

ADDITIONAL CIRCULATION

ABERDEEN CITY REGION DEAL:

Powering Tomorrow's World

To: Councillor Jenny Laing, Chairperson; Councillor Jim Gifford; Vice Chairperson; Councillors Marie Boulton and Douglas Lumsden; Councillors Peter Argyle and Richard Thomson; Professor Stephen Logan, Mr Patrick Machray OBE and Sir Ian Wood.

Aberdeen City Council Substitute Members:- Councillors Stephen Flynn, Gordon Graham and Ian Yuill.

Aberdeenshire Council Substitute Members:- Councillors John Cox, Allison Evison and Colin Pike.

ONE Substitute Members:- Colin Crosby, Jennifer Craw and Professor Ferdinand von Prondzynski.

Please note that a substitute member may only participate in the meeting when a substantive member is absent.

Town House,
ABERDEEN 03 December 2018

ABERDEEN CITY REGION DEAL JOINT COMMITTEE

The Members of the **ABERDEEN CITY REGION DEAL JOINT COMMITTEE** are requested to meet in **Committee Room 2 - Town House on FRIDAY, 7 DECEMBER 2018 at 10.30 am.**

FRASER BELL
CHIEF OFFICER - GOVERNANCE

B U S I N E S S

6 CRD Annual Report (Pages 3 - 36)

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Should you require any further information about this agenda, please contact Mark Masson, email mmasson@aberdeencity.gov.uk, or telephone 01224 522989

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ABERDEEN CITY REGION DEAL: Powering Tomorrow's World

Report Name	Aberdeen City Region Deal Annual Report 2018
Lead Officer	Richard Sweetnam
Report Author	Julie Wood
Date of Meeting	7 December 2018
Governance	City Region Deal Joint Committee

1:	Purpose of the Report
1.1	To present the Aberdeen City Region Deal Annual Report 2018 and gain its approval from the Committee for its wider publication.

2:	Recommendations for Action
2.1	It is recommended that the Joint Committee endorses the report.

3:	Summary of Key Information
3.1	The draft Aberdeen City Region Deal 2018 Annual Report (Appendix 1) was submitted to the UK Government and the Scottish Government on 21 st September.
3.2	The Annual Conversation with the UK Government and the Scottish Government during which the Annual Report was reviewed took place on Thursday 10 th October. The Report was well-received, with no major revision required.
3.3	On the 9 th November CRD Joint Committee asked for paragraphs on Inclusive Economic Growth and Sustainability be included.
3.4	Subsequent to this Committee, the Annual Report will be made widely available, including through the City Region Deal, Aberdeen City Council, Aberdeenshire Council, UK Government and Scottish Government websites.

4:	Finance and Risk
4.1	Any financial implications are included in the Annual Report in Appendix 1.

ABERDEEN CITY REGION DEAL

ANNUAL REPORT 2018

ABERDEEN CITY REGION DEAL:
Powering Tomorrow's World



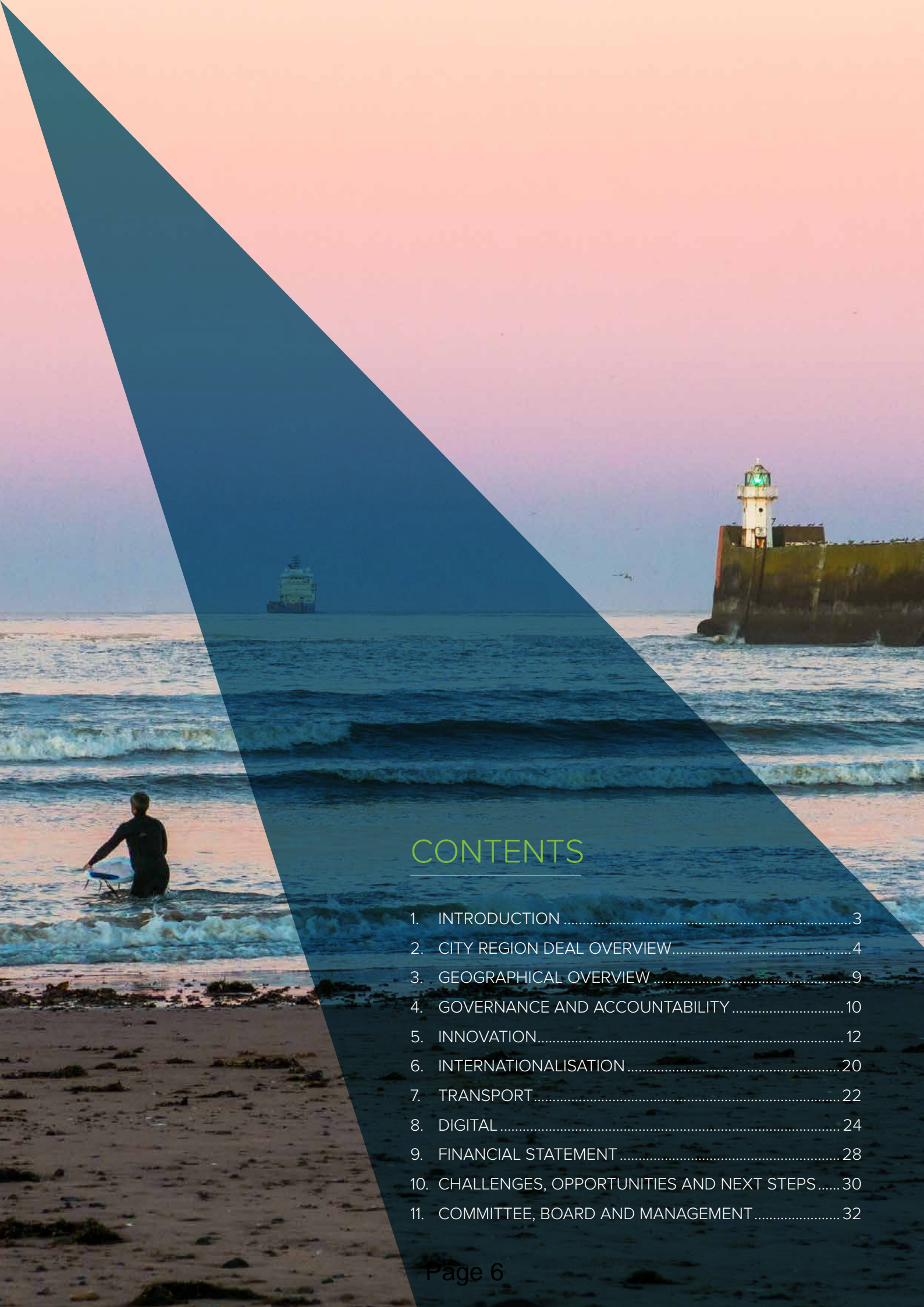
HM Government



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COMMUNITY NORTH EAST

#ABZdeal



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1. AN INTRODUCTION FROM THE CHAIR OF THE ABERDEEN CITY REGION DEAL JOINT COMMITTEE

When the Aberdeen City Region Deal was signed in 2016 it marked the culmination of an enormous amount of diligent preparation by the public and private sectors to identify and develop projects that will contribute to our region's future prosperity. The formalisation of the Deal was a landmark moment for the north-east and the catalyst for a 10 year programme of investment worth in excess of £800 million to the area.

What we were very clear about from the outset was that the signing of the Deal also marked the start of the hard work, not the end.

The delivery activity that has flowed in the two years since demonstrates that point and the annual report captures the key milestones and outlines the future plans to realise the ambitions of the Deal.

Already the forecasts of the investment the Deal will leverage have been revised upwards, from the initial figure of £826 million to £868 million. That key indicator demonstrates the possibilities that are opening up.

There are a number of highlights in the pages that follow, not least the success of the Oil and Gas Technology Centre – which as the first project of the Aberdeen City Region Deal has set an incredibly high bar. In the first 18 months of operation the centre has fostered 80 ongoing projects, exceeding the initial aspirations, and secured £22 million of industry investment against initial expectations of £8.5 million.

Targets have been surpassed and the momentum which continues to build is an inspiration as we look forward to more Aberdeen City Region Deal projects coming onstream.

Innovation hubs for our food, drink and agriculture and life sciences sectors will realise growth, stimulate innovation and productivity, and contribute to the strength and diversity of the regional economy. The Bio-therapeutics Hub for Innovation is now in its delivery phase and the Food Hub for Innovation business case is currently with the UK and Scottish Governments for approval. Both of these hubs will build on region-specific sector strengths, support company creation and growth, foster collaboration and commercialisation, and anchor employment and economic activity here long term.

The physical signs of the positive impact of the Aberdeen City Region Deal are also prominent, with the Aberdeen Harbour expansion gathering pace and the digital infrastructure commitment demonstrated by the ongoing full fibre build programme which will make Aberdeen the country's first gigabit city when completed. As Chair of the Joint Committee the progress is welcome and the potential of the Aberdeen City Region Deal is clear. On behalf of the Deal partners, I thank our project partners and stakeholders, and the businesses within our key industry sectors and across the city region for their continued support as we work together towards shared goals.



