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ADDITIONAL CIRCULATION

ABERDEEN CITY REGION DEAL:

Powering Tomorrow's World



To: Councillor Jenny Laing, Leader of Aberdeen City Council, Chairperson; Councillor Martin Kitts-Hayes, Co-Leader of Aberdeenshire Council, Vice-Chairperson; and Councillor Jim Gifford, Professor Stephen Logan, Mr Patrick Machray, Councillor Richard Thomson, Councillor Ross Thomson, Sir Ian Wood and Councillor Willie Young.

Town House,
ABERDEEN 18 April 2016

ABERDEEN CITY REGION DEAL JOINT COMMITTEE

The undernoted items are circulated in connection with the meeting of the **ABERDEEN CITY REGION DEAL JOINT COMMITTEE** to be held here in the Town House on **FRIDAY, 22 APRIL 2016 at 9.30 am.**

FRASER BELL
HEAD OF LEGAL AND DEMOCRATIC SERVICES

BUSINESS

- 2 Programme Board Terms of Reference (Pages 3 - 8)
- 4 Programme Update (Pages 9 - 16)
 - 4a Additional Programme Update (Pages 17 - 20)

Should you require any further information about this agenda, please contact Iain Robertson, tel 01224 522869 or email la Robertson@aberdeencity.gov.uk

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ABERDEEN CITY REGION DEAL: Powering Tomorrow's World

Progress Report	Aberdeen City Region Deal – Programme Board
Lead Officer	Head of Economic Development (Aberdeen City Council & Aberdeenshire Council)
Report Author	Richard Sweetnam & Belinda Miller
Date of Report	22 April 2014
Governance	Joint Committee

1:	Purpose of the Report
i.	To propose to members of the Joint Committee a terms of reference for an Aberdeen City Region Deal Programme Board.

2:	Recommendations for Action
i.	It is recommended that the Joint Committee approves the terms of reference for and composition of the Programme Board.

3:	Summary of Key Information
i.	In September 2015, a Statement of Intent was submitted to the UK and Scottish Governments on the broad proposals being considered for an Aberdeen City Region Deal. That document proposed an initial governance framework that proposed the creation of this Joint Committee where the two Councils and the private sector would provide the overall leadership of the Aberdeen City Region Deal. It also proposed a 'programme board' for implementation of the proposals.
ii.	The governance was further developed in the submission of a revised set of proposals to the two Governments in December 2015. This proposed that a Programme Board would be established to support the Joint Committee and this would include the input of the Programme Management Office for delivery.
iii.	In January 2016, a Heads of Terms for an Agreement for a £250m City Region Deal was signed by the two governments, the Councils and

3: Summary of Key Information

Opportunity North East (ONE). At the same time, the Scottish Government announced an additional £254m would be available to support the implementation of some elements of the original proposals that would not be funded within parameters of the signed Heads of Terms.

- iv. An agreement on the £254m has yet to be ratified and officers are working with the Scottish Government on this and whether it could be brought into the existing City Region Deal governance arrangements.
- v. Funding for any project within the different elements will be contingent on the submission and sign off of robust and agreed business cases by both governments and their agencies. While this needs to be worked through with officials of both governments, we anticipate that funding will be allocated to projects via the approval processes of both governments and the Aberdeen City Region Deal Joint Committee.

Structure

- vi. An illustration of the proposed governance structure, including the Programme Board, is provided in Appendix 1 to this report. This indicates that the overall leadership for the deal is provided by the two governments and the Joint Committee, who in turn will report into the 'single systems' of both Councils and Opportunity North East.
- vii. At the next level, delivery and operations will be led by the Programme Board and Programme Management, and both supported by access to an 'enabling' group comprised of a pool of organisations with expertise and knowledge of the projects to be supported by the Aberdeen City Region Deal who can be 'called on' to advise and peer review certain elements of the appraisal and business cases. The link between the Programme Board and the Enabling Group will be provided by the Programme Manager, supported by the Heads of Economic Development.
- viii. Currently no individuals have been approached and the composition of this 'Enabling Group' will be confirmed at the next meeting of the Joint Committee. However it is likely to be drawn from representation of the two Governments (eg Digital, Housing leads), SE Economics & Evaluation, Transport Scotland, Scottish Futures Trust, Heads of Legal from either/ both Councils, Aberdeen Harbour Board, University of Aberdeen and/ or Robert Gordon University.
- ix. Responsibility for delivery for each Project will be under each of the themes (innovation, digital, housing, transport). These working groups have provided a lead officer who will work with and be supported by the Programme Manager. Supporting development and implementation, the Aberdeen City Region Deal stakeholders will commit to ensuring that the relevant resource is allocated to these specific projects.

