

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Finance & Resources
<b>DATE</b>	17 May 2023
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Regional Economic Strategy
<b>REPORT NUMBER</b>	COM/23/150
<b>DIRECTOR</b>	Gale Beattie
<b>CHIEF OFFICER</b>	Richard Sweetnam
<b>REPORT AUTHOR</b>	Richard Sweetnam
<b>TERMS OF REFERENCE</b>	3.2 and 3.4

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### 1. PURPOSE OF REPORT

- 1.1 To present the draft Regional Economic Strategy (RES) for approval and to update on the process for the delivery of Investment Zones in the North East.

### 2. RECOMMENDATION(S)

That Committee:

- 2.1. Approves the draft RES as the strategic framework for economic growth in the North East of Scotland subject to approval of the Strategy by Aberdeenshire Council and Opportunity North East (ONE);
- 2.2 Notes the proposed changes to the Regional Economic Partnership (REP) in the Strategy and approves the proposed Terms of Reference in section 3.18 subject to approval by Aberdeenshire Council and ONE;
- 2.3 Appoints a Co-Leader of the Council to be the Council's representative on the REP; and
- 2.4 Notes the update on the process to deliver Investment Zones in Scotland and instructs the Chief Officer – City Growth to provide an update to the July Committee on the application process if the relevant guidance has been published.

### 3. BACKGROUND

- 3.1 At its meeting of 29 March 2023, the Council's Finance & Resources Committee approved a notice of motion to instruct the Chief Officer - City Growth to present the draft RES for approval to the next meeting of the Council's Finance and Resources Committee and to update on the process for the delivery of Investment Zones in the North East.

- 3.2 The 2016 Regional Economic Strategy was approved by the Council at its meeting on 16 December 2015 (CHI/15/ 340) and became the Framework for development and subsequent delivery of the Aberdeen City Region Deal, and a number of economic development interventions to support diversification of the regional economy.

### **Development of the 2023 RES**

- 3.3 In April 2022, consultants were to develop a new RES. This would build on the delivery of the 2016 strategy but respond to new challenges and opportunities in the Aberdeen city and Aberdeenshire economies including Covid-19, the 2020 fluctuating oil barrel prices and more recent developments in relation to energy security. The work was commissioned on behalf of the Council, Aberdeenshire Council and Opportunity North East (ONE) and managed by Scottish Enterprise (SE).
- 3.4 The work included a number of engagement activities with a range of wider stakeholder groups including officials from both governments, businesses, universities, NESCOL, the third sector and partner organisations that supported the development of the 2023 RES. Engagement activity also included contact with the Scottish Innovation Centres, through Scottish Cities Alliance (SCA) and the Connected Places Catapult, through Aberdeen's participation in its Innovation Place Leadership programme.
- 3.5 From these, and using analysis of the latest economic data as provided by North East Performs and the annual Economic Policy Panel Reports, the new Strategy sets out the following vision:
- “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.”
- 3.6 The draft strategy was then subject to further consultation undertaken by officers in the partner organisations. This indicated that the new strategy needs to act as framework for future discussions and negotiations with the two governments in relation to securing investment to support the North East of Scotland's contribution to the wider economy. It should therefore reflect the changing policy focus of the Scottish Government's National Strategy for Economic Transformation (NSET) and the UK Government's Levelling Up Bill, and the corresponding funding to support these overall objectives.
- 3.7 It should also focus on the principles of Community Wealth Building (CWB) and the Wellbeing Economy pillars (capitals) of environment (natural), people (human), business (economic) and community (social), in anticipation of the introduction of a corresponding Scottish Government Bill, and that the economy is inclusive – for local communities. The proposed RES therefore responds by developing commitments around net zero and just transition, business support, and access to work and progression pathways across sectors.

- 3.8 For the Council, the Strategy reflects its priorities in the Local Development Plan (LDP), Local Outcome Improvement Plan (LOIP), the Net Zero Route Map for the City, the Events365 Plan, the City Centre and Beach Masterplan and the Aberdeen Health and Social Care Partnership Workforce Development Plan. At the regional level it aligns to the work of NESTRANs and the Regional Transport Strategy and the regional Tourism Destination Strategy.
- 3.9 The draft RES is provided in Appendix 1 to this report. Appendix 2 provides a summary of progress on the 2016 actions.

