulations, business culture, language etc)
- Ease or otherwise of market entry (i.e. how much help companies need to enter the market)

Activity

In general, the type of activity will include:

- Focusing on harnessing the power of existing strategic partnerships such as WECP, Memoranda of Understanding (MOU) etc
- Attending industry conferences and exhibitions
- Where appropriate leading or accompanying trade missions to target markets
- Where appropriate carrying out targeted trade development visits to initiate or build on strategic inter-governmental/business links
- Hosting (both through proactively attracting and responding to requests from partners) key inward business delegations from main target markets
- Hosting business seminars for local companies

Table 1 below highlights the priority markets and how they have been categorised.

Top priority markets – will include proactive outward and inward business support, for example trade missions, exhibitions, conferences, inward visits, local seminars, sponsored events, exploration visits to develop new opportunities etc.

Medium priority markets – will include continued business support with some outward but mainly local or inward events, such as seminars and receiving inward delegations.

Watching Brief markets – will include occasional business support mainly focused on local or inward events, such as seminars and assisting partner organisations with receiving inward delegations, and gathering market intelligence to monitor market trends and opportunities.

However, given the speed with which markets and the oil and gas industry change, this framework is intended as a guide only. The team will endeavour to maintain enough operational and financial flexibility to enable it to respond to any unexpected opportunities that may arise which have the potential to provide a significant return for Aberdeen companies.

Criteria for determining the level of resources dedicated to inward delegations will include the following:

- Target market

- Target sector
- Trade-relevant
- Inward investment-relevant
- Strategic/future development interest
- Wider diplomatic/civic interest to the Council or City

Top Priority Markets

Canada
Norway
USA

Medium Priority Markets

Japan
Korea
Mexico
Mozambique

Watching Brief

Brazil
WECP and MOU cities

Funding and Partnerships

The Funding and Partnerships team works across the Council to help identify and apply for external funding in order to bring inward investment, provide added value to Council projects while at the same time meeting Council strategic priorities and help reduce pressure on Council budgets.

In order to maximise funding and policy knowledge, the team is a member of a number of European networks which are listed below. This also contributes to the internationalisation of Aberdeen City Council as the City is promoted on a European and international platform. A full list of known and planned travel for the Funding and Partnerships team is given in Appendix 1B.

North Sea Commission

The North Sea Commission is an international organisation to facilitate partnerships between regions connected with the North Sea and promotes the North Sea Basin as an economic entity within Europe. Councillor Crockett is the Chair of the Economic Development thematic working group within the North Sea Commission. The North Sea Commission allows Aberdeen the platform in which to exchange with other international regions and find partners for European funding projects in which there exists mutual benefit.

Energy Cities

Energy Cities is the European Association of local authorities in energy transition. It is particularly important for Aberdeen City Council to be a

member of the association given its status as Energy Capital and the City's ambition to become a leading, low carbon and sustainable city. Councillor Crockett is a Board Member of Energy Cities and Aberdeen City Council hosted the Energy Cities Annual Conference in 2015.

Conference of Peripheral Maritime Regions (CPMR)

The CPMR brings together some 160 regions and it campaigns for a more balanced development of the European territory. CPMR mainly focuses on social, economic and territorial cohesion, as well as maritime and blue growth. As Aberdeen City Council is a member of the CPMR it is expected to fully contribute to the EU discussions.

Hydrogen and Electro-Mobility in European Regions (HyER)

Aberdeen is one of the leading European cities for hydrogen technologies and as such is a key member of the HyER network of which Councillor Crockett is Chairman. HyER provides its members with a representative body that can be coherent, distinguishable and influential towards all relevant stakeholders and decision-makers at both public and private level. It also allows members to play a key role in the implementation of strategies that aim for the uptake of hydrogen, fuel cells and electric mobility.

Aberdeen is leading the way in Europe and the world by currently having the largest fleet of operating hydrogen buses and state-of-the-art hydrogen refuelling station, with plans to build on this success to build a second hydrogen refuelling station and introduce hydrogen vehicles into the public services fleet. In order to achieve the next steps it is crucial Aberdeen is a member of HyER which gives the City a better voice and position in Europe to obtain funding from bodies such as the Fuel Cell and Hydrogen Joint Undertaking.

6. IMPACT

Corporate - The contents of the report relate directly to delivering the economic development aspects of the **Single Outcome Agreement**:

National Outcome 1 – We live in a Scotland that is the most attractive place for doing business in Europe

National Outcome 2 - We realise our full economic potential with more and better employment opportunities for our people

Local Outcome – Anchor the Oil and Gas Industry

Local Outcome – Diversification of the Economy

The contents of the report also relate directly to delivering the economic development aspects of the Administration's **Smarter Aberdeen** vision.

At the time of writing (November 2015), the **Regional Economic Strategy** and **City Region Deal** are being finalised. In both cases, internationalisation is a key theme and the implementation of the 2016-2017 International Trade and Investment Plan is expected to have a direct positive impact on Aberdeen companies' export success. The activities of the Funding and Partnerships

team will also significantly contribute to the theme of internationalisation given the team mainly works with European partners to attract European funding to the city.