Terms of Reference for a Programme Board

- i. The purpose of the Programme Board is to:
- Ensure that the projects put forward by the agreement of the two governments and the Aberdeen City Region Deal stakeholders are implemented subject to satisfactory business case;
 - Recommend for approval business cases and other key project stages, changes and exceptions to Joint Committee;
 - Recommend for approval the City Region Deal's finances, budget approvals and overall financial management;
 - Ensure these outcomes are delivered to plan/ budget and that all mandatory protocols are met, both at a programme level and at theme and project level;
 - Ensure that the overall programme is making progress and likely to succeed within the key milestones and all relevant information is produced for the Joint Committee;
 - Authorise, where appropriate, mandatory and other reports to Government; and
 - Assist the Programme Manager in delivery by removing any constraints and addressing other issues escalated by the Programme Manager.

Scope

- ii. The Board will advise on the overall direction of the Aberdeen City Region Deal and delivery of the key interventions and outputs. It will also provide an overall strategic direction to ensure that the economic benefits from the Programme are maximised across other regional economic development and infrastructure delivery.
- iii. It will meet every six weeks (c eight times per annum), in advance of each scheduled meeting of the Joint Committee.
- iv. Some members of the Board will also participate in the new Regional Economic Strategy Group and the respective Community Planning Partnerships in both Council Areas to ensure coordination of resources and information between the City Region Deal and the delivery of the regional economic objectives.

Membership

- v. The proposed composition of the Board reflects the nature of the interventions being developed as part of the Programme and reflecting the key accountable managers from the main partner organisations. The following members of the Programme Board are proposed:
- John Paul Cleary – Programme Manager