Cllr Jenny Laing,
Aberdeen City Council Co-Leader
Chair of the Aberdeen City Region Deal Joint Committee





2. CITY REGION DEAL OVERVIEW

North East Scotland is a major contributor to the UK and Scottish economies. The public and private sectors in the region are working in partnership to ensure that our economy delivers significant benefits locally and nationally in the future. Key to this, a Regional Economic Strategy was approved by Aberdeen City Council and Aberdeenshire Council in December 2015 and co-signed by Opportunity North East. This strategy provides a framework for the future economic development of Aberdeen and Aberdeenshire focusing on diversification of the economy into new areas of activity and markets through four programme areas of: Innovation; Internationalisation; Inclusive Economic Growth; and Investment in Infrastructure.

The Aberdeen City Region Deal is one delivery mechanism of this strategy, focusing on Innovation, Internationalisation and Infrastructure. Within these themes, eleven projects have been identified. The success of the area means that there are now a number of supply-side issues constraining Aberdeen's competitiveness. To address these issues the deal will: improve the region's connectivity (transport and digital), boost innovation, develop a better functioning housing market and expand the harbour. Infrastructure is critical to the place making of Aberdeen City and Aberdeenshire - securing its long-term economic wellbeing and an internationally competitive business environment. The downturn in the global oil and gas sector further highlighted the challenges which the region faces, but also offers opportunities for the future. These challenges and opportunities have been addressed through the City Region Deal, and the eleven projects identified within the outlined themes.

Significant investment into new technology for the Oil & Gas sector is included in the Deal, to consolidate the region's global reputation as a centre for the oil and gas industry and ensure Aberdeen can make an effective transition from an operations base to a global centre for technology and R&D investment. Building on



local strengths in the Life Sciences and Food, Drink, Agriculture & Fishing industries, the Deal also provides investment for Hubs for Innovation for both the life sciences and food, drink & agriculture sectors, to increase the diversity of the local economy.

The Deal also includes investment into the new Aberdeen South Harbour currently under construction to the south of the City, and the improvement of transport links to it, in order to maximise its economic impact, regionally and across Scotland. The South Harbour will be capable of docking much larger vessels, to support subsea engineering, offshore energy, decommissioning activities, berth large cruise liners (which will also have a positive impact on tourism in the City Region) and support the industry trend towards increasingly larger ships. In addition, the Deal includes significant investment to improve the City Region’s digital infrastructure and a Strategic Transport Appraisal to identify the improvements to the City Region’s transport infrastructure required over the next 20 years, building on the completion of the AWPR and other planned investments.

The Aberdeen City Region Deal was signed in November 2016. The establishment of the Deal was led by: Aberdeen City Council, Aberdeenshire Council, the UK Government, the Scottish Government, and Opportunity North East, the Deal’s private sector partner.

Other key partners include the City’s two Universities: Robert Gordon University and University of Aberdeen.

The current investment profile of the Deal is shown in Table 1 below:

Table 1

Current Investment Profile	
	Funding (£'000s)
UK Government / Scottish Government (50/50)	250,000
Aberdeen City Council / Aberdeenshire Council (50/50)	20,000
Universities	23,500
Private Sector	543,544
Others	31,366
Total	868,410

*Others are those funding streams which will be identified and agreed during later stages of the projects.

WORKING IN PARTNERSHIP

Effective partnership working between the private and public sectors is driving an ambitious development agenda for North East Scotland, which aims to deliver a long-term economic renaissance based upon a diversified and resilient industrial base that supports inclusive economic growth across the region. Central to this is a collaboration between, Aberdeen City Council, Aberdeenshire Council, private sector led and funded economic development body Opportunity North East (ONE), and UK Government and Scottish Government Development and Skills Agencies.

The Regional Economic Strategy sets the vision and context for this shared agenda and its delivery plan, which includes the £250 million Aberdeen City Region Deal (CRD).

The key success factor for the Aberdeen CRD has been partnership working to define the regional ambition and to identify transformational opportunities for its key industries. Innovation is the key theme within the CRD, with projects to catalyse growth for the oil and gas, life sciences and food, drink and agriculture sectors.

The Aberdeen CRD was predicated on the regional need for infrastructure investment and the challenging economic conditions as a result of the reduced oil price. This played a key role in the development of our priorities and associated Business Cases. Our first step was to focus on the Regional Economic Strategy, setting out our economic priorities and ambition. Following its approval in December 2015, development of the City Region Deal was aligned to the programme areas within the strategy, in particular, innovation and internationalisation. The ultimate outcome from the strategy and supporting investments such as the City Region Deal delivery is sector growth through diversification and the retention of people, jobs and skills in the North East. In turn this will achieve a diversified and resilient regional economy for the long term.

OUTCOMES

In preparing the Deal, the regional partners carried out economic modelling which suggested the Deal is capable of delivering:

- Annual GVA increases of £260 million across the Aberdeen City Council and Aberdeenshire Council areas, £222 million at the Scotland level and £190 million in the UK.
- An average of 330 new jobs per year, aggregating to some 3,300 new net jobs over the 10 year lifetime of the deal.
- Additional annual tax revenues to the UK and Scottish Governments of £113 million from income tax, national insurance, VAT and oil tax revenues.



The GVA, employment and tax outcomes are a 2016 based forecast which currently remains unchanged. The City Region Deal Programme Board and Joint Committee will monitor these targets on an on-going basis. Progress to date measures that track delivery are included in the OGTC and Digital sections and updates in other programme areas will occur upon project implementation.

The North East Economy Performs Framework, established by Aberdeen City Council in 2017 and which reports annually, includes monitoring of both the City Region Deal and Regional Economic Strategy and informs the work of the regional partners. In 2019, Deal programme monitoring will align to the feedback from the UK Government and Scottish Government to provide information on the contribution of the Aberdeen City Region Deal towards inclusive economic growth, which will include equalities and inequalities.

INCLUSIVE ECONOMIC GROWTH

The Regional Economic Strategy and the Deal strive to create a broader and more resilient productive economy with companies growing through investment in innovation and internationalisation, generating high-value products and services. This will create new employment opportunities in the region across all sectors and enhance productivity, enabling as many people as possible to benefit from economic growth, across the labour market and within groups that face higher barriers to high quality and productive jobs, reducing inequality across the city and region. This requires the development of the right skills across all age groups, retaining people here and attracting new talent from outside the region. Delivery of the Regional Skills Strategy, developing key assets such as our tourism and cultural offerings, and delivery of the City Region Deal, City Centre Masterplan and regeneration of our northern towns will provide an economic benefit and contribute towards our proposition to attract investment and ultimately develop jobs and opportunity in the region.

SUSTAINABILITY

Sustainability is a key theme within the Regional Economic Strategy Action Plan and the Deal, spanning economic diversification to deliver a broader economic base, opportunities associated with the circular economy, carbon capture and storage, and energy transition as the oil and gas industry and its supply chain evolves to a lower carbon future. The region's natural assets and clean environment are also its economic assets and therefore must be safeguarded to support our sectors particularly tourism, food, drink, agriculture and fisheries.





3. GEOGRAPHICAL OVERVIEW

Aberdeen City Council, and large areas of the Aberdeenshire Council area, operate as an integrated economic geography. The relationship between the two administrative areas is well established through economic linkages across travel to work and learn areas; business supply chains; and key sectors of the regional economy. Work has recently been concluded on a refreshed action plan to deliver the Regional Economic Strategy, reflecting the progress made since 2015, the implementation of the City Region Deal and the result of the Brexit referendum and its possible impacts.

The economy of the City Region is vital to its future, the quality of life of its residents, and its attractiveness to visitors and investors. The area has outperformed other parts of the United Kingdom over recent decades and has emerged from three very challenging years caused by the fall in oil prices on world markets.

The City Region is currently undergoing considerable change with numerous large-scale infrastructure projects in the process of completion such as the Aberdeen Western Peripheral Route, the Aberdeen Harbour Expansion, improvements to Aberdeen International Airport, upgrading of regional rail links, offshore wind energy, The Events Complex Aberdeen (TECA), Peterhead Fish Market and high-quality office and commercial developments.

These developments reflect the City Region's aspirations for economic and population growth, with the combined population of Aberdeen City and Aberdeenshire projected to increase from 485,893 in 2014 to 576,506 by 2039. This is an increase of 90,613 or 18.6%.