At the time of writing, the Business Growth team has hosted and supported over 30 inward business or Government delegations from 16 countries during 2015. During 2014/1015, of the 953 local companies that received support from the Business Growth team, 345 received export assistance, 560 received skills support and 48 were referred to other agencies.

Public – Neither an Equality and Human Rights Impact Assessment nor a Privacy Impact Assessment is required for this report. There may be some public/media interest in the parts of the Plan that involve overseas travel by Elected members and/or officers.

Improving Customer Experience – Delivering the 2016/2017 International Trade and Investment Plan is expected to improve the experience of customers (Aberdeen’s business community) by:

- Raising awareness among Aberdeen companies of business opportunities and how to access them in new, existing and target export markets in the energy sector
- Better positioning Aberdeen companies to win new export business by facilitating direct business to business links and using effectively existing strategic partnerships like World Energy Cities Partnership and Memoranda of Understanding (economic cooperation agreements)
- Maintaining and building on the profile of Aberdeen as a global energy capital and world centre of excellence for subsea technology

Improving Staff Experience – Delivering the 2016/2017 International Trade Plan provides the staff involved with valuable experience of dealing with a wide range of internal (Elected Members, senior officers) and external (businesses, Government personnel, diplomats etc) customers from a range of countries, cultures and backgrounds.

Improving our use of Resources – By working in partnership with North East Scotland Trade Group partners on the delivery of coordinated trade development activities, of which this Plan is a key part, the Council is able to share the workload and take lead or supporting roles where appropriate, without compromising the level of service delivered to the customer – the Aberdeen business community.

7. MANAGEMENT OF RISK

Health and Safety: The health and safety implications of all overseas journeys are taken into account during planning, with any exceptional implications to be addressed at the time. Officers regularly review the travel advice provided by the Foreign and Commonwealth Office and are in contact with counterparts in-country to ensure information is accurate and up-to-date. When participating in overseas journeys, Council officers and Elected Members are covered by the Council’s insurance policy. A risk assessment is carried out for each overseas journey.

Risk Management: The risks associated with **not** undertaking the international trade and investment development work are:

- City companies would have significantly reduced opportunities to enter new export markets and exploit export opportunities;
- Aberdeen's position as a global energy capital would be compromised if there was no local support, for example, to host high-level visiting business delegations; likewise, there would be a serious risk of loss of visibility on the world energy industry stage if profile was not maintained and enhanced at key overseas trade events;
- The Council would not be fulfilling its obligations in the Single Outcome Agreement, the vision for Smarter Aberdeen, or the Scottish Government Economic Strategy, which has internationalisation as one of its four pillars.
- Aberdeen-based companies are increasingly exposed to competition from international suppliers all looking to service the global oil and gas supply chain from locations around the world, some of which have a lower cost base than the North Sea. Targeted export market entry support makes a key contribution to sustaining the competitive edge of Aberdeen companies.
- Loss of targeted local support to local businesses could contribute to their failure, or their decision to relocate from Aberdeen.
- With the current low oil price and general downturn in the global oil and gas sector, the greatest opportunities for growth are to be found in established and emerging export markets, so support to enable businesses to exploit these opportunities is much needed.

The risks associated for the Funding and Partnerships team by **not** undertaking its proposed activities include:

- Reduced opportunities to leverage external funding and attract inward investment into the Council and city
- Reduced opportunities to promote the city internationally and attract businesses and other potential partners to work with the city
- Aberdeen City Council and its interests such as energy and maritime policy would not be represented at a European level and would be unable to lobby for important matters which affect the city.
- Aberdeen City Council has built a strong reputation within Europe for being a leading city that has undertaken several successful European projects. This reputation could be put at risk if the Council does not have a presence within Europe.
- Aberdeen City Council is recognised within Scotland for its work with Europe. If unable to continue with these activities, it could risk Aberdeen being less competitive than other Scottish and UK cities.
- With the current downturn in oil and gas, attracting external funding is more important than ever to diversify the economy by, for example, developing and delivering the Hydrogen Strategy and develop the workforce into other areas of expertise.

8. BACKGROUND PAPERS

- Scottish Government Economic Strategy
- 2014 Wilson Review of Support for Scottish Exporting
- 2015/2016 International Trade and Investment Plan CHI/14/071 approved at Communities Housing and Infrastructure Committee on 13/1/15
- Bulletin reports on the outcomes of each overseas visit undertaken by Elected Members submitted to Council 16/12/15, 19/08/15, 13/05/15
- External Funding Plan CHI/14/084 approved at Communities Housing and Infrastructure Committee on 13/1/15
- Update on Projects, Partnerships and Funding CHI/15/303 approved at Finance Policy and Resources Committee on 3/12/15

9. REPORT AUTHOR DETAILS

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