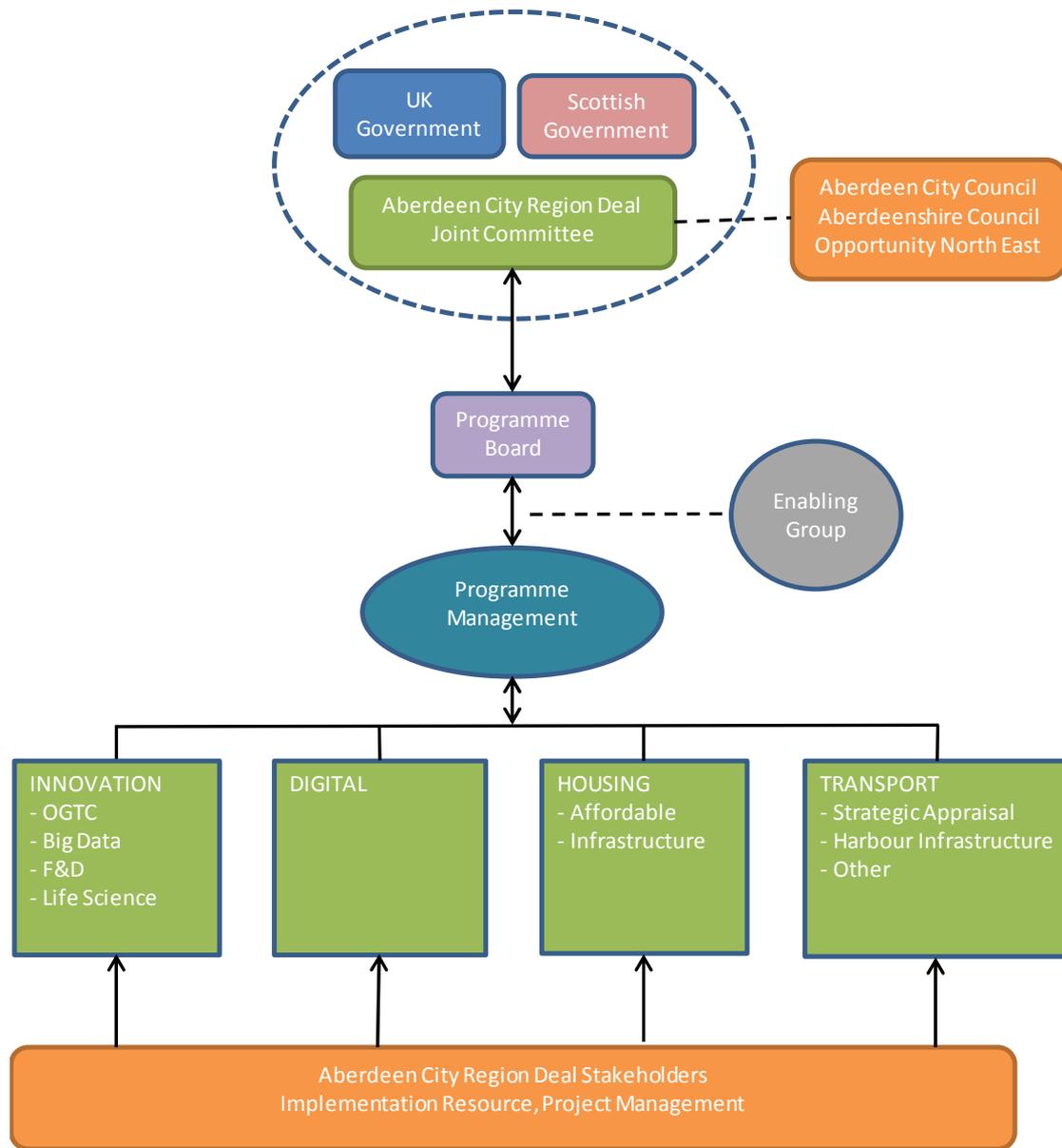
3: Summary of Key Information

- Richard Sweetnam, Aberdeen City Council, Head of Economic Development
- Belinda Miller – Aberdeenshire Council, Head of Economic Development
- Pete Leonard – Aberdeen City Council, Director for Communities, Housing & Infrastructure
- Stephen Archer – Aberdeenshire Council, Director Infrastructure Services
- Jennifer Crow – Opportunity North East, Chief Executive
- Steven Whyte – Aberdeen City Council, Head of Finance
- Alan Wood – Aberdeenshire Council, Head of Finance
- tbc – SE
- Derick Murray- NESTRANS, Director

vi. Depending on the business of the Programme Board, it is anticipated that other stakeholders involved in the delivery of specific City Region Deal Projects would be asked to attend specific Programme Board meetings, for example project specific input will be required for each workstream depending on the agenda of the Programme Board.

vii. The Programme Board will be chaired on a rotating basis by the Heads of Economic Development from the two Councils, aligning to the committee support provided to the Joint Committee, and therefore Aberdeen City Council would assume chair of the Board until May 2017.

APPENDIX 1 – ABERDEEN CITY REGION DEAL STRUCTURE



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ABERDEEN CITY REGION DEAL: Powering Tomorrow's World

Progress Report	Aberdeen City Region Deal – Programme Update
Lead Officer	Head of Economic Development (Aberdeen City Council & Aberdeenshire Council)
Report Author	Richard Sweetnam & Belinda Miller
Date of Report	22 April 2014
Governance	Joint Committee

1:	Purpose of the Report
i.	To provide an update on the Programme to develop the specific projects under the City Region Deal Heads of Terms (£250m).

2:	Recommendations for Action
i.	That the Joint Committee notes the progress on the Aberdeen City Region Deal Programme.