4. GOVERNANCE AND ACCOUNTABILITY

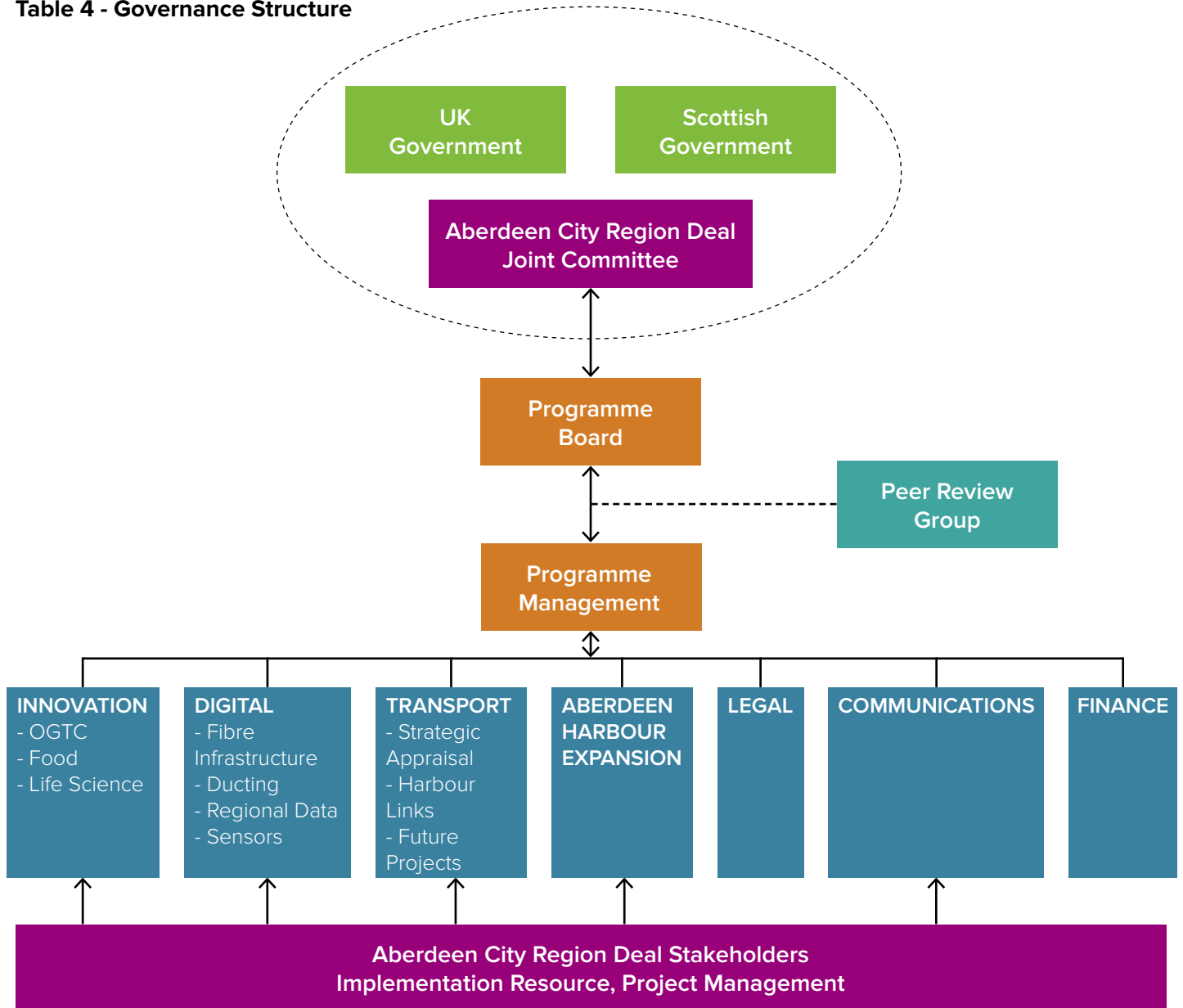
The Deal is governed by the Aberdeen City Region Deal Joint Committee, established under the Local Government (Scotland) Act 1973. There are nine seats on the Joint Committee, made up of three representatives from each of the administrations of Aberdeen City Council and Aberdeenshire Council, and the Board of Opportunity North East.

The Aberdeen City Region Deal Programme Board also provides scrutiny and guidance at an officer level and reports into the Joint Committee. It includes members from both Councils, Opportunity North East, Scottish Enterprise and NESTRANS (North East of Scotland Transport Partnership).

The Deal is also supported by a Programme Sponsor, Programme Manager and Programme Management Office (PMO). Workstream groups have been established for each theme with linkage to the Programme Board and to the Committee provided by the Programme Manager who will sit on all workstream groups.

The overall governance structure of the Aberdeen City Region Deal is shown in Table 4. The regional governance takes on a wider strategic role beyond the City Region Deal, considering broader infrastructure investment such as housing that sits outside of the Deal which will impact on its effectiveness, and also the £254m additional Scottish Government investment announced alongside the Deal.

Table 4 - Governance Structure



5. INNOVATION

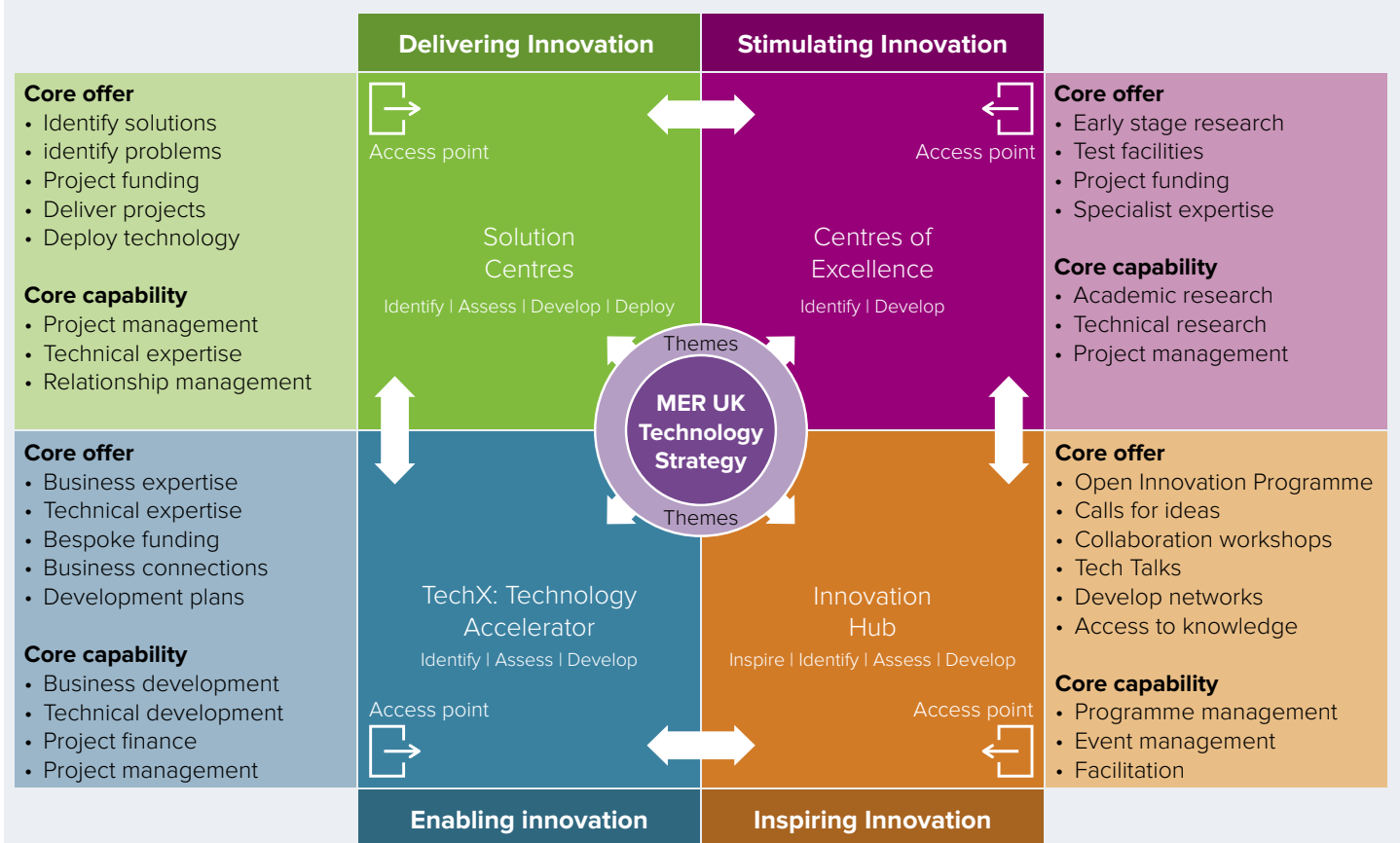
Our vision is to expand our existing culture of innovation, research and development built to a large extent on the success of the North Sea oil and gas industry over the past 50 years.

THE OIL & GAS TECHNOLOGY CENTRE (OGTC)

The vision for the OGTC is to create a centre based in the Aberdeen City Region, with global reach, for solving offshore mature basin, subsea and decommissioning technology challenges. In doing so the OGTC will generate a substantial competitive advantage for both the United Kingdom Continental Shelf basin and UK supply industry.