### **The Regional Economic Strategy 2035 – A Sustainable Economic Future for the North East of Scotland**

- 3.10 The Strategy proposes five overarching objectives to:
- Establish the North East as a pioneer of the energy transition, by delivering an 80% reduction in carbon emissions per head
  - Maintain regional Gross Value Added (GVA) as a share of Scotland's overall GVA while increasing the share of regional GVA from region's growth sectors;
  - Maintain a healthy, sustainable, working age population through increasing economic participation rates;
  - Become a Real Living Wage region with 95% of overall employment offering a real living wage or higher; and
  - Protect and enhance the natural capital of the region.
- 3.11 Four work programmes (and outcome targets) are proposed to support delivery of the overall vision and high level objectives:
1. **A thriving, innovation driven economy:**
    - a. Maintaining and growing reputation of being a global innovation hub, stimulating increased research, technology and development, supported by entrepreneurship education and investment;
    - b. 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;
    - c. Supporting the internationalisation of key growth sectors, in order to maintain North East Scotland's share of overall Scottish exports;
    - d. Maintaining and growing the North East's role as a food, drink, agriculture and fishing producer; and
    - e. Creating an investment environment where businesses can flourish.
  2. **An outstanding natural environment:**
    - a. Being widely recognised as Scotland leading visitor destination by 2035 for sustainable growth, business innovation and delivery of high-quality visitor experiences; and
    - b. Protecting the natural capital and landscape of the region.
  3. **A healthy and skilled population:**
    - a. Delivering a world class digital skills programme within our schools;

- b. Reducing the % of employers with a skills gap;
- c. Narrowing disability, racial and gender-based inequalities;
- d. 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;
- e. Reducing the proportion of income deprived households; and
- f. Getting more young people in lower SIMD out of poverty by focussing relentlessly on closing the gap.

4. **A strong community and cultural identity:**

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

3.12 For each programme area, Section 4 of the proposed Strategy summarises how the Council and partners will work together to deliver a number of workstreams under each programme.

**Governance**

3.13 The Scottish Government's Regional Economic Policy review group recognised the success of regional working and collaboration evident in the Aberdeen City Region Deal and the annual reporting by the independent Aberdeen Economic Policy Panel, and calls for a more joined up and coordinated approach on all issues that impact on regional economic development, including delivery, for all regions in Scotland.

3.14 The Review made a number of recommendations (see background papers to this report) to enhance regional autonomy, and encouraging REPs to take on responsibility for overseeing regional delivery of projects and policy. In turn this will create the conditions for more joined up funding decisions and potentially using existing funding streams channelled through a REP and related accountable bodies in response to a region's economic priorities.

3.15 The review commends the engagement with industry in the North East of Scotland through ONE, and prioritises engaging with the private sector to deliver tangible activity and benefits through a 'regional investment prospectus' (that may typically include infrastructure investment, land use plans, transport planning, community wealth building, jobs and skills).

3.16 It states that REPs should provide stronger 'place based' focus of regional working by coalescing around regional economic strategies, and policy areas within these (eg just transition, public health, well being economy monitor, community wealth building, transport, land use, skills, education, child poverty).

- 3.17 Since the development of the 2016 Strategy, the ONE Board of Directors<sup>1</sup> acts in an advisory capacity to partners on any matters of regional importance – for example, comment on regional skills or economic strategies. The 2023 RES proposes 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 that could be drawn from, for example, the Federation of Small Businesses (FSB), Skills Development Scotland, NESCOL, Local Employability Partnerships, Third Sector leads (ACVO), VisitScotland and NESTRANS.
- 3.18 It is proposed that the new REP meets on a quarterly basis according to the following terms of reference:
- (a) Provide leadership, direction and influence on investment plans for the region and the two governments.
  - (b) Advise on development of responses to the commitments by the two governments and make recommendations on the prioritisation of resources.
  - (c) Review business cases for activities funded by UKG and/or SG regional funding allocations, and any other related documentation, recognising that final approval is reserved to the two Councils and/ or delivery partners as appropriate.
  - (d) Recommend for approval overall programme funding for regional interventions that may be funded by the two governments, including SPF, JTF or other funding to be granted to support strategic economic development in the region; and recommend for approval match funding by the REP members where this relates to programme funding already committed and approved by the relevant REP members (eg the Councils, SE or ONE).
  - (e) Make recommendations to the REP Membership on strategic economic, policy plans or consultations for the region.
  - (f) Maintain oversight on the implementation of regional projects in the RES.
  - (g) Receive updates from the governments and provide feedback on the implementation of funded activities, and any economic or infrastructure priorities in the RES and Investment Prospectus.
  - (h) Appoint representatives of the new member organisations to an expanded REP.
- 3.19 Officers from both Councils, SE and ONE will consider how support to the REP is best delivered, learning from the existing delivery of the City Region and providing reports/ analysis to the REP.

