

ABERDEEN CITY COUNCIL

COMMITTEE	City Growth and Resources
DATE	27 November 2018
REPORT TITLE	Economic Policy Panel Annual Report 2018
REPORT NUMBER	PLA/18/265
DIRECTOR	N/A
CHIEF OFFICER	Richard Sweetnam
REPORT AUTHOR	Jamie Coventry
TERMS OF REFERENCE	2.1 receive the annual report from the Economic Policy Panel set up to support the annual re-assessment of the Council's credit rating; 2.3 consider reports on key actions by the Council towards the delivery of the Regional Strategy and the Inward Investment Plan.

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to inform Committee of the publication and the main findings of the first annual report by the Economic Policy Panel, an independent panel formed to advise on the city region's economic performance.

2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Notes the policy panel's first annual report;
- 2.2 Instructs the Chief Officer - City Growth, following consultation with the Panel, to undertake a review of the first annual report with a view to identifying scope for the future development of the report;
- 2.3 Notes the recommendations of the policy panel and to approve the officers proposed response to each recommendation in 3.7 below;
- 2.4 Instructs the Chief Officer - City Growth, following consultation with the other Panel members, to recruit a new member immediately; and
- 2.5 Instructs the Chief Executive to explore how Scottish local government pension funds could invest locally, with specific reference to the strategic infrastructure priorities identified in the Regional Economic Strategy, City Region Deal and City Centre Masterplan.

3. BACKGROUND

- 3.1 In November 2016, Aberdeen City Council became the first Scottish local authority to issue index-linked bonds through the debt capital markets, raising £370m to drive forward an ambitious capital programme supporting vital infrastructure throughout the city.
- 3.2 In October 2016, Aberdeen City Council was awarded an Aa2 rating by Moody's, with a negative outlook. In terms of investor confidence in Aberdeen City Council, it is important that the Council maintains its credit rating level. The rating is reviewed by Moody's on an annual basis. In September 2017, Moody's downgraded the UK's long-term issuer rating to Aa2 from Aa1 and upgraded the outlook from negative to stable. Following this, and in-line with the UK sovereign rating, Moody's also downgraded the rating for Aberdeen City Council to Aa3 and upgraded the outlook from negative to stable.
- 3.3 The annual credit rating assessment involves an analysis of the Council's financial and institutional framework, as well as a detailed assessment of the current and future economic performance of Aberdeen and the North East of Scotland. In terms of the economic analysis, independent economic commentary in this report will be used to support the Moody's annual review, but also provide the city with assurance on the medium-to-long-term economic outlook of Aberdeen and the region to existing and future investors.
- 3.4 With this in mind, in March 2017¹, the Council approved the appointment of an independent Economic Policy Panel to provide independent commentary on the state of the Aberdeen economy in the form of an annual report each year from 2018 to 2020. During 2018 one of the Panel members resigned, and as a result a new member will need to be recruited.
- 3.5 In producing this report, and in making its recommendations, the Panel has monitored and considered all developments in the Aberdeen City Region as data has become available. The Panel has undertaken its own analysis and considered any other detailed research that is relevant to its work. The Panel has provided a forum for discussion of emerging issues in relation to the wellbeing of the Aberdeen and regional economies. Panel members have met with city and regional stakeholders including the two local governments, the universities, Scottish Enterprise, local industry leadership and a sample of businesses from key sectors of the city economy. These consultations informed the data analysis by discussing current thinking on the state of the Aberdeen economy, the outlook for the sectors they represent and views on future opportunities and challenges.
- 3.6 A copy of the whole report can be found at:

<https://www.aberdeencity.gov.uk/sites/default/files/2018-11/Aberdeen%20Economic%20Policy%20Panel%20Report%202018.pdf>

¹ <http://councilcommittees.acc.gov.uk/documents/s67581/Bond%20Financing%20Strategy%20-%20Economic%20Policy%20Panel.pdf>

A report summary can be found in Appendix 1.

- 3.7 The policy panel's recommendations are shown in the table below. This includes a proposed response to each recommendation that officers have produced.