The OGTC is enabling investment in the development of technology in partnership with industry, academia and the supply chain actively supported by the regulator and government. It strives to create a culture of Innovation in the North East of Scotland by actively investing in the development and deployment of technology in the North Sea and then sharing the results and case studies from those investments and sharing lessons and integrating expertise from other industries.

The operational model designed to achieve this is shown below:





Working through Solution Centres, the Centre is encouraging, leading and co-funding industry-initiated technology projects to develop and deploy solutions for the Oil & Gas Industry. The OGTC is focused on delivering innovation in five key areas: well construction, small pools, asset integrity, decommissioning and digital transformation.

Through Centres of Excellence, working closely with local universities, the OGTC is stimulating innovation by supporting the development of high quality R&D capabilities in the University of Aberdeen, Robert Gordon University and within the oil and gas industry.

The OGTC is partnering with the University of Aberdeen to create a Decommissioning Centre of Excellence and Robert Gordon University to establish a Subsea Engineering Centre of Excellence. Industry led, the Centres will build on the research and development capability of both universities, linking with other UK innovation centres to tackle industry challenges.

With TechX, the Technology Accelerator, the OGTC is supporting smaller companies in the supply chain by funding accelerated development of their technology ideas in addition to exceptional mentoring and business support to enable them to become investment ready for product scale up.

And with the unique Innovation Hub, the OGTC inspires innovation by creating an inspirational place where companies, technology providers and schools come to collaborate on solutions and learn about the art of the possible.

The objective is to establish a culture of innovation that will consolidate Aberdeen City Region's position as the global hub for oil and gas technology and innovation.

PROGRESS TO DATE

The OGTC was the first project to be initiated by the Aberdeen City Region Deal with combined UK Government and Scottish Government funding of £180m over 10 years, and the Centre officially opened in February 2017.

In its first 18 months of operation, the key headline achievements of the Centre are:

- 400 technologies screened by OGTC's Solution Centres from machine learning to robotics to virtual reality, resulting in more than 80 ongoing projects, well beyond the original target of 8 projects.
- 10 field trials completed between the Asset Integrity and Well Construction Solution Centres. These were focused on non-intrusive vessel inspections, corrosion under insulation, well plugging and abandonment, and more efficient delivery systems for drilling wells and resulted in potential annual savings to the industry of over £240 million per year.
- TechX Pioneers Programme attracted more than 125 applications from 24 countries. 10 technology start-ups have been selected to take part in an intense 16-week program starting June 2018.
- Secured £22 million investment by industry, significantly higher than the original expectation of £8.5 million.
- Secured additional £1.9 million in funding from the Scottish Government's Decommissioning Challenge Fund.
- Merged with existing industry body ITF (Industry Technology Facilitator) to focus and enhance technology and innovation support for the industry.
- Hosted visits from the UK Prime Minister and Scottish First Minister to promote the work of the Centre.

Key Milestones	Planned / Achieved Date
Business Case Approved by UK and Scottish Governments	August 2016
OGTC Official Opening	February 2017
First three Solution Centres up and running (Small Pools, Well Costs Reduction & Asset Integrity)	March 2017
First 10 offshore field trails completed	July 2017
Complete Innovation Hub fit-out at Queens Road HQ	September 2017
Digital Transformation 'Call for Ideas' generated 68 ideas on how to harness the power of big data and machine learning	March 2018
Five Solution Centre up and running (Asset Integrity, Wells, Small Pools, Decommissioning and Digital Transformation)	May 2018
First 80 projects underway over 5 Solution Centres	May 2018
Technology Accelerator Program established with first 10 technology start-ups companies selected to take part in 16-week development program	June 2018
First 100 projects identified, underway or completed	October 2019
Technology knowledge database platform created and populated	October 2019
25 offshore trials completed	October 2019



CASE STUDIES

WELL CONSTRUCTION

OGTC is working with Spirit Energy to field-trial a well plugging and abandonment technology that could deliver up to £100 million cost-savings per year. Interwell's thermite solution, which is being deployed at Spirit Energy's onshore well at Caythorpe, melts materials in the wellbore, forming an impermeable barrier to seal the well. The results will be shared with a further nine North Sea companies collaborating on the project.

ASSET INTEGRITY

The results of three non-intrusive inspection (NII) trials, organised in partnership with Total E&P UK, demonstrated the potential to deliver significant cost, safety and efficiency benefit compared with traditional intrusive methods. Eddyifi, MISTRAS and Sonomatic conducted the trials that deployed a range of ultrasonic corrosion mapping and time of flight diffraction solutions. OGTC's survey with ABB found that adopting NII technology could deliver increased production and lower maintenance costs worth up to £242 million per year on the UKCS.

OGTC also worked alongside Eserve on a new technology to change how offshore surveys are conducted. In just three months, Eserve has grown from £0 to £650,000 in revenue and increased its team from three to 12 employees. This growth will help anchor Eserve in Aberdeen and strengthen the North-East supply chain.

A further project with Infinity Oilfield Services, is developing a safety solution which has the potential to deliver over £320 million in potential savings to the industry. The Kevlar device contains corroded valve equipment to eliminate safety and operational risk and extend asset life. The first field trial has successfully completed with further installations planned for the remainder of 2018.

SMALL POOLS

OGTC has developed a concept for the Tie-back of the Future to help unlock the remaining stranded assets. Wood McKenzie has estimated that this has the potential to unlock 400 million barrels and generate £3 billion of value for the UK. OGTC is working with five organisations to transform the development of small pools. This has a significant export opportunity with 27 billion barrels in small pools globally.

TRANSFORMATIONAL TECHNOLOGY

Demand is growing for technologies to help transform the oil and gas industry for the low carbon economy. OGTC is working with the industry on a Sector Deal proposal to government for funds to support further investment in this area to position the Oil & Gas industry for the Low Carbon Economy. This is an area of strong interest for the industry.

STEM PROGRAMME

Encouraging more young people to get involved in science, technology, engineering and mathematics (STEM) is essential to create a culture of innovation in North-East Scotland. OGTC is working with schools, colleges, universities and other partners to develop a STEM program using our Innovation Hub to host events and workshops to inspire the next generation.



BIO-THERAPEUTICS HUB FOR INNOVATION

The Bio-Therapeutics Hub for Innovation is a 10-year £40m investment project to accelerate growth and build on the strengths of the Life Sciences cluster in the North East of Scotland, which includes the company base, University of Aberdeen, Robert Gordon University and NHS Grampian.

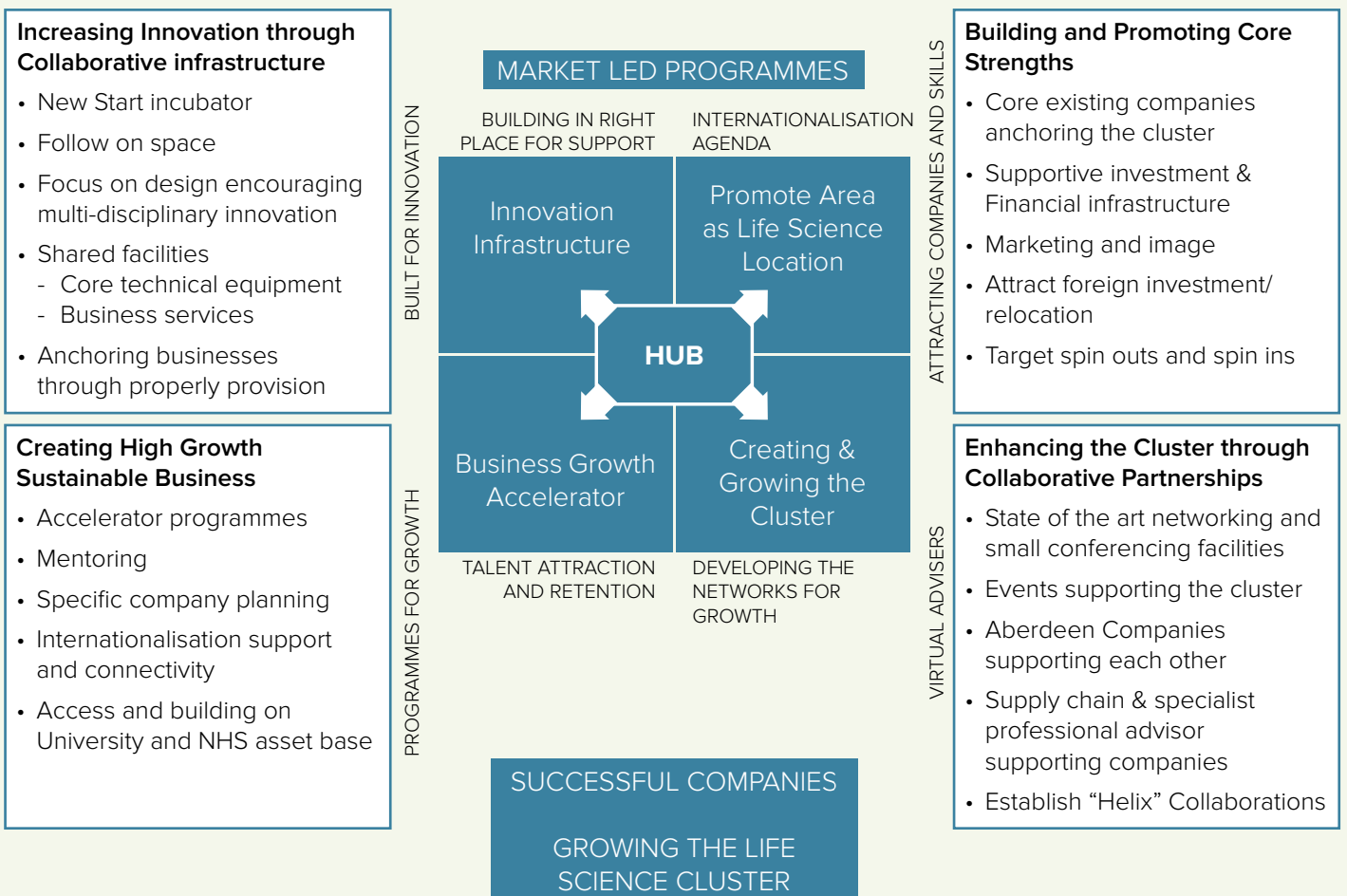
The project is being led by Opportunity North East (ONE) and has been developed by the ONE Life Sciences sector board, University of Aberdeen, Robert Gordon University, NHS Grampian and Scottish Enterprise.

