# ABERDEEN CITY REGION DEAL:
### Powering Tomorrow's World

To: Councillors Marie Boulton, Jenny Laing and Douglas Lumsden; Councillors Peter Argyle, Jim Gifford 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 one vacancy.

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 08 May 2018

## ABERDEEN CITY REGION DEAL JOINT COMMITTEE

The Members of the **ABERDEEN CITY REGION DEAL JOINT COMMITTEE** are requested to meet in **Room 4-W-01 of Marischal College on FRIDAY, 4 MAY 2018 at 9.30 am.**

FRASER BELL
CHIEF OFFICER - GOVERNANCE

## B U S I N E S S

1    Appointment of Chairperson

2    Appointment of Vice Chairperson

3    Members are Requested to Determine that any Exempt Business be Considered with the Press and Public Excluded

4    Minute of Previous Meeting of 9 February 2018 - For Approval  (Pages 3 - 8)

5    Oil & Gas Technology Centre - 18 Month Checkpoint Report  (Pages 9 - 22)

Please note that appendix 2 is located within the Exempt Section of this agenda

**EXEMPT BUSINESS**

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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

**ABERDEEN CITY REGION DEAL:**
Powering Tomorrow's World

**ABERDEEN CITY REGION DEAL JOINT COMMITTEE**

**9 FEBRUARY, 2018**

| | |
|---|---|
| **Present**: | Councillors J Gifford, (Chair), P J Argyle, and R Thomson (Aberdeenshire Council); |
| | Councillors M Boulton, J Laing, and D Lumsden (Aberdeen City Council); and |
| | Mrs J Craw, Mr P Machray, and Sir Ian Wood (ONE). |
| **In attendance:** | J Savege, Chief Executive, Aberdeenshire Council; S Archer, Director of Infrastructure Services, Aberdeenshire Council; B Miller, Head of Economic Development and Protective Services, Aberdeenshire Council; A Wood, Head of Finance, Aberdeenshire Council; R O'Hare, Principal Solicitor (Democratic Services), Aberdeenshire Council; J P Cleary, Senior Programme Manager, Programme Management Office, Aberdeen City Council; R Matheson, Service Manager – Industry Sectors, Aberdeenshire Council; S Rochester, Service Manager – Communications and Marketing, Aberdeenshire Council; H Martin, Programme Manager, Programme Management Office, Aberdeen City Council; P Finch, Strategic Transport Manager, Aberdeenshire Council; S Haston, Head of IT and Transformation, Aberdeen City Council; and J McRobbie, Committee Officer, Aberdeenshire Council. |

## 1. SEDERUNT AND DECLARATION OF MEMBERS' INTERESTS

There were no declarations of interest.

## 2. RESOLUTIONS

(A)     Public Sector Equality Duty

In making decisions on the following items of business, the Joint Committee **agreed**, in terms of Section 149 of The Equality Act, 2010;-

(1)     to have due regard to the need to:-

   (a)   eliminate discrimination, harassment, and victimisation;
   (b)   advance equality of opportunity between those who share a protected characteristic and persons who do not share it; and
   (c)   foster good relations between those who share a protected characteristic and persons who do not share it; and

(2)     where an Equality Impact Assessment was provided, to consider its content and take this into account when reaching a decision.

(B)     Exempt Information

The Joint Committee **agreed**, in terms of Sections 50A (4) and (5) of The Local Government (Scotland) Act 1973 to exclude the public from the meeting during consideration of items 10, 11, and 12, as tabled, so as to avoid disclosure of exempt information of the classes described in paragraphs 6 and 8 of Part 1 of Schedule 7A of the Act.

### 3. MINUTE OF MEETING OF CITY REGION DEAL JOINT COMMITTEE OF 10 NOVEMBER, 2017

The Joint Committee had before them and **approved** as a correct record, subject (1) to the amendment of the Sederunt to correct the error in the spelling of Cllr Argyle, and (2) the correction in Item 7, of the date of the Scottish Government decision on project funding for digital infrastructure to be March, not February, 2018, the Minute of Meeting of the Joint Committee of 10 November, 2017.

Arising out of consideration of the Minute, Item 8 (Additional £254 investment – 6 monthly update), there was discussion of the Minister's response to the letter sent requesting to speak with him on the matter of concerns about rail improvements. Noting that the Minister was to be in Aberdeen on Wednesday, 14 February, the Joint Committee **agreed** that an urgent letter be sent to the Minister, requesting he reconsider his original response and agree a short meeting while he was in Aberdeen.

### 4. MINUTE OF MEETING OF CITY REGION DEAL JOINT COMMITTEE OF 29 NOVEMBER, 2017

There had been circulated and was **approved** as a correct record, the Minute of Meeting of the Joint Committee of 29 November, 2017.

### 5. JOINT COMMITTEE CHAIR ROTATION

The Joint Committee heard from the Principal Solicitor, (Democratic Services), Aberdeenshire Council that, in terms of the Joint Committee's Standing Orders, the Chairing of the Joint Committee would revert to the City Council, effective from the next meeting of the Joint Committee. Legal and clerking support would also transfer to the City Council. The Joint Committee **noted** the information provided.

