

## **RURAL ECONOMY AND CONNECTIVITY COMMITTEE**

### **SCOTTISH GOVERNMENT'S DRAFT BUDGET 2018-19**

#### **SUBMISSIONS FROM ABERDEENSHIRE COUNCIL**

General observations:

1. It would appear that no local authority spend on support for the food and drink sector has been captured in the SPICe analysis. On average over the past 5 years the Aberdeenshire Council budget spend allocated to the local food and drink sector – directed primarily via the Grampian Food Forum - has been of the order of £40k per annum.
2. It is difficult to measure the value of overall public spend on food and drink in Scotland. Without a detailed assessment of the output generated by that expenditure it is a real challenge to define spending priorities to optimize value-add. Any such exercise should also analyse and factor in specific current sectoral challenges and opportunities (eg Brexit – so far as can be predicted)
3. Grampian Food Forum commissioned research in 2012 to estimate the cumulative economic impact arising from the activities of the Forum. It was estimated that £6,310,833 was added to the turnover of the beneficiary companies and that £2.587 million was added to Scottish GVA  
[https://www.aberdeenshire.gov.uk/media/11605/gff\\_annual\\_report\\_2012.pdf](https://www.aberdeenshire.gov.uk/media/11605/gff_annual_report_2012.pdf)
4. How financial resources are applied can often be more important than the size of budget and even the targeted use (to obtain buy-in and uptake from food and drink enterprises).
5. There appears to have been no attempt to carry out a regional analysis of food and drink public spend. More importantly, arguably, there is no evidence that regional targeting of available resources has been considered.
6. There has been very considerable public investment on a range of food and drink programmes. Has enough been invested in market insights such as horizon and opportunity scanning, consumer trends analysis etc? Lots will change post-Brexit and we need to start preparing now.
7. Account Management of larger food and drink businesses is a logical approach to driving sectoral growth. But just how well understood is the impact of account management? Is it being accurately measured and evaluated? Might there be potential in investing in 'new disrupters' within the food and drink sector?

8. The food and drink support landscape is very complex with a wide array of different funding/ support tools and numerous sources of advice/guidance. Is there scope for simplification and better coordination? Could more be channelled through Scotland Food & Drink?

The foregoing comments apply to the wider food and drink sector.

Economic growth within the Scottish seafood sector is a key component of Ambition 2030 but in order for its potential to be fully expressed, a number of industry-specific issues require to be addressed and resolved as a matter of urgency.

The future for the seafood sector looks bright. The aquaculture sector is performing strongly and in the light of improving wild fish stocks and Brexit, some £350M of investment has reportedly been committed in the Scottish fishing fleet over the past 18 months in new vessels and vessel improvements. One might reasonably presume that the processing sector is responding in a similar vein to the prospect of significantly increased landings arising from the 'sea of opportunity'.

Apparently not. The slow uptake of UP5 spend in Scotland – the pot within EMFF allocated to supporting seafood processing and marketing investments tells a different story. Why is this? One reason is that seafood companies employing more than 250 staff are ineligible for EMFF support – these are the very companies with scale, technical efficiency, marketing expertise and accreditation standards to absorb, add value to and market seafood arising from significantly increased landings. And whilst lack of access to EMFF is unhelpful, the cumulative cost burden of apprenticeship levy, living wage and, critically, the 2017 non-domestic revaluation, particularly in NE Scotland where the great majority of the Scottish seafood processing sector is based, has hobbled the sector's financial capacity to invest.

A comparison with the context for the agri-business sector is revealing. There is no upper size limit for companies applying for FPMC grant aid for investments in processing. Agri-processing businesses lie outwith the scope of business rates, now and post-Barclay. The State Aid de minimis threshold for public support to agri businesses is 200,000 Euros over three years; the comparable figure for the seafood sector is 30,000 Euros. On the matter of business rates relief, and following a meeting with the Grampian Seafood Alliance, the Cabinet Secretary for Finance and Constitution wrote to the Leader of Aberdeenshire Council to say that he had made Alliance representatives aware that councils had wide-ranging powers under the Community Empowerment (Scotland) Act 2015 to offer rates relief. Given that some seafood processors in the NE have seen their rates bill increase by over £50,000 the council resources available for mitigation measures are insufficient, and would in all probability fall within the scope of seafood State Aid de minimis if indeed resources were available.

In conclusion, primary production and processing in both agriculture/horticulture and in seafood sectors has the potential to drive transformational growth within the Scottish economy and help realise Ambition 2030, but only with a coherent, strategic approach which not only addresses fiscal and financial stimuli but tackles the current cumulative constraints bearing down on ambition.

**1. What types of budget support does the sector need to grow its capabilities and build markets?**

The most effective types of support – evidence-based.

**2. Is what is currently offered by the Scottish Government and Public bodies effective in terms of providing the support needed?**

More needs to be done to measure the effectiveness of existing support to inform future measures

**3. How can tax measures be used to help the Food and Drink sector deliver on food policy objectives?**

Seafood sector business rates clearly require an urgent review to enable the seafood sector to flourish (the Seafish analysis comparing the business rates burden between NE Scotland and Humberside is illuminating).

**What should be the over-riding objective(s) of support?**

- Economic growth
- Health and well-being
- Improving environmental standards
- Other

Economic growth, health and well-being and improving environmental standards are all important. But the over-riding priority must be economic growth and productivity, backed up with effective marketing at home and abroad

Aberdeenshire Council  
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