The Hub will create a vibrant Life Sciences cluster and a supportive ecosystem to accelerate the number of spin-outs, new starts and growth companies, capitalising on our regional assets and strong collaborative links – the triple helix of clinical, commercial and academic researchers on the Foresterhill Health Campus, Europe’s largest integrated medical, research and teaching location.

The Hub will provide a focal point and space for industry to collaborate and innovate in creating the next generation of products and therapies in known areas of strength such as biotherapeutics, modern epidemics (including dementia, obesity, diabetes), medtech, diagnostics and nutrition.

LIFE SCIENCES COMPANY & CLUSTER DEVELOPMENT HUB

Key Focus Area: Biotherapeutics, Modern Epidemics



PROGRESS TO DATE

The business case for the Bio-Therapeutics Hub for Innovation was approved by the UK and Scottish Governments in September 2017. Since then, a new company called BioAberdeen Limited has been set up to develop and manage the Hub project and procurement of the project management and design team has started. Subject to the appropriate planning approvals, construction will commence in 2019.

Key Milestones	Planned / Achieved Date
BioAberdeen Ltd established	March 2017
Business Case Approved by UK and Scottish Governments	October 2017
Launch Life Sciences Support Programme	October 2017
Build a 69,000-square foot flexible collaborative Hub space	December 2020
Achieve Minimum 80% occupancy target by year 5	2026
24 start up and spinouts achieved by year 5	2026
Develop 2 International Collaborations	2026



FOOD HUB FOR INNOVATION

The Food Hub is a £21m investment project over 10 years to accelerate growth and innovation of existing businesses and start-ups by building on the strengths of the food and drink industry in the North-East of Scotland through a consumer-focused, customer-driven approach to innovation across all sectors of the industry.

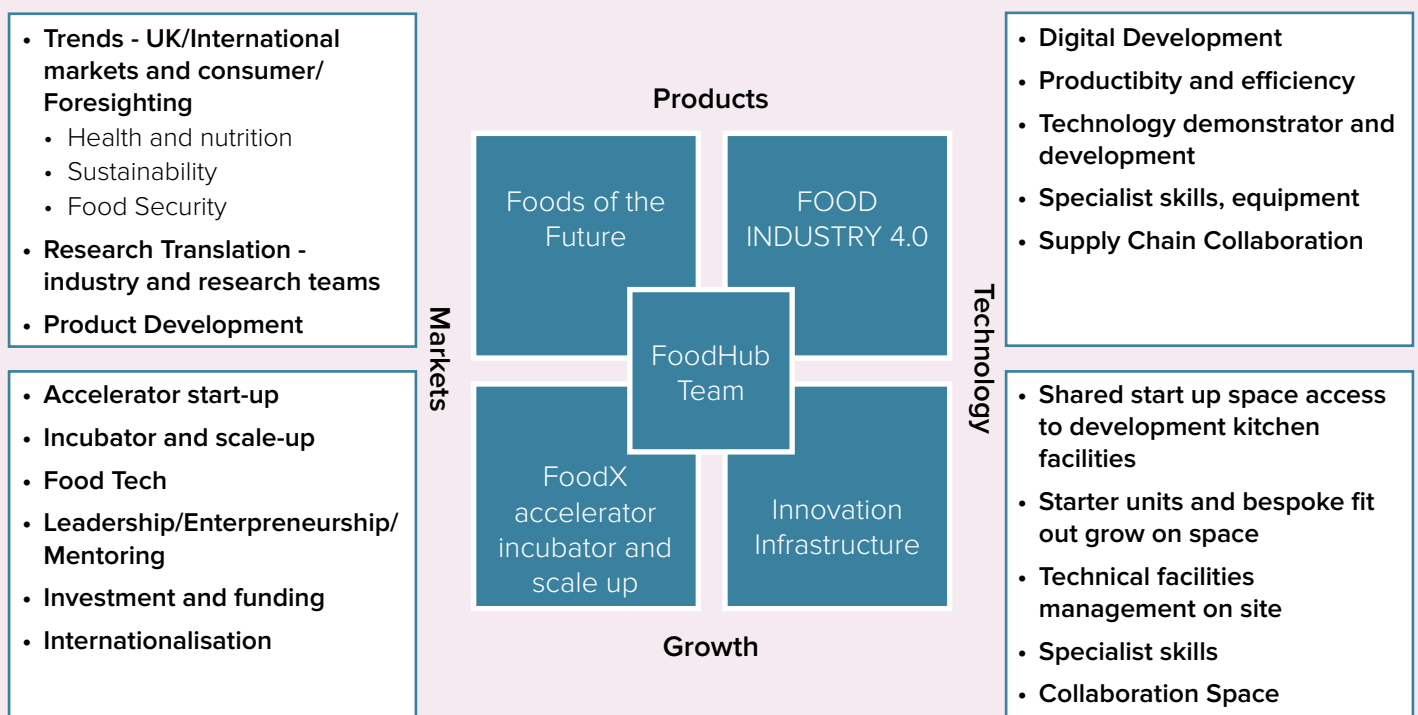
The project has been developed by Opportunity North East (ONE) through the ONE Food, Drink & Agriculture sector board in conjunction with the University of Aberdeen and Robert Gordon University and with support from SRUC and Scottish Enterprise. Significant industry engagement has informed the model and business case and ONE is leading the project delivery.

The vision is to establish the go-to regional centre for the accelerated growth of businesses, inspiring ambition and providing essential support for the food and drink industry. We will develop a market focussed industry that is customer driven, which is agile in anticipating change and responsive to it and which harnesses research to exploit market opportunities. As all aspects of business today become increasingly digital, the Food Hub will provide a focus on finding digital and technology solutions to meet market demands, ensuring our local industry has the technical skills to find and apply solutions across the supply chain, production, manufacturing and processing capacity to address and lead developments in the sector.

Success will see Aberdeen become a beacon for both the UK and international food and drink industries, a destination of choice for new start-ups, attracted by the buzz of excitement generated by like-minded new companies developing market focused products using the most up to date market intelligence and deploying leading edge technology in primary and production solutions. Buyers will look forward to trips to Aberdeen because they know they will find the most exciting new products that either create new markets or are well targeted to their own customers. Academics will see the city and its educational establishments as the place to conduct and apply their research.

There are four key elements to the Food Hub model: Foods of the Future, Food Industry 4.0, FoodX accelerator and Innovation Infrastructure. These four elements are interdependent; the success of the vision depends on the delivery of all aspects and are clearly illustrated in The Food Hub Model below.

The go to centre for accelerated innovation and growth support for the food and drink industry



PROGRESS TO DATE

Extensive industry engagement and stakeholder consultation has informed the preparation of the Food Hub business case. The draft business case was issued to the UK and Scottish Governments in July 2018 and discussions with both Governments are ongoing.

Key Milestones	Planned / Achieved Date
Draft Business Case Issued to two governments for approval	July 2018
Business Case Approved by UK and Scottish Governments	October 2018
Build and open a 30,000 sq ft flexible space	October 2021
The first cohort of 10 start-ups participating in the accelerator programme	January 2020
10 start-ups achieved per year	2025
Increase in company turnover by min 5% per annum	2025
20 companies to have achieved significant sales (10% of turnover) in new markets (at least 2 of these to be international)	2028



6. INTERNATIONALISATION

North East Scotland has a long and successful history of exporting goods, expertise and talent around the world, and through the City Region Deal, we want to maximise the returns.