### 6. TERMS OF REFERENCE

There had been circulated a joint report by the Senior Programme Manager and the Solicitor, Aberdeen City Council, requesting consideration of revised Terms of Reference for the City Region Deal Joint Committee and indicating that the proposals would be considered by Aberdeen City Council on 5 March, as part of a wider review of the Council's Scheme of Governance and by Aberdeenshire Council on 8 March. Having heard further from the Principal Solicitor (Democratic Services), Aberdeenshire Council, of the need to ensure that the Terms of Reference effectively supported operational practice as it had evolved since the City Region Deal had been established, the Joint Committee **agreed** to approve for their interest the proposed Terms of Reference as appended to the report, subject to (a) consistency in the referencing of "UK and Scottish Government" and (b) the addition of wording at paragraph 4 in relation to the Memorandum of Understanding.

## 7.  CITY REGION DEAL PROGRESS UPDATE

There had been circulated a report by the Senior Programme Manager, providing an update on the City Region Deal (CRD) and its constituent workstreams.  There was discussion about how much involvement the Joint Committee members might have, or advance notice give of, press articles on progress on projects within the remit of the City Region Deal; and of the ongoing infrastructure works around the Harbour Improvements, with the Strategic Transport Manager, Aberdeenshire Council, providing information of planned improvements, to be fully operational by 2020, and longer terms plans to accommodate wide loads from the harbour, and transport tourists from cruise ships, the Joint Committee **agreed:-**

(1)     that project leaders be requested to advise the Joint Committee members of pending press releases and articles in advance, if possible**;**
(2)     that additional information on the Travel Plan to support the new South Harbour be reported to the next meeting of the Joint Committee, and circulated directly if available in advance of that meeting; and
(3)     in all other respects, to note the updates provided.


## 8.  AGRI-FOOD UPDATE

The Joint Committee heard from Mrs Craw, ONE, of the ongoing work in pursuit of the Agri-Food project, with the original model revised in June 2017, following industry consultations, to reflect the need for support to develop, a dislike of the word "innovation", and a required proximity for producers of end users.  Whilst the area was strong in research linking food to health, and foods of the future, this global level of study needed to be applicable locally; to produce immediate market opportunities for local producers and not be long term developments.  A business growth fund for City and Shire had been established, to address the development support need expressed locally; support for an accelerated start up process.  Consideration was being given to areas where the application of digital and robotic tools, often created for Oil and Gas industry requirements, might be adapted for agri-food operations, particularly in "back end" processes such as packaging, but also capable of being applied to processing work.  There was a need identified to bring food and drink closer in their operations, whether in shared space or via developing networks.  The next stage, in discussion with academic partners as well as the industry, and INNOVATE, would be to develop the North East of Scotland as a centre of excellence.

Mrs Craw referred to parallel investigations by Highlands & Islands Enterprise (HIE) which, applying a different model, had come to the same conclusions of the required improvements and support.  She stressed that additional market testing was required, following the rolling out of the Strategic Business Case, and so the ongoing support by a dedicated staff resource was essential and had been included.

The Joint Committee heard from Mr Machray, ONE, that the main focus of the work had been to move away from research as a driver, to being one of many contributory parts, and the highlighting of the need to drive growth into the system.

There was discussion of the areas of commonality between Aberdeen City and Shire and the Highlands & Islands; the need to create a Unique Selling Point for the region, harnessing the power of the collective and which could be the proximity of sea and land to the final consumer's product; the need for INNOVATE to develop contact with the industry to complement its current relationships with the researchers; the challenges for small businesses in expanding to be employers of others; and an amended timescale, given the need for additional market testing, for the development of a Full Business Case.

The Joint Committee **agreed:-**

(1)  to note that the Full Business Case is now anticipated to be issued for review by both government in June 2018;
(2)  to commend the work on agri-food done to date; and
(3)  to note the update provided.

## 9.  COMMUNICATIONS PROTOCOL UPDATES

There had been circulated a report by the Service Manager, Communications and Marketing, Aberdeenshire Council, requesting the Joint Committee's consideration of updated protocols for communications.

There was discussion of the need for some reports to remain in confidence in advance of the Joint Committee's consideration of them, and for which an appropriate corporate press release might be made subsequently, if required, and the Joint Committee **agreed:-**

(1)  to approve the content of the Communication Protocol, as detailed in Appendix 1;
(2)  the use of the visual identity and supporting logo suite, as detailed in Appendix 2; and
(3)  that any future update to the Communications Protocol be agreed by the City Region Deal Programme Board and only require further approval by the Joint Committee if changes are significant.

## 10. CITY REGION DEAL – Q2 & Q3 FINANCIAL UPDATE
## 2017/18

There had been circulated a report by the Senior Programme Manager, Aberdeen City Council, providing an update on the finances of the Aberdeen City Region Deal for the second and third quarters of 2017/18.  Having heard further from the Head of Finance, Aberdeenshire Council, and the Senior Programme Manager, of rulings awaited from the Scottish Government on proposed funds carried forward, the Joint Committee **agreed** to note the updates provided and end of year outcome forecast.