3:	Background
i.	Following the signing of the Heads of Terms, the lead officers have been in discussion with the UK and Scottish Government officials on the next steps and stages to finalise the City Region Deal.
ii.	The requirement is to develop a final City Region Deal Agreement and Implementation Plan. A draft is being discussed by both Governments and it is expected that this will be finalised in the coming months.
iii.	Meanwhile both Governments have advised that work on the business cases for each of the agreed City Region Deal projects should continue. This report provides detail on the progress of this work.

TRANSPORTATION

- i. Appraisals: **COMMITMENT within the Heads of Terms - A transport appraisal, supported by both Governments and local partners, will take a long-term strategic view of the transport implications of the investment unlocked by this deal across modes including road and rail. This work will commence in 2016 and will be based on Scottish transport appraisal guidance and will recognise the priorities of local, regional and national transport plans and programmes. Transport Scotland will work with NESTRANS and the two local authorities and scope out requirements for the next 20 years, building on the completion of the AWPR and other planned investments.***

Initial discussions have taken place between the two Councils, Nestrans and Transport Scotland on the potential scope, extent and timescales of this project. Further discussions are required and updates will be provided in due course.

Key to the appraisal process will be a robust evidence base and development of an updated regional transport model. The current model requires significant upgrading to reflect the existing and future transport network, development pressures and travel patterns. It is proposed that this upgrading takes place in two stages.

- Stage 1, a relatively small scale upgrading of the existing model and data. This will provide information to support the development of the Strategic Development Plan which is being progressed to a timetable set out by statute.

- Stage 2, a full upgrade to a modern transport modelling tool with new base data including post AWPR surveys. This will then be used to inform the full appraisal process.

Bearing in mind that the first stages of the area wide appraisal will be some months away and involve data collection and model upgrading, there may be a need to continue assessment work on projects which are already underway. These potentially include:

- City Centre Masterplan works.
 - a. Including redefinition of the roads hierarchy.
- Locking in the benefits of the AWPR.
 - b. Including radial route assessment.
- Cross City connections.
- Aberdeen to Peterhead/ Fraserburgh corridor study.

This project includes an input of £1m from each of the Councils.

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- ii. **HARBOUR: COMMITMENT from Heads of Terms- Both Governments are supportive of the expansion of Aberdeen Harbour and are committed to working with private sector partners to deliver this project. It is ultimately a decision for the private sector on whether to invest in the harbour expansion, but both Governments commit to working with Scottish Futures Trust and others to explore all financial mechanisms to deliver this project. Should the expansion go ahead, both Governments commit to finding a route to fund the supporting infrastructure that maximises the impact of the harbour project on the wider regional economy.**

The scope of the works has yet to be decided and will be subject to confirmation of the new Harbour project being approved. It is thought that decisions on the Harbour approvals are likely in Autumn of this year.

The intention of this project is to overcome some of the strategic access issues to the new harbour and the surrounding area which is highlighted in the published Development Framework for the area scoping exercise should be carried out for this project which will require the approval of the CRD Programme Board in order to identify the appropriate funding sources through the Governments.

DIGITAL

- iii. ***COMMITMENT from Heads of Terms- Local partners will perform a gap analysis, and then explore with both Governments the digital needs for the region. This is with a view to creating a digital infrastructure fund which will address the digital challenges of both Aberdeen City and Aberdeenshire and underpin enhanced service delivery across private and public sectors. With the additional Scottish Government funding to fund an extension of digital infrastructure in the Aberdeen and Aberdeenshire area above and beyond the commitment through the City Deal.***

During a meeting between the two Councils, Scottish Futures Trust (SFT) SG Digital Directorate, DCMS and Digital Scotland it was agreed that a gap analysis should be undertaken to determine infrastructure shortfalls as a means of evidencing financing requests.

Cube Ultra was subsequently appointed to undertake this work and also help identify ways in which public funding could be used to stimulate investment or directly provide enabling infrastructure to close some of the gaps to address commercial demand requirements in particular without invoking State Aid challenges.