ABERDEEN HARBOUR EXPANSION

Aberdeen Harbour is Britain's oldest existing business, established in 1136. Today it is the premier marine support centre for the oil and gas industry and the main commercial port serving the North East of Scotland.

The resulting construction of new facilities in Nigg Bay, to the South of the existing harbour, will revolutionise the port's capacity and will allow vessels of up to 300 metres plus to berth alongside. The extensive quay lengths, expansive laydown area and deep water channel will also transform the functionality of the port, allowing the accommodation of upscaled decommissioning, renewables and cruise industry activity.

The new facilities are designed to allow the port to grow its oil and gas core activities whilst attracting new, upscaled activities from the widest range of sectors.

A £350 million infrastructure development, transforming the marine support capacity of Aberdeen through the creation of over 1,400 metres of deep-water quay and over 125,000 square metres of quayside laydown area. Represents significant upscaling and growth opportunity for customers, who will have the ability to berth vessels of up to 300 metres in length. A development of national significance, the new combined harbour will become Scotland's largest port in terms of berthage.



PROGRESS TO DATE

Construction of the new harbour commenced project in May 2017 and the construction of the North Breakwater and dredging operations are now well advanced. The project is fully on schedule for completion in the Summer of 2020.

Key Milestones	Planned / Achieved Date
Construction Commencement	May 2017
Start of Dredging	September 2017
Start of South Breakwater	May 2018
Piling Commencement	May 2018
Commencement of North Breakwater Crown Wall	March 2019
End of North Breakwater	November 2019
End of South Breakwater	March 2020
Completion of Superstructure	April 2020
Completion of Works - Site demobilisation / Reinstatement Works	May 2020
Contract Completion	May 2020

TRANSPORT LINKS TO THE NEW HARBOUR

In order to maximise the impact of the new harbour on the wider regional economy, this transport project will improve connectivity between the harbour and the new Aberdeen Western Peripheral Route

PROGRESS TO DATE

Peter Brett Associates (PBA) have been commissioned to undertake a STAG 1 appraisal of transport connections to and from the new harbour. Transport Planning Objectives (TPOs) were agreed and an initial long-list of 22 options for transport infrastructure and connectivity upgrades in the vicinity of the new harbour site were developed. This list was taken through an initial sifting and development process and an exercise involving the packaging of options, resulting in a shortened list of options recommended to be taken forward for further assessment at the Detailed Appraisal stage.



The next stage of the study involves the development of the Detailed Appraisal during which the options developed at the Initial Appraisal stage will be appraised against the TPOs, STAG criteria, established policy directives and option feasibility, affordability and public acceptability.

The Aberdeen City Region Deal Joint Committee also identified a potential risk around the readiness of the local transport infrastructure to support the arrival of large cruise ships to new South Harbour. To alleviate this risk, PBA were also commissioned to develop a transport plan associated with the large scale movement of passengers from the new harbour as a result of the berthing of much larger cruise ships.

Key Milestones	Planned / Achieved Date
Procurement of consultants for STAG Part 1	October 2017
Procurement of consultants for Harbour Transport Plan	May 2018
Harbour Transport Plan Completed	August 2018
STAG Part 1 Completed	September 2018
Procurement of consultants for STAG Part 2	February 2019

7. TRANSPORT

STRATEGIC TRANSPORT APPRAISAL

The development of a Strategic Transport Appraisal (STA) considers the long-term transport needs of the region over the next 20 years following the completion of the Aberdeen Western Peripheral Route (AWPR).

PROGRESS TO DATE

The interim upgrade of the Aberdeen Sub Area Model (ASAM) has been completed and the model is being used on a number of studies for a range of different purposes. A further update of the model will be progressed following an extensive traffic and transport data collection exercise on completion of the AWPR. This will provide the quantitative base for the detailed appraisal.



Jacobs were commissioned to undertake a Pre-Appraisal in accordance with Scottish Transport Appraisal Guidance (STAG). Current and future problems and opportunities have been considered along with the transport network across the City and Shire region, and a set of Transport Planning Objectives (TPOs) have been developed.

The process involved extensive stakeholder and public consultation, including interviews, workshops and online surveys. On the 1st June 2018, a workshop was held with local elected members in Woodhill House in order to present the derived interim TPOs and key themes emerging from the Pre-Appraisal process.

The conclusion of this stage of work is timely as it feeds into the Strategic Transport Projects Review (STPR2) and the review of the National Transport Strategy (NTS).

Key Milestones	Planned / Achieved Date
Establishment the Transport Workstream Group	August 2016
Procurement of Pre-Appraisal work	September 2017
Stakeholder and public consultation	Oct 2017 - Feb 2018
Agreement on the Transport Ambition	December 2017
Interim Aberdeen Sub Area Model (ASAM) Upgrade	April 2018
Agreement of Interim Transport Planning Objectives	June 2018
Completion of Pre-Appraisal	September 2018
Preliminary project generation and sifting, and Initial Transport Appraisal	August 2019
ASAM Update	October 2019
Scheme development and refinement	April 2020
Detailed Transport Appraisal	April 2021



CASE STUDIES

PARTNERSHIP WORKING

The Transport Workstream Group was established in August 2016 as part of the Aberdeen City Region Deal governance structure to manage the transport related aspects of the Deal. The group is made up of representatives from Transport Scotland, Department for Transport, Nestrans, Aberdeen City and Shire Strategic Development Planning Authority, Aberdeen City Council, and Aberdeenshire Council, along with the City Region Deal Programme Manager.

The combined expertise of the different representatives within the Group has resulted in significant benefits over and above the initial expectations of the group, including:

- a) Links to the National Transport Strategy (NTS) and Strategic Transport Projects Review (STPR);
- b) Links to the Strategic Development Plan and emerging Regional Transport Strategy; and
- c) Effective communication and coordination across the administrations and leadership of the different organisations represented.

The success of the Transport Workstream Group is a prime example of successful partnership across government departments, different Council's areas and other strategic bodies.

STAKEHOLDER ENGAGEMENT

As part of the Strategic Transport Appraisal (STA) Pre-Appraisal process, a detailed and wide-ranging stakeholder engagement exercise was undertaken. The Project Working Group and commissioned consultants, Jacobs, worked in partnership to agree key stakeholders and the method of engagement with each.

The structured interviews were carried out with local and regional authorities, decision makers and business organisations using a set of consistent questions designed to obtain each interviewee's perspectives on key problems and opportunities, weaknesses and threats, typical modes of travel, interfaces with the transport network as well as views on the future direction of the economy of the region.

Workshops were held to engage with elected members, transport operators and providers, active travel organisations, disability groups, health and emergency services and the local business community.

A public survey was advertised via the social media feeds of Transport Scotland, Nestrans, Aberdeen City Council and Aberdeenshire Council, and was discussed in the local press. A total of 578 responses were received and the information obtained was analysed to gain an understanding of travel behaviour across the study area, and to validate the views of key stakeholders.

Such a comprehensive stakeholder engagement exercise has provided the Pre-Appraisal study with a strong understanding of the principal problems and opportunities in the Aberdeen City Region. This has enabled confidence in the emerging objectives, which will facilitate progression of the appraisal process going forward.



8. DIGITAL

CITY NETWORK EXTENSION PROJECT - ABERDEEN GIGABIT CITY

Extending the Aberdeen City Council fibre network to 57 additional sites across the City has successfully stimulated private sector investment of up to £40 million by City Fibre and Vodafone. Building on the Council's fibre network, City Fibre will utilise this to extend and deploy 800km of fibre within Aberdeen City, providing the majority of the City with access to 'fibre to the premises' and creating Scotland's first 'Gigabit City'.

Over the next two to three years the programme will install a Gigabit-capable, city-wide full fibre broadband network, making Aberdeen Scotland's first city in which nearly every home and business will have access to gigabit-speed broadband.

This achievement will go a long way to achieve the core objectives of the Digital theme of the City Region Deal and will make Aberdeen a forerunner for digital transformation in Scotland. It will also contribute to fulfilling the Scottish Government's 'Reaching 100%' ambition of making Scotland one of the best-connected places in Europe.

PROGRESS TO DATE

This business case was approved in December 2017 and work started on 23rd July 2018 on the network build in the City with the first trial area of 2,500 properties being connected to fibre.