### **Next Steps**

- 3.20 There are two immediate priorities that will benefit from a new REP. The first relates to Investment Zones and how these could operate in Scotland. It will be important for regions to have clear governance arrangements in place to manage and monitor the design and delivery of Investment Zone proposals – and it is recommended that councils should use or evolve existing governance

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<sup>1</sup> The ONE Board is comprised of representatives the two universities, Scottish Enterprise (SE), AGCC, Port of Aberdeen, VisitAberdeenshire, the Leaders of both Councils and the ONE key sectors of life sciences, food drink and agriculture, energy, and digital. ONE also leads a ‘sector board’ for each sector above, except energy, where activities are led through ETZ Ltd.

structures, ensuring they include representation from relevant local partners to support Investment Zone delivery.

- 3.21 The second priority will be to develop an investment plan to support the REP in its discussions with the two governments on developing a new 'economic contract' or statement of intent for how the North East of Scotland will maintain and enhance its contribution to the UK and Scottish economies.
- 3.22 The Chief Officer for City Growth will provide an annual report to the relevant Council Committee on the Council's contribution to the RES and the operation of the new model for Regional Economic Partnership.

### **Investment Zone – Update**

- 3.23 At its Spring Statement, the UK Government announced its intention to begin discussions with eight (Mayoral) places, and to engage with Scottish Government to discuss how and where at least one Investment Zone could be delivered in Scotland. The Policy is about attracting new inward investment to Scotland in the short term. At the time of reporting to Committee, there are no further details on the process for Scotland and officers will continue to consult with officials in both governments.
- 3.24 Officers understand that the Scottish Government and UK Government will release the guidance on how Zones will be selected in the Summer, with as short a lead in time as possible for an application. It is anticipated that a successful proposal will clearly demonstrate how it contributes to the priorities for the Scottish and UK economies, and demonstrate how the regional proposal is 'right' for both the region and Scotland and the UK. The levers that could be offered to successful places are expected to be very similar to the green freeport policy - a combination of funding, tax levers rates relief and/ or planning incentives.
- 3.25 At this stage and until the guidance is published, officers anticipate that the policy focus will be on innovation, deprivation and aligned to the contribution of an Investment Zone to the key metrics of the Wellbeing Economy Monitor, and with a focus on key sector/ cluster strengths.
- 3.26 In advance of the guidance being published officers are working with colleagues in Aberdeenshire Council, ONE, the universities and ETZ Ltd on potential options for an application for a Zone in the North East of Scotland. It is not expected that the application will be a similar bidding process to the bid for a North East of Scotland Green Freeport and that the Regional Economic Partnership will have an important role in supporting the Investment Zone proposal and demonstrating its wellbeing and economic benefit to the region and Scotland.

## **4. FINANCIAL IMPLICATIONS**

- 4.1 There are no direct financial implications arising from this report. Where any financial implications for the Council arise, they will be brought to an appropriate

Council committee for any decisions according to its annual budget setting process.

- 4.2 The new REP model will require officer support that includes two officers from within the City Growth Cluster, analysis from officers using North East Performs; two officers from Aberdeenshire’s Economic Development Service, and input from SE and ONE. Following approval of the Strategy, officers will agree resourcing with the partners.

## 5. LEGAL IMPLICATIONS

- 5.1 There are no legal implications as a result of this report’s recommendations.

## 6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no negative environmental implications as a result of this report’s recommendations.
- 6.2 It is considered that the RES does not fall within the requirements to undertake a Strategic Environmental Assessment (SEA). It has therefore been pre-screened out for SEA and notification of this has been recorded and submitted to the SEA Gateway, in line with regulatory requirements.
- 6.3 It is also considered that the RES does not fall within the requirements to undertake a Habitats Regulations Appraisal (HRA). It has therefore been screened out, in line with regulatory requirements.

## 7. RISK

### 7.1 Risk Appetite

The assessment of risk contained within the table below is consistent with the Council’s Risk Appetite Statement.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H)  *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
<b>Strategic Risk</b>	Failure to implement the Regional Economic Strategy may impede the regions vision and ability to bring	Working with Regional Partners, the Regional Economic Strategy will provide a framework for delivering a Just Transition. Partners	M	<b>Yes</b>

<b>Category</b>	<b>Risks</b>	<b>Primary Controls/Control Actions to achieve Target Risk Level</b>	<b>*Target Risk Level (L, M or H)</b>  <b>*taking into account controls/control actions</b>	<b>*Does Target Risk Level Match Appetite Set?</b>
	about the desired Just Transition to Energy Transition and diversification of the economy.	will continue to meet with stakeholders and governments to review how these plans can be accelerated.		
<b>Compliance</b>	None.			
<b>Operational</b>	.None			
<b>Financial</b>	There is a risk that activities outlined in the Regional Economic Strategy are not funded and do not happen	Regional partners, through the REP will work with UK and SG, private sector as well as the External Funding & Sponsorship Team to develop bids for future funding.	M	<b>Yes</b>
<b>Reputational</b>	There is a reputational risk that the region does not fulfil the vision outlined in the Regional Economic Strategy	Partners will work with both governments to unlock funding and progress mutually imperative actions	M	<b>Yes</b>
<b>Environment Climate</b>	Failure to accelerate the actions around energy transition and environmental sustainability actions plan may impede the scale and pace of delivery of the RES visions and the Council's ambitions for decarbonisation by 2026	Partners will meet with stakeholders and governments to collectively review and agree how decarbonisation can be supported and ensure this is reported through the Regional Economic Strategy	M	<b>Yes</b>