Of 52 industrial estates in Aberdeenshire, a fibre to the cabinet product

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is available to some properties in only 28 of them, with no ultrafast fibre provision to any industrial estate in Aberdeenshire.

Aberdeen City Council is currently rolling out the Swan contract and is assessing the feasibility to use this to attract private sector investment across the city and beyond.

Meetings continue with SFT and SG to ensure an integrated approach.

INNOVATION

iv. Oil and Gas Technology Centre

COMMITMENT from the Heads of Terms - Both Governments support the vision of developing a world-leading Oil and Gas Technology Centre. Both Governments invite the Aberdeen City Region to submit a fully developed business case and future technology road map.

COMMITMENT from the Heads of Terms - As a first step in a phased approach to delivering the Oil and Gas Technology Centre, both Governments support regional partners' plans to implement new Solutions Centres, which will bring together innovation funders and providers, academia and test facilities to address specific industry challenges. Subject to final business cases, these will come on line progressively during 2016 and will provide engineering and applied research solutions for current industry challenges.

This will be a world class international Oil and Gas Technology Centre, located in the North East of Scotland, in support of the oil and gas industry in the region, Scotland, the UK and Internationally. The OGTC will have a key role to play in terms of maximising the economic recovery from the UKCS, anchoring the supply chain and the location as an international technology base for the long term and ensuring the retention of high value jobs in the UK. The aim is for OGTC and the North East of Scotland to be:

- Recognised as one of the top three centres globally for innovation and technology development and deployment for the oil and gas industry.
- Recognised worldwide as a leading oil and gas hub with particular focus on subsea production, mature basin asset management, maximising economic recovery and ensuring decommissioning excellence.
- Create and sustain a high value talent pool with world class expertise in energy.
- A home to Universities delivering world-leading energy related research, development and commercialisation.

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The initial focus of the centre will be on establishing Solution Centres which will deliver practical solutions for challenges such as reducing the costs of drilling wells by 50%; cost effective ways of developing smaller and more marginal fields, improving asset integrity management and decommissioning. These are industry technology development requirements which fit with MER UK.

Progress to Date

Opportunity North East and Scottish Enterprise have been working closely with the OGA, Technology Leadership Board, Oil and Gas UK, University of Aberdeen and Robert Gordon University to progress the next phase of work for the Oil and Gas Technology Centre.

- The company has been set up and the first Board meeting is on 14 April 2016.
- £500k start up development funding secured from ONE and SE.
- CEO and Solution Centre Manager (SCM) roles scoped and selection of recruitment firm underway.

Key Next Steps

- Interim team in place.
- Further preparation for OGTC Solution Centre work definition statements.
- Integrate the strategic business case for Big Data into OGTC plan.
- CEO and key staff to be secured by September.
- Establish Memorandum of Understanding between OGTC and Robert Gordon University and University of Aberdeen.
- Secure formal ACRD funding agreement with funding bodies by end June 2016; agree draw down tranches and matching funding interlocks.
- First drawdown from ACRD funding by beginning August 2016.

Food and Drink and Life Sciences

COMMITMENT from the Heads of Terms - Both Governments recognise the importance of the Aberdeen City Region's continued economic diversity and support innovation in the biopharmaceutical and food and drink sectors. This Deal will provide funding for new Innovation Hubs subject to Aberdeen submitting fully developed business cases for these investments.

v. Food and Drink

The Food Agriculture and Nutrition Innovation Centre will maximise the opportunity from existing research and development expertise in the universities and research institutes in sustainable agriculture and nutrition to identify opportunities for higher levels of commercial product development and innovation in the agriculture food and drink

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supply chain.

There is strong industry support for the innovation centre – as both areas of focus are attractive growth markets; consumers continue to demand quality, natural food ingredients and seek assurance of the provenance of their food products. In addition the market and trend for health enhancing foods and nutraceuticals is continuing to expand.

Progress to Date

The strategic business case has been reviewed and further developed and the concept broadened in scope in the last two months in discussion with the ONE Food Drink and Agriculture Board.