## 11. BUSINESS CASE DEVELOPMENT – REGIONAL DATA EXCHANGE AND
## SENSOR NETWORK

There had been circulated a report by the Programme Manager, Aberdeen City Council, updating the Joint Committee on plans to develop the Regional Data Exchange and Sensor Network projects, providing Outline Business Cases for the projects and seeking approval to invest in options appraisal works and the development of a Full Business Case for a regional data exchange and a sensor network.

Having heard further from the Head of IT and Transformation, Aberdeen City Council, there was discussion of the extension, in due course of the immediate benefits in the City to the Shire, albeit with differing applications, and the Joint Committee heard from the Service Manager, Industry Sectors, Aberdeenshire Council.  The Joint Committee **agreed:-**

(1)  to approve the Outline Business Case for a regional data exchange, as detailed in Appendix 1 to the report;
(2)  to approve the investment of up to £150,000 in the development of a Full Business Case for a regional data exchange, subject to approval by Aberdeenshire Council in respect of its contribution;
(3)  to approve the Outline Business Case for a sensor network, as detailed in Appendix 2 to the report;
(4)  to approve the investment of up to £150,000 in the development of a Full Business Case for a sensor network, subject to approval by Aberdeenshire Council in respect of its contribution; and

(5) to note that the Full Business Cases will be submitted, in August 2018, to the Joint Committee for approval.

## 12. LOCAL FULL FIBRE NETWORK FULL BUSINESS CASE

There had been circulated a report by the Programme Manager, Aberdeen City Council, seeking approval of the Full Business Case for the Local Full Fibre Network project, within the Digital theme of the Aberdeen City Region Deal.

The Joint Committee **agreed** to approve, for their interest, the detailed Business Case for the Local Full Fibre Network project, as appended to the report, subject to (a) approval of the Business Case by the UK and Scottish Governments, and Aberdeenshire Council and (b) positive peer review of the project by the Peer Review Group.

## 13. DATE OF NEXT MEETING

The Joint Committee **noted** that the next meeting would be held on Friday 4 May, 2018.

Councillor Jim Gifford, Chair

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**ABERDEEN CITY REGION DEAL:**
Powering Tomorrow's World

| Report Name | Oil & Gas Technology Centre – 18 Month Checkpoint Report |
|---|---|
| Lead Officer | Richard Sweetnam |
| Report Author | Nicola McIntosh (OGTC) |
| Date of Report | 4 May 2018 |
| Governance | City Region Deal Joint Committee |

| 1: | Purpose of the Report |
|---|---|

| i. | To update the Joint Committee on the progress of the Oil & Gas Technology Centre (OGTC) against its original 18 month checkpoint. |
|---|---|

| 2: | Recommendations for Action |
|---|---|

| i. | It is recommended that the Joint Committee notes the content of the report and its appendix, and the progress made. |
|---|---|

| 3: | Summary of Key Information |
|---|---|

| i. | The Aberdeen City Deal Agreement, approved by Aberdeen City Council and Aberdeenshire Council on 17th August 2016, included a 18 month and 3 year checkpoints for the OGTC, in order to monitor progress and act as a review point for the funding mechanisms in place. |
|---|---|
| ii. | Appendix 1 contains a detailed report of the progress against the 18 month checkpoint, which fell due on 31st March 2018. |
| iii. | The report also been issued to both the UK Government and Scottish Government for review. |

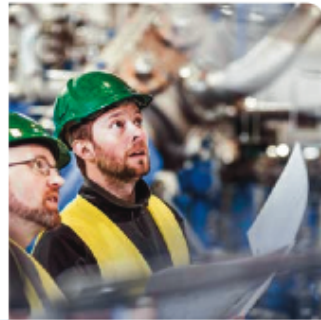| 4: | Finance and Risk |
|---|---|
| i. | Any financial implications are included in Appendix 1. |