Panel Recommendation		Response
<i>Regional Economic Strategy</i>		
1	Focus on raising productivity outside the oil and gas sector to maximise opportunities for future inclusive growth.	Consider pilot for Productivity Club with SCDI and in consultation with Opportunity North East
2	RES Action Plan needs to set out timelines and key measurable objectives for each action.	Implementation of <i>North East of Scotland Performs</i> framework, and in discussion with the RES working group.
3	Set out an economic performance framework (The NE Economy Performs). This should include further analysis of the type of diversification that will be most conducive to achieving RES objectives.	To be taken forward by officers in City Growth, in consultation with the RES working group, in conjunction with local universities. We will ensure that the framework incorporates a performance tracking mechanism against the city's local development plan.
4	Engage with the centre for regional inclusive growth to define inclusive growth metrics that can be monitored at the regional level within the Performance framework. Such measures could include Change in output over time (growth in GVA), Local workplace productivity (for example, GVA per hour or per job), Local household incomes (such as Gross Disposable Household Income per head), Distribution of earnings, Earning trends in low-pay occupations, growth of quality employment in low and high pay sectors.	Implementation of <i>North East of Scotland Performs</i> framework, and in discussion with the RES working group.
<i>Infrastructure</i>		
5	Prioritise the formation of a strategic utilities or infrastructure group. The group, to be comprised of national and local partners, must oversee a	This reinforces a recommendation contained within the TOM report to establish this group.

Panel Recommendation	Response
	<p>The Chief Officer - City Growth will bring forward terms of reference to council, in conjunction with the Chief Officer – Governance.</p>
<p>6 The group should be tasked with regional coordination, assessment and planning for the future infrastructure needs of the city and region, as well as identifying and working with stakeholders who will be critical to the delivery of the investment and leverage required.</p>	<p>The scope of the existing group, established by planning, will be reviewed and reshaped to meet the requirements of this recommendation and will oversee the delivery of the Local Development Plan.</p> <p>The Chief Officer - Strategic Place Planning will be responsible for taking this forward.</p> <p>Officers, supported by Invest Aberdeen, to explore opportunities to provide local government pension funds with the mechanisms to invest in strategic infrastructure priorities.</p>
<p>7 All infrastructure investment should be monitored through the LDP and the proposed NE Economy Performs Framework.</p>	<p>Addressed through recommendations 3 and 6.</p>
<p>8 Continued close monitoring of progress on the digital programme within the City Region Deal (CRD) through the NE Economy Performs framework.</p>	<p>This is currently undertaken by the CRD joint committee and it is proposed this continues. All the CRD metrics will be included in the <i>NE Economy Performs</i> framework.</p>
<p>9 Region's natural assets and clean environment must be safeguarded to support key sectors such as tourism, food and drink, agriculture and fisheries. Opportunity for Aberdeen to take the lead by developing key actions for applying these principles and monitoring them in the North East Economy Performs framework.</p>	<p>This recommendation will be considered by the Chief Officers (City Growth and Strategic Place Planning) and key stakeholder bodies (e.g. SEPA, Marine Scotland). Opportunities to lead initiatives around renewable energy, the circular economy and plastic free seas will be explored.</p>
<p>10 Develop a region housing strategy and action plan, overseen by a strategic governance group.</p>	<p>This recommendation will be discussed by the Chief Officer - Strategic Place Planning with colleagues in Aberdeenshire Council and if amenable, will progress to implement the recommendation.</p>

Panel Recommendation		Response
<i>Innovation</i>		
11	Implement Scottish Government Economic Action Plan proposals to implement piloting of productivity clubs.	To be taken forward in conjunction with the SCDI North East committee, Chamber of Commerce, Elevator, ONE.
12	Any further barriers to innovation in the economy should be identified and addressed considering such issues as availability of key skills and finance, the spread of knowledge and technology within the local economy, how businesses learn from global best practice in leading international businesses and maximising the opportunities for knowledge transfer.	To be taken forward by RES working group supported by Universities, regional learning and skills partnership, ONE and Scottish Enterprise.
<i>Inclusive Economic Growth</i>		
13	Skills challenges identified in report should be addressed as part of the local skills action plan, which should have clear SMART objectives. This includes actions to raise management and leadership skills.	To be taken forward by Skills Development Scotland (SDS) and through the regional learning and skills partnership.
14	Endorsed a coordinated approach to Developing the Young Workforce	Officers from City Growth & Integrated Children and Family Services (Education) develop ACC response
15	Build on need for life-long learning and ensuring that education provision can adapt to changing trends and that opportunities are provided at the right time for people to train or retrain in the skills of the future.	To be taken forward by the regional learning and skills partnership.
16	Steps are taken to ensure that the combination of existing services from Scottish Enterprise, Business Gateway and ONE combine to support young businesses with high growth potential and facilitate productivity improvements.	To be taken forward by Scottish Enterprise, Business Gateway (Elevator) and ONE.
<i>Internationalisation</i>		
17	A bid for a formal export partnership should be considered.	This reinforces a recommendation contained with the TOM report.