The centre would be a flagship project for innovation development for the sector at a regional and national level. It will provide a mix of bespoke development laboratory, test kitchen and pilot production space with demonstration equipment including novel food processing capability, a sensory suite and start-up company space alongside the researchers, nutritionists and food technologists. The centre would be a resource for both start-up businesses and existing growth companies.

The Innovation Centre will include:

- A research translation capability to broker projects between industry and research teams.
- A development team including food technologists to manage the product innovation development process from concept through to pilot production for new and novel products. This team would have a strong direct link to the Scotland Food and Drink market research team and will access existing capacity and capabilities at a national level.
- Development laboratory space, test kitchen, pilot production plant and sensory suite.
- An accelerator and incubator space for spin-out companies and high growth start-up businesses.
- A hub for the development and training to advanced level of food industry specific skills including food technology.

Key next steps

- Interim team to be engaged including the ONE Food and Drink Director, plus RGU, University of Aberdeen and Rowett Research Institute, ONE Board members and SE.
- Further testing of the concept - to be undertaken with industry at a regional and national level.
- Outline business case to be developed by August 2016.

vi. Life Sciences

The Biopharmaceutical Innovation Centre will position Aberdeen as the

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location of choice for companies engaged in R&D and commercialisation of biopharmaceutical products, particularly biologics, providing the critical link to clinicians and academic researchers on one campus. It will provide new space for industry and academia to collaborate and innovate in creating the next generation of biopharmaceutical products with a focus on biologics.

Progress to Date

Significant progress has been made in refinement of the strategic business case with more clarity on the physical space requirements and preferred location. Dr Magnus Nicolson, ONE Life Science Director is now in post and supporting the development of the Centre with the ONE Life Sciences Board members from University of Aberdeen, Robert Gordon University, NHS Grampian, James Hutton Ltd, SE and the industry.

Additional testing of the concept has is being undertaken with key stakeholders at a national level.

There is consensus that the Centre should contain both space for existing companies as well as Incubator space for new life science companies. Several companies have expressed an interest in locating into the centre when constructed – estimate of 2019-20.

The centre will be 60- 80,000 sq. ft. will be a mix of shared and dedicated lab space with the option of bespoke fit out for new and existing companies.

Key next steps

- The key bioscience competencies are being mapped to be reviewed and agreed by the ONE Life Science Board. This model enables historic and present competencies like Peptide and Antibody Engineering to be seen in association with growing competencies like Cell and Gene Therapy. There is a high degree of synergy within the competencies and significant and growing demand for their biopharmaceutical and biological products.
- Outline business case for review and approval by end May 2016.

5: Finance and Risk

- i. The full financial plan for the City Region Deal Programme is currently being worked on and will require the approval of a number of partners involved in the projects. This will be reported to the Joint Committee at its next meeting, and in advance of submission of the final agreement and implementation plan.

5:	Finance and Risk
ii.	The Risks associated with the City Region Deal are considered and varied. Risk Assessments will be carried out as part of each of the workstream Business Plans and will form part of the Programme Risk Register.

ABERDEEN CITY REGION DEAL:

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Progress Report	Aberdeen City Region Deal – Additional Update
Lead Officer	Head of Economic Development (Aberdeen City Council & Aberdeenshire Council)
Report Author	Richard Sweetnam & Belinda Miller
Date of Report	22 April 2014
Governance	Joint Committee

1:	Purpose of the Report
i.	To provide an update on the additional funding of £254m announced by the Scottish Government when the City Region Deal Heads of Terms Agreement was signed in January 2016.

2:	Recommendations for Action
i.	That the Joint Committee notes the update on the additional funding.