| 4: | Finance and Risk |
| --- | --- |
|  |  |

2

# OGTC 18 Month Checkpoint Review

The Oil & Gas Technology Centre

Your Innovation Partner

# Contents

# Executive Summary

The Oil & Gas Technology Centre (OGTC) is an industry led, technology development and deployment organisation created with £180m of Aberdeen City Region Deal funding and officially opened in February 2017. Over the ten year funding period the Centre must be matched funded by industry (£180M). Each approved project is underpinned by the OGTC vision of maximising economic recovery from the UK section of the North Sea and anchoring the supply chain in the North East of Scotland. Each investment is also strategically reviewed to address MER UK and the work of the MER UK Task Forces. The Centre enables investment in the development of technology in partnership with industry, academia and the supply chain actively supported by the regulator and government. The Centre also strives to create a culture of Innovation in the North East of Scotland by actively sharing the results and case studies from those investments and sharing lessons and integrating expertise from other industries.
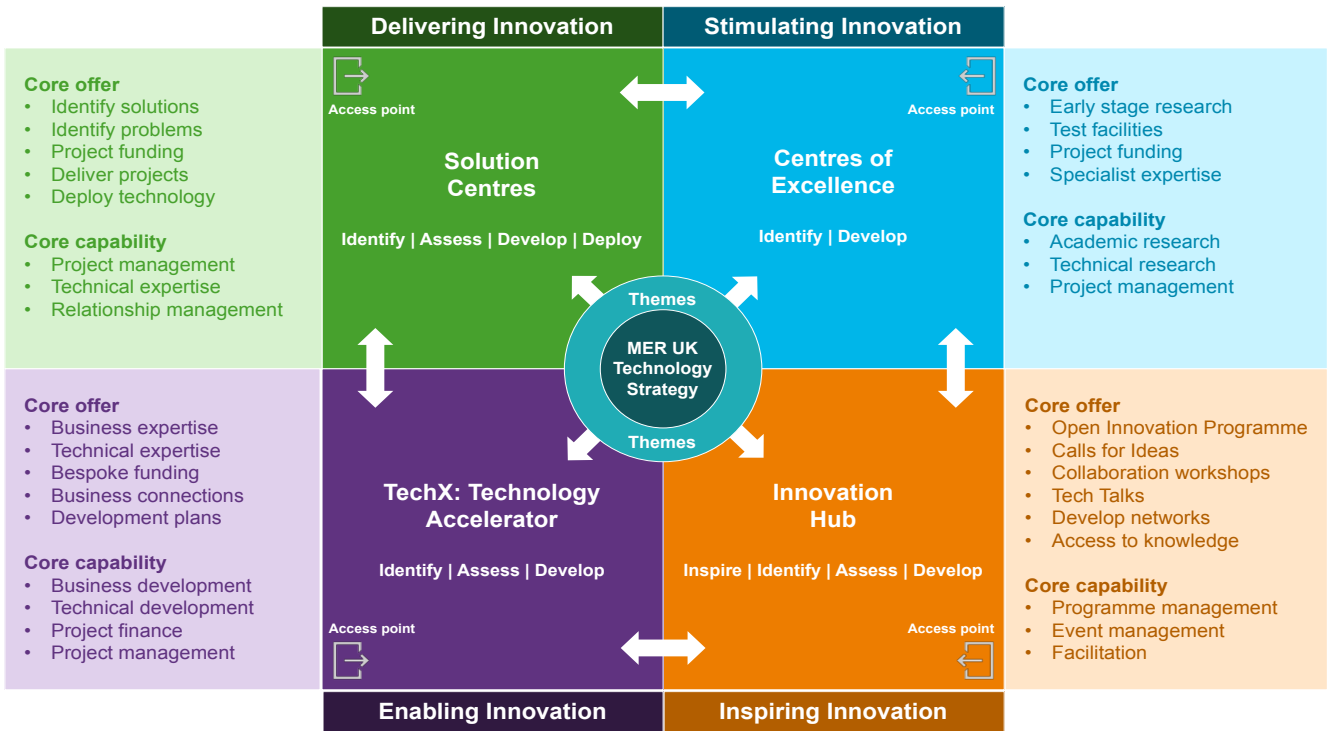
Working through **Solution Centres**, we encourage, lead and co-fund industry-initiated technology projects to develop and deploy solutions for the Oil & Gas Industry. We are focused on delivering innovation in five key areas: well construction, small pools, asset integrity, decommissioning and digital transformation.

Through **Centres of Excellence**, working closely with local universities, we stimulate 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.

With TechX, our **Technology Accelerator**, we support 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 our unique **Innovation Hub**, we are inspiring 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.

Our objective is to establish a culture of innovation that will consolidate both Aberdeen's and the North-East of Scotland's position as the global hub for oil and gas technology and innovation.

**Delivering Innovation**

**Stimulating Innovation**

**Core offer**
- Identify solutions
- Identify problems
- Project funding
- Deliver projects
- Deploy technology

**Core capability**
- Project management
- Technical expertise
- Relationship management

Access point

**Solution Centres**

Identify | Assess | Develop | Deploy

**Centres of Excellence**

Identify | Develop

Access point

**Core offer**
- Early stage research
- Test facilities
- Project funding
- Specialist expertise

**Core capability**
- Academic research
- Technical research
- Project management

Themes

**MER UK Technology Strategy**

Themes

**Core offer**
- Business expertise
- Technical expertise
- Bespoke funding
- Business connections
- Development plans

**Core capability**
- Business development
- Technical development
- Project finance
- Project management

**TechX: Technology Accelerator**

Identify | Assess | Develop

Access point

**Innovation Hub**

Inspire | Identify | Assess | Develop

Access point

**Core offer**
- Open Innovation Programme
- Calls for Ideas
- Collaboration workshops
- Tech Talks
- Develop networks
- Access to knowledge

**Core capability**
- Programme management
- Event management
- Facilitation

**Enabling Innovation**

**Inspiring Innovation**

Page 14

# 18 Month Checkpoint

In the business case, the OGTC was set a number of targets to be achieved by the 18 month checkpoint scheduled for March 2018. As shown below, each one of these targets has been met or exceeded by the checkpoint date.