Key Milestones	Planned / Achieved Date
Business Case Approved by CRD Joint Committee	November 2017
Business Case Approved by Government	December 2017
Year 1 Network Build Programme Begun	July 2018
Year 2 Network Build Programme Scheduled	April 2019
Year 1 Network Build Programme Complete	June 2019
Project Complete	December 2020

FULL FIBRE INFRASTRUCTURE

Building on what is being achieved in the City Network Extension project, an aggregated public sector demand approach will be taken to extend fibre further into the City Region. This will be primarily achieved by Aberdeenshire Council sites (with NHS sites being a beneficiary) acting as an anchor tenant delivering new build dark fibre infrastructure into economically important areas in the City Region and will ensure industrial estates within the following key locations are included:

- Westhill
- Inverurie
- Kintore
- Blackburn
- Banchory
- Portlethen
- Stonehaven

PROGRESS TO DATE

The business case for the project was approved by Joint Committee in February 2018 subject to a funding application to the Department of Digital, Culture, Media and Sport. The bid was unsuccessful and after evaluating the feedback received and the uncertainty of success in the next round (around 75 applications are anticipated) an amended business case funding the project from existing CRD budgets was approved by a special meeting of the CRD Joint Committee on 22nd June 2018.

Key Milestones	Planned / Achieved Date
Business case approved by Joint Committee	June 2018
Business case approved by UK and Scottish Governments	September 2018
Contract Award	February 2019
Implementation Starts	April 2019
Network Build Starts	August 2019
Network Build Complete	December 2021



DUCT NETWORK EXTENSION

Aberdeen City Council already operates a duct network in the City and this will be expanded to cover the main economic areas. Initially this duct network would be for Council use, followed by engagement with commercial organisations to encourage them to utilise the expanded network to enhance their fibre offering in Aberdeen City, consequently stimulating the market. This project will also provide the enabling infrastructure for the proposed sensor network and provide the opportunity for Aberdeen City to be used as a test-bed for autonomous vehicles and will also support 5G installations.

PROGRESS UPDATE

This project was part of the overall business case approved by the CRD Joint Committee in January 2017 and a split-off business case further refining the project was presented to the CRD Joint Committee in May 2018. It is anticipated that the installation of the ducts and dark fibre will be completed in 2021.

Key Milestones	Planned / Achieved Date
Approval of Business Case by Joint Committee	January 2017
Approval of Business Case by UK & Scottish Governments	September 2018
Complete Design Phase	December 2018
Procurement Award – Contract One	April 2019
Begin Implementation	June 2019
Procurement Award – Contract Two	August 2019
Duct Network Completed	October 2021

SENSOR NETWORK

Currently, within Aberdeen City there is a network of over 1,000 sensors which are used to manage traffic flow, monitor the environment, etc. The Sensor Network project in CRD will expand this existing network to:

- enable better transport management (both private and public sector)
- facilitate smart travel and autonomous vehicles
- enable anonymised data to be made available for delivering commercial and public services more efficiently

Although the scope of the project is not yet defined, other potential applications include data on traffic flows, farm animal health and movements, environmental issues such as soil quality, flooding, people flows, stability of the built environment and building condition monitoring to allow early intervention in situations where, for example residents may be at risk of hypothermia, along with industrial applications such as condition monitoring. The Sensor Network and Regional Data Exchange projects are closely linked. They will correlate with the digital element of other industry sectors and focus on the interdependencies (especially with OGTC and Food and Drink) such as Big Data and other data sharing, sensor, and Internet of Things developments.

PROGRESS TO DATE

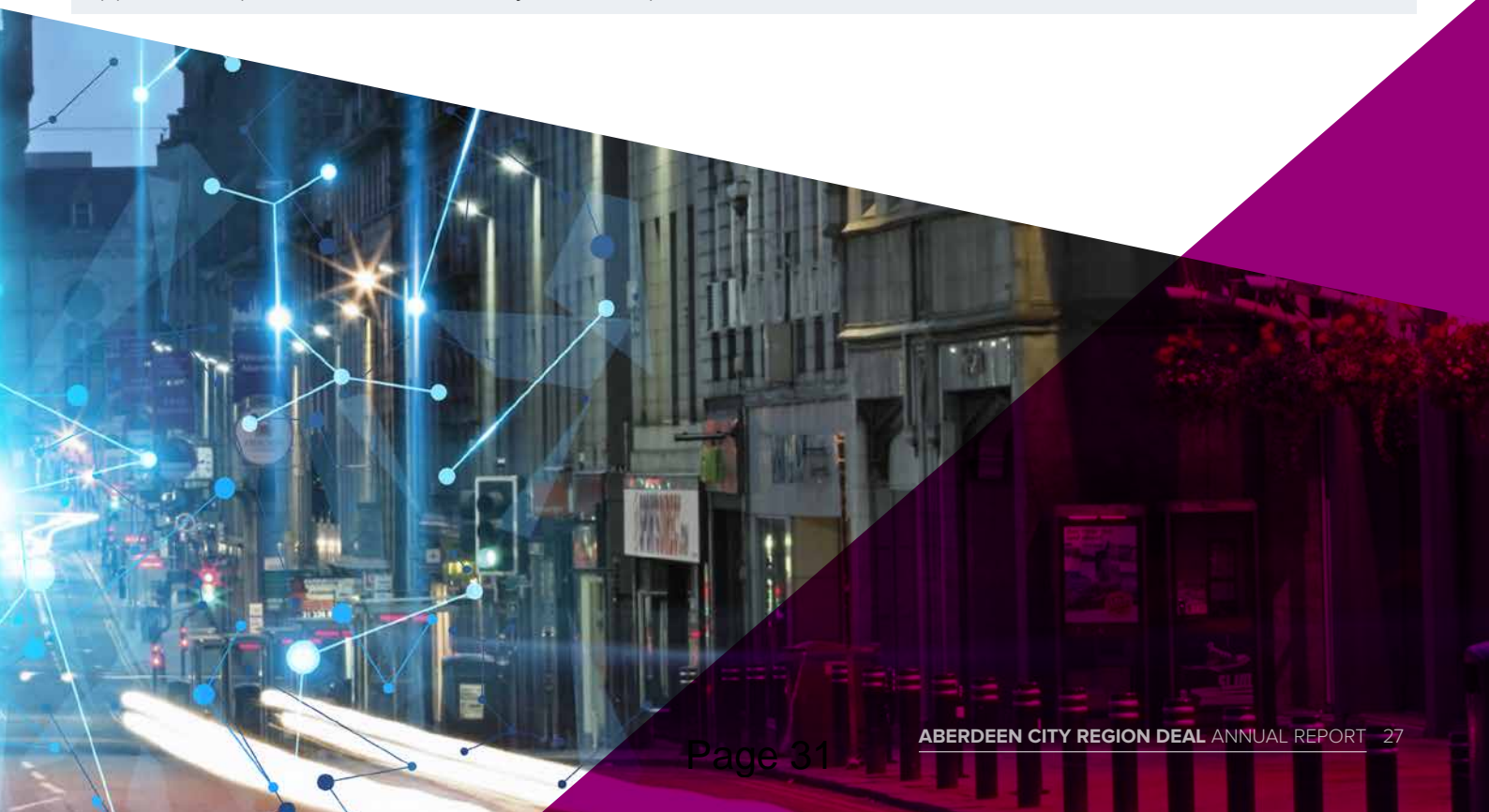
An outline business case was approved by Joint Committee in February 2018 to allocate £150,000 for the development of the business case for this project. The project is currently in the early stages of procurement to appoint the specialist skills necessary to develop the Full Business Case.

REGIONAL DATA EXCHANGE

The UK and Scottish Governments have commissioned a number of studies assessing the economic value of making public sector data open and accessible. These studies concluded that UK-wide the direct benefits are around £1.8 billion per year and the indirect benefits are around £5 billion per year. The Regional Data Exchange will support transactions of data between participating stakeholders with an aim to establish an operational market in regional data and the development of innovative applications.

PROGRESS TO DATE

An outline business case was approved by Joint Committee in February 2018 to allocate £150,000 for the development of the business case for this project. The project is currently in the early stages of procurement to appoint the specialist skills necessary to develop the Full Business Case.



9. FINANCIAL STATEMENT

The original funding forecast in the signed Deal was £826.2 million over the 10-year life of the Deal to end of financial year 2025/26. The current forecast for total investment has risen to £868.4 million over the same period. This is due to an increase in the forecast of private sector funding in OGTC and Digital Infrastructure.

The breakdown of funding forecast against each workstream is shown in Table 2 below.

Table 2

Programme Funding Forecasts Over 10 Years (2016-2026)						
(£'000s)	UKG/SG	ACC / AC Councils	RGU & Aberdeen University	Private Sector	Others	Total
Oil & Gas Technology Centre	180,000	0	23,500	159,657	1,900	365,057
Bio-Therapeutics Hub for Innovation	20,000	0	0	6,200	9,177	35,377
Food Hub for Innovation	10,000	0	0	7,387	1,589	18,976
Digital Infrastructure	10,000	7,000	0	40,000*	10,000*	67,000
Strategic Transport Appraisal	5,000	2,000	0	0	0	7,000
Transport Links to the New South Harbour	25,000	0	0	0	0	25,000
Aberdeen Harbour Expansion	0	11,000	0	330,300	8,700	350,000
Total	250,000	20,000	23,500	543,544	31,366	868,410

*The £10m reflects separate funding of which £2m along with £1.1m from both Council's contribution to the CRD Digital has levered in £40m private sector investment in to the city's "Fibre to the Premises" programme.