3:	Background
i.	In January 2016, a Heads of Terms for an Agreement for a £250m City Region Deal was signed by the UK and Scottish Governments, Aberdeen City Council, Aberdeenshire Council and Opportunity North East (ONE). At the same time, the Scottish Government announced an additional £254m would be available to support the implementation of some elements of the original proposals that would not be funded within parameters of the signed Heads of Terms.
ii.	An agreement on the £254m has yet to be ratified and officers are working with the Scottish Government on this and whether it could be brought into the existing City Region Deal governance arrangements.
iii.	Once this is clarified by government officials, officers will update the Joint Committee on the next steps and stages to finalise this element of an overall City Region Deal Programme.
iv.	This report provides detail on the progress of the work relating to those proposals under the £254 element of the programme.

TRANSPORTATION

- i. **Laurencekirk: This is part of the additional Scottish Government funding to support improvements to the key A90/A937 south junction at Laurencekirk.** Nestrans, with Aberdeenshire Council, Transport Scotland, Angus Council and Tactran has developed a STAG Part 1 study making a case for the development of improvements to the Laurencekirk junctions including a grade separated junction at the south end of the village.

Transport Scotland have indicated that they will now take the lead for this project and will follow their usual procedures in developing the project. A meeting of the Project Steering Group, those bodies mentioned above, has been set for 25 April 2016. The next part of the process will be to conclude a STAG Part 2 appraisal which will determine junction arrangements, development of Road Orders, Compulsory Purchase Orders and any necessary Public Local Inquiry.

There are related consequences for Aberdeenshire Council in mitigating any impacts on Laurencekirk High Street. Both Aberdeenshire Council and Angus Council will be involved in discussions with Transport Scotland regarding any developer contributions that might be allocated to the project.

There may be consequential considerations for the Strategic and Local Development Plans as they are progressed.

- ii. **Rail to Central Belt: This is part of the additional Scottish Government funding to help improve journey times and increase capacity on key rail links between Aberdeen and the Central Belt.** Initial discussions have taken place with Transport Scotland and Network Rail. Transport Scotland have indicated that this project will be taken forward using their normal processes. The initial, additional £200m allocated to this project is currently being considered by Transport Scotland and Network Rail. They are scoping the extent of works bearing in mind this additional commitment and the Strategic Transport Projects Review commitment to reducing the journey time between Aberdeen and the Central Belt by 20 minutes.

The recent announcement on the local Inverurie to Montrose service with the possibility of express services on the Aberdeen to Central Belt routes will also require full consideration. Scotrail, now in a deep alliance with Network Rail, are currently considering a timetable recast to accommodate the proposed new services and to enhance service operation.

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DIGITAL

- iii. Investment in Digital infrastructure formed part of the Heads of Terms Agreement for the £250m City Region Deal. An additional £10m was earmarked to contribute towards the delivery of the digital proposals to create a digital infrastructure fund which will address the digital challenges of both Aberdeen City and Aberdeenshire and underpin enhanced service delivery across private and public sectors (see Programme Update in Item 3).

HOUSING

- iv. Housing Infrastructure Fund - from the addition Scottish Government funding to unlock housing sites that are of strategic importance to the local authorities as well as 5 year certainty on £130 million of affordable housing grant

Officers are in discussion with Scottish Government officials regarding the terms and conditions under which the infrastructure fund will be available to support the acceleration of Affordable Housing throughout Aberdeen City and Shire. A number of meetings are scheduled and it is believed that once clarity in the scheme is available officers of the local authorities will carry out feasibility studies to identify those sites which will benefit most from this support, produce best value for the City Region Deal and best support the delivery of affordable housing. In addition, officers are seeking to clarify whether further funds could be available following the feasibility studies from the recently announced national £50m infrastructure fund should it be needed. In the meantime officers in both authorities are progressing with the delivery of their affordable housing program through the Strategic Housing Investment Plan (SHIP).

5: Finance and Risk

- i. Subject to the clarification by the Scottish Government on these elements of an overall Programme, it is anticipated that a full financial plan for the City Region Deal Programme may include the elements of the £254m announcement. This will be reported to the Joint Committee.
- ii. The Risks associated with the City Region Deal are considered and varied. Risk Assessments will be carried out as part of each of the workstream Business Plans and will form part of the Programme Risk Register.

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