| Milestone | Achieved Date | RAG Status |
|---|---|---|
| £8.5m co-investment match funding from the private sector (operators and supply chain) | July 2017 | Green |
| A Centre of Excellence is in the process of being established in each of the 2 Local Universities focussed on research for oil and gas excellence | February 2018 | Green |
| A Network Collaboration Zone established | September 2017 | Green |
| Solution Centres: 8 projects in the areas of small pools, wells cost reduction, asset integrity, decommissioning identified & underway or completed | July 2017 | Green |
| Solution Centres: Secure undertaking from industry partners to commit to at least 2 offshore technology deployment and test projects | July 2017 | Green |
| Technology Accelerator Programme: Supply Chain R&D matched funding programme framework established (eligibility criteria, contracts, legal, IPR policy, payment terms etc.); 2 projects with funds secured and match funds released | December 2017 | Green |
| Digital technologies / big data: Exemplar project well advanced | 28 March 2018 | Green |
| A technology knowledge database platform created and starting to populate | 28 March 2018 | Green |

# 2017: A Year of Delivery

**The Oil & Gas Technology Centre**

**Target:**     **£8.5m co-investment matched funding from the private sector**
**Delivery:**   **£22.0m to date**

The OGTC has co-invested £37m with industry to develop and deploy new technology. Of the £37m, £22m has been invested by industry in matched funding and £15m has been invested by the OGTC. This is significantly higher than the original expectation of £8.5m matched funding in the first 18 months. The OGTC has a membership model of the solution centres and there is over 80 members in the first year spanning operators, supply chain and technology developers. The members drive the themes and investments ensuring focus on solving the key challenges in the Industry.

**Target:**     **A Network Collaboration Zone established**
**Delivery:**   **The Innovation Hub opened in October 2017**

The Innovation Hub was opened in early October 2017 and with over 5,000 visitors to the Centre, we have built strong connections across the UK innovation ecosystem, creating a culture of innovation.

**Solution Centres**

Target:  8 Projects over 4 Solution Centres in progress, underway or completed
Delivery:  More than 80 projects underway over 5 Solution Centres

Five Solution Centres are now established covering Asset Integrity, Wells, Small Pools, Decommissioning and Digital Transformation. They operate a membership model and there are more than 80 memberships across the Solution Centres. They bring together oil and gas operators, supply chain companies and technology developers, as well as experts from other industries and academia to work on new and innovative solutions.

Over 400 technologies have already been screened by the Solution Centres from machine learning to robotics to virtual reality. This has resulted in more than 80 ongoing projects, well ahead of the original target of eight.

Each Solution Centre has also run at least one Call for Ideas, generating more than 180 technology ideas from within and outside the oil and gas industry. These Calls have led directly to project investment.

**Well Construction**

We are 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. We worked with Eddyifi, MISTRAS and Sonomatic to conduct the trials, who deployed a range of ultrasonic corrosion mapping and time of flight diffraction solutions. Our 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.

We 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 £320m 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**

We have 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 £3bn of value for the UK. We are 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.

**Target:** At Least 2 Offshore Field Trials
**Delivery:** More than 10 Trials have been completed

More than 10 field trials have already been 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.

**Target:** Digital Technologies exemplar project well advanced
**Delivery:** Digital Call for Ideas completed and now progressing

The recent Digital Transformation 'Call for Ideas' generated 68 ideas on how to harness the power of big data and machine learning to unlock the remaining potential of the UK North Sea. Around c.£1 million will be invested in a portfolio of projects to assess more than 175,000 items of existing data, provided by the Oil & Gas Authority, Common Data Access and the Norwegian Petroleum Directorate, to identify oil and gas reserves in mature fields.

### Centre of Excellence

**Target:** A Centre of Excellence is in the process of being established
**Delivery:** Two Centres of Excellence being progressed

Centres of Excellence (CoE) are now in the process of being established with both universities: Decommissioning with the University of Aberdeen and Subsea Engineering with Robert Gordon University. Both COE's will be operational by the end of 2018. 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.

### TechX

**Target:** Technology Accelerator Program established
**Delivery:** TechX established and first 10 companies start the program in June 2018

We launched TechX – a unique technology accelerator and incubator focused on helping smaller, ambitious technology developers take their solutions into the oil and gas market – faster. Our three tailored programs – Pioneer, Market Entry and Ventures – TechX will accelerate the future of 100 start-ups and 200 SMEs.

With up to £100,000 funding available to Pioneer companies and up to £250,000 funding available for Market Entry participants with no equity or payback required, TechX provides unrivalled access to customers to help companies fast track a route to market. Our strategic partner, BP Ventures,

# 2018: The Year Ahead

**Centres of Excellence**

We're 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.

**Field Trials**

Working with technology developers and operating companies to trial new solutions will continue to be priority in 2018. We already have almost 30 field trials planned for the year ahead and we expect to add more to the program. Proving new technologies in an operational environment is critical to their commercialisation and deployment.

**TechX Pioneers**

Our first TechX Pioneers Program attracted more than 125 applications from 24 countries. 10 technology start-ups have now been selected to take part in the intense 16-week program, which begins in June 2018.

**Transformational Technology**

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

**STEM Program**

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. We are 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.

**Integrate ITF**

In February 2018, we confirmed the merger with ITF (Industry Technology Facilitator) to focus and enhance technology and innovation support for the industry. The OGTC will continue to integrate ongoing ITF projects with the solution centre program.