Panel Recommendation		Response
		The Chief Officer - City Growth will bring forward a proposal for such a partnership including draft terms of reference.
18	A programme of engagement by the city region leadership should be extended to the UK government and Scottish government to ensure the impact of Brexit on the flow of key skills to the NE is minimised.	ACC to consider its response, in conjunction with stakeholders
19	Develop a monitoring framework with local metrics against which to assess inward investment performance.	Chief Officer - City Growth to progress this in conjunction with Invest Aberdeen and Aberdeenshire Council (through <i>NE Scotland Performs</i>)
<i>General</i>		
20	ACC should encourage the Scottish government to take the lead in generating a national discussion as to how greater autonomy in economic policy could be created in a way that will improve economic outcomes at the local and national level.	ACC to consider in context of Local Governance Review (Chief Officer Corporate Governance, City Growth and with CoSLA and SCA)

4. FINANCIAL IMPLICATIONS

- 4.1 In March 2017, the Council approved estimated costs of £60-80,000 per annum. This includes allowances to members and travel expenses. Officers anticipate that actual expenditure will be in the region of £55,000 per annum.
- 4.2 If there are any additional budget implications from implementing the recommendations in this report, officers would report back to committee.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	Implementing the recommendations could require additional cost (for example any purchasing of new regional data for data monitoring).	L	Close monitoring of spending commitments against project budget, and within existing City Growth budgets
Employee	Implementing the recommendations requires a significant increase in human resources.	M	Monitor the demands on staff throughout the year. Ensure flexible deployment of human resources across ACC is available to help assist with work demands across the year.
Reputational	Not adequately responding to the recommendations of the Economic Policy Panel could damage the reputation of Aberdeen City Council.	M	Develop a plan to respond to the recommendations with named individuals and timescales.

7. OUTCOMES

Local Outcome Improvement Plan Themes	
	Impact of Report
Prosperous Economy	Successful implementation of the recommendations will impact on all 4 primary drivers of Prosperous Economy, Investment in Infrastructure, Inclusive Economic Growth, Innovation and Internationalisation. The recommendations in the appendix are grouped under each of these primary driver headings.

Design Principles of Target Operating Model	
	Impact of Report
Technology	<p>Successful implementation of the North East Economy Performs framework will assist ACC in becoming a data and intelligence led organisation better able to predict and understand the economy of the North East as well as indicate solutions to any underlying economic problems.</p> <p>The data in the framework could sit on a publicly available platform for use from colleagues in ACC and partners externally to be better inform and monitor economic policy.</p>
Partnerships and Alliances	<p>Closer working with partners and the strengthening of existing relationships would support the delivery of the LOIP priority outcome of a Prosperous North East Economy. The proposed officer response includes a number of instances of partnership working across organisations to deliver these recommendations.</p>

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	The recommendations arising from this report do not require that a full Equality and Human Rights Impact Assessment is completed.
Data Protection Impact Assessment	Not required.
Duty of Due Regard / Fairer Scotland Duty	This report meets the Fairer Scotland Duty.

9. BACKGROUND PAPERS

1. Report CHI/17/052 Bond Financing Strategy – Economic Policy Panel
2. Aberdeen Economic Policy Panel Report 2 November 2018
3. Aberdeen Economic Policy Panel Report Summary 2 November 2018

10. APPENDIX 1

Aberdeen Economic Policy Panel Report Summary 2 November 2018
<https://www.aberdeencity.gov.uk/sites/default/files/2018-11/Aberdeen%20Economic%20Policy%20Panel%20Report%20Summary.pdf>

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