## 8. OUTCOMES

<u>COUNCIL DELIVERY PLAN</u>	
	<b>Impact of Report</b>
<b>Aberdeen City Council Policy Statement</b>	<p>The proposals in this report support the delivery of the Partnership's Policy Statement:</p> <p>Look into whether providing citywide Aberdeen Gift Cards to low income households across the city would be an effective way of bolstering their purchasing power while giving local businesses a much-needed boost.</p> <p>Work with partners to explore opportunities to develop heritage, museum and online services with a special emphasis on local history and stories of stories of our heritage</p> <p>Investigate establishing an art hub, where artists can create, display and sell their work</p> <p>Seek to gain the maximum benefits for Aberdeen's people and businesses from the Scottish Government's £500 million Just Transition Fund and their £100 million Green Jobs Fund</p> <p>Support Aberdeen's continued pioneering of Hydrogen technologies and make the case to bring alternatively powered rail services to the City.</p> <p>Working with partners to improve the infrastructure supporting access to the Harbour expansion at the Bay of Nigg.</p> <p>Work with partners to bring national and international sporting championships to Aberdeen.</p> <p>Seek to bring more civil service jobs to Aberdeen.</p> <p>Develop our economy in a genuine partnership with the private sector, third sector and residents.</p> <p>Work with partners to stimulate sustainable economic development, including a managed transition to a carbon neutral economy and work in partnership with the academic, business and other relevant sectors to ensure the long-term future of the energy industry.</p>

## COUNCIL DELIVERY PLAN

### **Impact of Report**

Work with partners, including Scottish Enterprise, to expand the support available for new start-ups, including investigating access to microfinance and affordable leases on workspaces for start-ups and replicating the success of the Torry Rocks scheme.

Encourage collaborations of entrepreneurs in our universities, college and the private sector to develop businesses, services and employment opportunities in the city.

Open negotiations to secure funding for a second Aberdeen City Region Deal

Campaign for Aberdeen to be the home of a new Green Freeport and ensure that fair work conditions and Net Zero ambitions are central to any bid.

Seek to buy goods and services locally whenever possible, subject to complying with the law and public tendering requirements.

Review and update the Council's inward investment strategy

Work with partners to consider the establishment of a Health and Social Care Career Academy in Aberdeen.

### Aberdeen City Local Outcome Improvement Plan

Prosperous Economy  
Stretch Outcomes

The proposals in the RES support the delivery of supporting 400 unemployed Aberdeen city residents into Fair Work by 2026

The actions will also contribute to upskilling/ reskilling 500 Aberdeen city residents to enable them to move into economic opportunities as they arise by 2026

Prosperous People Stretch  
Outcomes

The proposals in the RES will support the delivery of stretch outcome 7 – 95% of children living in priority neighbourhoods will sustain a positive destination upon leaving school by 2026

<b><u>COUNCIL DELIVERY PLAN</u></b>	
	<b>Impact of Report</b>
Prosperous Place Stretch Outcomes	The proposals in the RES support the delivery of stretch outcome 13 – reducing Aberdeen’s carbon emissions by at least 61% by 2026
<b>Regional and City Strategies</b>	NPF4, Aberdeen City Region Deal, the Regional Skills Strategy, the Net Zero Vision for the city (and supporting ‘Route Maps’) and the Local Development Plan.

## 9. IMPACT ASSESSMENTS

<b>Assessment</b>	<b>Outcome</b>
<b>Integrated Impact Assessment</b>	IIA will be required and will be published with the final report
<b>Data Protection Impact Assessment</b>	DPIA is not required.
<b>Other</b>	None

## 10. BACKGROUND PAPERS

- 10.1 Finance & Resources Committee, Motion 7.2, 29 March 2023;
- 10.2 Regional Economic Strategy & City Region Deal Update, Council (CHI/ 15/ 340), 16 December 2015;
- 10.3 [Scottish Government Regional Economic Policy Review - Summary Findings 2022](#)

## 11. APPENDICES

- 11.1 Appendix 1 – 2023 Regional Economic Strategy;
- 11.2 Appendix 2 - 2016 RES Actions – Delivery update.

## 12. REPORT AUTHOR CONTACT DETAILS

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