# OGTC Funding Position and Governance

**Assessment of the benefit received in-kind**

The majority of the matched funding the OGTC receives from the industry is in-kind i.e. the industry gets actively involved in the development and deployment of a technology through the provision of people, equipment, data and access to critical infrastructure and facilities to enable technology projects to be executed. The value of in-kind funding is derived from an agreed rate card and the auditable joint venture expenditure approval documentation used in the industry.  The rate card has also been verified by the State Aid Team in the Scottish Government.  (See Appendix).


If all matched funding was received in cash, the OGTC would not get the full engagement of the industry nor enable the rapid development and deployment of technology that the OGTC has been able to deliver to date.

**Governance**

The OGTC has a strict governance policy in place, covered by:

- Board Meeting every two months
    - The Board comprises representatives from the industry and academia.
    - The Board is also attended by two observers; one from Scottish Enterprise and one from the Aberdeen City Region Deal Committee.  Both observers ensuring that learning can be shared across Scottish Enterprise, the OGTC and the ACRD.
- Audit Committee meeting every three months

## Appendix – Rate Card

| Type of Cost | Definition | Value Determination |
|---|---|---|
| Secondment | Employee is seconded to OGTC with Employer retaining full salary and related burden cost | Remuneration and other benefits paid by the Employer. Will be contracted under a Secondment Agreement between OGTC and Employer |
| Undergraduate | Person studying towards first degree | £50 per day |
| MSC Graduate | Person studying towards Masters Level | £100 per day |
| PHD Graduate | Person studying towards PHD Level | £150 per day |
| Operator and Tier 1 Project Engineering Support | Participation in delivering a Directed Project | £1,000 per day |
| SME Project Engineering Support | Delivering a Directed Project | Follows their loaded cost rate |
| Advisory Services / TechX Mentors / Workshop Panel Participation | OGTC Driven workshops in relation to Solution Centre Projects | £750 per day |
| Personnel Costs | Researchers, technicians and other supporting staff to the extent employed on the project | AFE Estimate from Industry as prepared in line with Joint Operating Agreements or Operator Budgets |
| Equipment, Instruments, Performing Trials, Access and Testing, Materials and Software | Costs of people, instruments, materials, equipment and access to the extent and for the period used for the project. | AFE Estimate from Industry as prepared in line with Joint Operating Agreements or Operator Budgets – also covers access to offshore facilities e.g. rig time |
| Premises | Office or Lab space provided as part of the project | AFE Estimate from Industry as prepared in line with Joint Operating Agreements or Operator Budgets |
| Technical Manuals | Cost of preparing manuals that would otherwise have to be paid by the OGTC | AFE Estimate from Industry as prepared in line with Joint Operating Agreements or Operator Budgets |
| Training | Training to enable staff to undertake specific tasks on the projects or training to familiarise staff with the technology | AFE Estimate from Industry as prepared in line with Joint Operating Agreements or Operator Budgets |
| Access to patents / know how / consultancy | Costs of contractual research, knowledge and patents bought or licensed from outside sources at arms' length conditions, as well as costs of consultancy and equivalent services used exclusively for the project | AFE Estimate from Industry as prepared in line with Joint Operating Agreements or Operator Budgets |

| Data Source | Core Value | Manipulation Cost |
|---|---|---|
| Seismic / Surveys (IRM's etc) | The data is valued at 20% of the acquisition costs.<br><br>(Valued at 20% due to lack of market available data also sole sourced.   The only alternative would be to reshoot seismic) | Cost required to manipulate/prepare the data for use<br><br>(Valued at £1,000 per man day - based on adhoc man day rate) |
| Well Logs | Data valued at 20% of the well logs acquisition costs.   Examples would include LWD, MWD, DTS, DAS, Wireline Logs.<br><br>(Valued at 20% due to lack of market available data also sole sourced.   The only alternative would be to rerun well logs) | Cost required to manipulate/prepare the data for use - valued at £1,000 per man day<br><br>(Valued at £1,000 per man day - based on adhoc man day rate) |
| Real Time Operational Data | Tag based data sourced from a Historian with a value of £1 per tag per day multiplied by the duration (in days) of the sample.<br><br>e.g. 1,000 tags at £1 per tag for 365 days would equal an In-Kind contribution of £365,000<br><br>Please note, the sample rate does not factor in this calculation. | Cost required to manipulate/prepare the data for use - valued at £1,000 per man day<br><br>(Valued at £1,000 per man day - based on adhoc man day rate) |
| Operational Drawings E.g. P&ID's | Cost per drawing - £50 | Cost required to manipulate/prepare the data for use - valued at £1,000 per man day<br><br>(Valued at £1,000 per man day - based on adhoc man day rate) |
| Inspection data (Operations) | Cost of Reinspection in order to obtain the same data set<br><br>(To follow Operator AFE to perform this reinspection) | Cost required to manipulate/prepare the data for use - valued at £1,000 per man day<br><br>(Valued at £1,000 per man day - based on adhoc man day rate) |

| Data Source | Core Value | Manipulation Cost |
|---|---|---|
| Master Data E.g. Inventory, Plant maintenance, etc | Cost per report - £1,000 | Cost required to manipulate/prepare the data for use - valued at £1,000 per man day<br><br>(Valued at £1,000 per man day - based on adhoc man day rate) |
| Daily Reports E.g. Drilling, Production, Logistics, etc | Cost per report - £10 | Cost required to manipulate/prepare the data for use - valued at £1,000 per man day<br><br>(Valued at £1,000 per man day - based on adhoc man day rate) |
| Personnel Data (Personnel record, Training, Competence etc.) | Cost per report - £150 | Cost required to manipulate/prepare the data for use - valued at £1,000 per man day<br><br>(Valued at £1,000 per man day - based on adhoc man day rate) |
| HSE Incident Report | Cost per report - £100 | Cost required to manipulate/prepare the data for use - valued at £1,000 per man day<br><br>(Valued at £1,000 per man day - based on adhoc man day rate) |