The variances against the original deal funding are shown in Table 3 below.

Table 3

Programme Funding Variances Over 10 Years (2016- 2026)							
Variance (£'000s)	UKG/SG	Councils	Unis	Private Sector	Others	Overall	% Variance
Oil & Gas Technology Centre	0	0	0	43,257	(32,300)	10,957	3%
Bio-Therapeutics Hub for Innovation	0	0	0	(800)	(1,823)	(2,623)	-7%
Food Hub for Innovation	0	0	0	(663)	(461)	(1,124)	-6%
Digital Infrastructure	0	0	0	25,000	10,000	35,000	109%
Strategic Transport Appraisal	0	0	0	0	0	0	0%
Transport Links to the New South Harbour	0	0	0	0	0	0	0%
Aberdeen Harbour Expansion	0	0	0	(8,700)	8,700	0	0%
Total	0	0	0	58,094	(15,884)	42,210	5%

THE OIL & GAS TECHNOLOGY CENTRE

Forecast of overall funding has increased by 3% due to an expected increase in Private Sector funding. This is based upon correlation of the level of investment secured during the Centre's first 18 months of operation.

Also note that over £32 million of funding originally classified as coming from 'Others' in the agreed business case has now been reclassified under 'Private Sector' but this does not affect the forecast funding overall.

BIO-THERAPEUTICS HUB FOR INNOVATION

The overall funding forecast for the Bio-Therapeutics Hub for Innovation has remained unchanged at £38 million and the impact of later scheduling of the project due to delays in the business case approval stage, has led to the Private sector / Others funding streams now forecast to stretch beyond the initial 10 year term of the Deal.

FOOD HUB FOR INNOVATION

The overall expected funding of the project has in fact risen from £20 million to £21 million but the impact of later scheduling of the project due to delays in the development of the business case has led to the Private sector / Others funding streams now forecast to stretch beyond the initial 10 year term of the Deal.

DIGITAL INFRASTRUCTURE

An increase of £35 million in private sector funding is now being forecast in the City Network Infrastructure project, which relates to the announcement of £40 million total funding in the project by the private sector.

ABERDEEN HARBOUR EXPANSION

£8.7 million of what was originally categorised as private sector funding is now being funded by Scottish Enterprise and is categorised under 'Others'. This does not affect the total project funding.



10. CHALLENGES, OPPORTUNITIES AND NEXT STEPS

The following challenges and further opportunities have been identified within the constituent projects of Aberdeen City Region Deal:

Project	Challenges	Opportunities
The Oil & Gas Technology Centre	<ul style="list-style-type: none"> • Access to additional funding opportunities 	<ul style="list-style-type: none"> • There is an improving outlook for Oil & Gas Sector and an impact on how OGTC can respond. • Potential for Centres of Excellence to become National Centres as they become activated.
Bio-Therapeutics Hub for Innovation		<ul style="list-style-type: none"> • Delivery is a key strand of the Regional Economic Strategy diversification plan
Food Hub for Innovation	<ul style="list-style-type: none"> • The business case approval process with the UK Government and Scottish Governments is in progress. Any lengthy delay in approval will impact when the project can begin delivery. 	<ul style="list-style-type: none"> • Delivery is a key strand of the Regional Economic Strategy diversification plan
Aberdeen Harbour Expansion		<ul style="list-style-type: none"> • Ongoing need to ensure local partners are geared up to take advantage of tourism opportunities as a result of the berthing of much large cruise vessels. • Land side development opportunities within Invest Aberdeen portfolio.
Transport Links to New Harbour	<ul style="list-style-type: none"> • Maintaining the pace of the options appraisal in the light of significant public and stakeholder interest. • Requirement to co-ordinate this with a wider study being undertaken on the adjacent A956 Wellington Road corridor. • Recent public consultation events confirmed the interest that surrounding communities have in the project, and their sensitivity to potential adverse impacts of specific route options. 	<ul style="list-style-type: none"> • Improved transport links will enhance tourism, as a result of serving visitors from much larger cruise vessels berthing at the new harbour. • Industrial/ distribution and storage opportunities on neighbouring Altens/ Tullos Industrial Estate. • Wider benefits could be secured by building on the partnership with Aberdeen Harbour Board and other key stakeholders.
Strategic Transport Appraisal	<ul style="list-style-type: none"> • The delay in the opening of the AWPR, a Transport Scotland managed project, has delayed the availability of the full ASAM upgrade based on actual impact of AWPR rather than predicted impact for full consideration of Strategic Transport Assessment options. 	<ul style="list-style-type: none"> • The Appraisal will provide the Region's input to the Scottish Government Strategic Transport Projects Review and the case for infrastructure investment funding. The City Region Deal signatories have committed to exploring funding solutions for delivery of STAG priority projects. • There is a clear opportunity for the Appraisal to deliver multiple benefits across all agencies based on an early identification of regional transport priorities.
Digital Infrastructure	<ul style="list-style-type: none"> • The business case approval process with the UK Government and Scottish Government of two key digital CRD projects is impacting when these projects can begin. 	<ul style="list-style-type: none"> • Digital infrastructure investment is already bringing forward additional investment in creative industries sector and tourism

KEY NEXT STEPS

Key next steps in the ongoing delivery of the Deal are as follows:

Project / Area	Next Steps
Business Case Approval	<ul style="list-style-type: none"> To maintain the momentum of delivery of the Aberdeen City Region Deal, the prompt development and approval of outstanding business cases by the UK Government and Scottish Government will be pursued.
Evaluation framework	<ul style="list-style-type: none"> Ongoing work with all workstreams on ensuring a valid, appropriate evaluation framework is in place.
Local Economy	<ul style="list-style-type: none"> Review further opportunities from recovering local economy.
The Oil & Gas Technology Centre	<ul style="list-style-type: none"> Revise and update project business case to reflect: current operation model, new targets and funding model.
Food Hub for Innovation	<ul style="list-style-type: none"> Gain approval by the UK Government and Scottish Government and begin project delivery.
Strategic Transport Appraisal	<ul style="list-style-type: none"> Discussion with the Scottish Government in progress on a required funding process for the following stages.
Digital Infrastructure	<ul style="list-style-type: none"> Gain approval from the UK Government and Scottish Government for the Duct Network Extension and Full Fibre Infrastructure projects and begin project delivery. Development of full business cases for the Regional Data Exchange and Sensor Network projects.



11. COMMITTEE, BOARD AND MANAGEMENT

THE ABERDEEN CITY REGION DEAL JOINT COMMITTEE

Cllr Jenny Laing, Chairperson of the Joint Committee and Co-Leader of Aberdeen City Council
Cllr Jim Gifford, Vice Chairperson of the Joint Committee and Leader of Aberdeenshire Council
Cllr Douglas Lumsden, Co-Leader of Aberdeen City Council
Sir Ian Wood KT GBE, Chairman, Opportunity North East
Cllr Marie Boulton, Aberdeen City Council
Patrick Machray OBE, Opportunity North East
Cllr Peter Argyll, Aberdeenshire Council
Cllr Richard Thomson, Aberdeenshire Council
Professor Stephen Logan, Opportunity North East

THE ABERDEEN CITY REGION DEAL PROGRAMME BOARD

Richard Sweetnam, Chair of the Programme Board and Chief Officer - City Growth, Aberdeen City Council
Alan Wood, Head of Finance, Aberdeenshire Council
Belinda Miller, Head of Economic Development & Protective Services, Aberdeenshire Council
Caroline Strain, Head of Partnerships, Scottish Enterprise
Derick Murray, Managing Director, Nestrans
Jackie Buchanan, Service Manager, Legal Services, Aberdeen City Council
Jennifer Crow, Chief Executive, Opportunity North East
Paul Smith, Communications & Marketing Manager, Aberdeen City Council
Stephen Archer, Director of Infrastructure Services, Aberdeenshire Council

THE ABERDEEN CITY REGION DEAL MANAGEMENT TEAM

Julie Wood, Programme Manager, Aberdeen City Council
Wendy Robertson, Digital Lead, Aberdeen City Council
Paul Finch, Transport Lead, Aberdeenshire Council
Nicola McIntosh, Oil & Gas Technology Centre Lead
Lindsay McKenzie, Bio-Therapeutics Hub for Innovation and Food Hub for Innovation Lead, Opportunity North East
Chris Bain, Aberdeen Harbour Lead, Aberdeen Harbour

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To view the
Regional Economic Strategy Action Plan visit:

www.bit.ly/RESactionplan