**Key Principles**

 - Data in the Public Domain attracts no value, unless it needs to manipulated/prepared for use - in which case - valuation method as Manipulation Cost
 - Valuation of data is the Core Value plus the Manipulation Cost

**ABERDEEN CITY REGION DEAL:**
Powering Tomorrow's World

| Report Name | Additional £254M Investment – 6-Monthly Update |
|---|---|
| Lead Officer | David Torrance |
| Report Author | David Torrance |
| Date of Report | 4 May 2018 |
| Governance | Aberdeen City Region Deal Joint Committee |

| 1: | Purpose of the Report |
|---|---|

To update the Joint Committee on the progress of projects being taken forward through the additional Scottish Government investment announced alongside the Aberdeen City Region Deal. This report covers progress on the Laurencekirk junction improvements work and the investment in the rail network to improve services between Aberdeen and the Central Belt.

| 2: | Recommendations for Action |
|---|---|

i.      It is recommended that the Joint Committee –

   a.  Notes the content of the report and the progress made.

| 3: | Summary of Key Information |
|---|---|

**Background**

The transport related investment which the Scottish Government announced in addition to the Aberdeen CRD commitments included £24 million for the design and construction of a new grade-separated junction at Laurencekirk and £200 million to help improve journey times and increase capacity on key rail links between Aberdeen and the Central Belt.

**Laurencekirk**

Transport Scotland appointed design consultants (AMEY) for the A90 Laurencekirk Junction scheme in September 2016. This allows progress of the design development phases of the junction upgrade and thereafter through the relevant statutory procedures.

Since appointing design consultants, Transport Scotland has been working

| 3: | Summary of Key Information |
|---|---|

hard to identify and undertake initial assessment of options (Design Manual for Roads and Bridges (DMRB) Stage 2 assessment).

The emerging options from the DMRB Stage 2 assessment process were presented to the public at an exhibition on 30 October 2017 for vital feedback. The on-going design and assessment process to identify a preferred junction layout which includes preparation of an Environmental Impact Assessment and Traffic and Economic modelling is programmed to be complete in 2018.

A DMRB Stage 3 assessment involving the development and detailed assessment of the preferred option will follow this culminating in publication of the draft Orders in 2019 for formal comment. Thereafter progress will be dependent on the public reaction to the draft Orders and whether a Public Local Inquiry is required. Construction of the scheme itself can only commence if the scheme is approved under the relevant statutory procedures and thereafter a timetable for its progress can be set.

A Partnership Group with Aberdeenshire and Angus Councils, along with NESTRANS has been set up to support this project by providing a cohesive policy and investment approach which will help to maximise the benefits of the investment. The group last met on 26 February 2018 to discuss outcomes from the public exhibition and gain a greater appreciation of the ongoing design and assessment process. The next group meeting is scheduled to be held in summer 2018.

**Aberdeen to Central Belt Rail Investment**

The Aberdeen to Central Belt Reference Group last met on 27 February 2018. The Reference Group is led by Transport Scotland and includes Train and Freight Operating Companies, Network Rail and ScotRail, Terms of Reference for the Group were agreed on 22 November 2017.

The group is taking forward two strands of work:
- identifying rail freight needs and how they might be addressed, which includes identifying and promoting freight initiatives that exploit the potential of the line for the benefit of communities, local business, and stakeholders;
- Focus on identifying journey time, capacity and infrastructure improvements (including consideration of the value of double tracking Usan Junction and the South Esk viaduct).

Transport Scotland is pleased that an effective working group with wide rail industry and stakeholder engagement has been established.
Guided by this group, key system analysis has already been provided by Network Rail to identify a number of critical constraints in the system and opportunities to address these. Further work packages are now underway using both NR and contractor resources to expedite progress.

2

| 3: | Summary of Key Information |
|---|---|

The initial analysis has already identified signalling capacity constraints immediately south of Aberdeen as an early priority. Work is underway now with the target (deliverability to be confirmed) to install capacity enhancing additional signals in the next twelve months.

We look forward to continued progress over the forthcoming months, to agree the best possible outcomes from the £200 million investment committed to the development and operation of this rail corridor.

Consultants, ARUP have been appointed to undertake a comprehensive assessment which is expected to identify the optimum package that will secure the best possible return from the £200 million investment. The Group are taking forward an analysis of track data, track geometry and line speeds, before moving forward with a multi-disciplinary review of the entire route. This work will identify a long list of options for further consideration going forward.

Building on initial stakeholder engagement which was used to inform Revolution in Rail, the Group will facilitate further engagement initially with Network Rail and ScotRail and subsequently with the Regional Transport Partnerships.

The next meeting of the Reference Group will be informed by the availability of the ARUP report which is expected later in 2018.

On 14 February 2018, Humza Yousaf MSP, Minister for Transport and the Islands, attended the Nestrans Board Meeting which was also attended by members of the CRD Joint Committee. The Minister stated that he would meet with Transport Scotland officials to discuss the work of the group to confirm timescales and the programme plan, this meeting has been arranged for May 2018. After his meeting with Transport Scotland officials the Minister will arrange to meet with representatives of the Aberdeen CRD Joint Committee and Nestrans to discuss progress and timescales with a further meeting to follow on completion of the ARUP study.

The levels of financial support that the Scottish Government has committed for rail infrastructure and services along this corridor underlines our determination to enhance connection of our communities and support sustainable economic growth and jobs across the country.

| 4: | Finance and Risk |
|---|---|

| i. | There are no financial or risk implications for the Joint Committee regarding the contents of this report. |

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**ABERDEEN CITY REGION DEAL:**
Powering Tomorrow's World

| | |
|---|---|
| **Report Name** | Aberdeen City Region Deal Progress Update |
| **Lead Officer** | Richard Sweetnam |
| **Report Author** | John-Paul Cleary |
| **Date of Report** | 4 May 2018 |
| **Governance** | City Region Deal Joint Committee |

| **1:** | Purpose of the Report |
|---|---|

i.      To update the Joint Committee on the progress of the City Region Deal and its constituent workstreams.

| **2:** | Recommendations for Action |
|---|---|

i.       It is recommended that the Joint Committee –

    a.  Acknowledges an interim special meeting of the City Region Deal Joint Committee may be required; and

    b.  Notes the content of the report and its appendices, and the progress made.

| **3:** | Summary of Key Information |
|---|---|

**Annual Report and 'Annual Conversation' Meeting**

i.       Following the publication of the Scottish Parliament's Local Government and Communities Committee report in January, the Scottish Government City is further developing its governance around Scottish City Region Deals.  Related to this, on 18th April, the Aberdeen City Region Deal received a letter from the Scottish Government detailing:

- The terms of reference of the Scottish City Region Deal Delivery Board;

| 3: | Summary of Key Information |
|----|---------------------------|

- The requirement to produce an Aberdeen City Region Deal Annual Report and covering letter;
- An 'Annual Conversation' to be arranged at 'Senior Officer Level', informed by the Annual Report and anticipated to take place in June.

Appendix 1 contains the letter from the Scottish Government including its three annexes detailing the terms of reference of Scottish City Region Deal Delivery Board, a proposed agenda for the 'Annual Conversation' and proposed format for the Annual Report.

ii. As the Scottish Government is suggesting the 'Annual Conversation' meeting should take place in June, there may be a need for a special meeting of the Aberdeen City Region Deal Joint Committee to take place prior to that, in order to review and approve the Annual Report.

**Agri-Food & Nutrition Hub for Innovation**

iii. The business case for the Agri-Food & Nutrition project is currently being developed, and conversations are underway with the two governments. The business case is scheduled to be available in June this year, and with the next City Region Deal Joint Committee not due until 31 August, there may be a requirement to arrange a special meeting or alternative arrangement to review the business case.

**Fibre Infrastructure Projects**

iv. At a special meeting on 29th November 2017, the CRD Joint Committee approved the business case to extend the existing Aberdeen City Council's wide area network to an additional 57 sites at a cost of £2m. This business case was also approved by the Scottish Government, with funding provided from the additional Scottish Government funding covered by the Memo of Understanding. This project is now underway and has also been the catalyst for fibre infrastructure investment in the City of up to £40m by City Fibre / Vodafone.

v. On 9th February 2018, the CRD Joint Committee also approved (subject to UK Government and Scottish Government approval) a second business case to connect a further 212 additional sites. Of these 212 sites, 60 were NHS, 23 were Aberdeen City Council and 129 were Aberdeenshire Council. The estimated cost of the project was £11.5 million, with £6.28 million of that funded from City Region Deal.

vi. The remaining £5.22 million was the subject of a bid to the Department of Culture, Media and Sport's LFFN Challenge Fund. This Challenge Fund bid was unsuccessful, and as a result, the Digital Workstream

2

| 3: | Summary of Key Information |
|----|---------------------------|

Group are currently reviewing the options going forward and this will result in the rework of the existing business cases.

**Duct Network Project**

vii.     On 20th January 2017, the City Region Deal Joint Committee approved the Digital Infrastructure Business Case.  As discussions were ongoing at the time with the Scottish Government over the National R100 Programme, this business case was reviewed by both the UK Government and the Scottish Government but was never approved.  Subsequently, elements of this business case were redefined as part of the individual fibre infrastructure business cases discussed above.

viii.    However, one element of that original business case has remained largely unchanged – the Duct Network element.  This has also been split off into a separate business case but the costs (£5m) and scope remain as previously approved.  The business case is currently under review by both governments and further minor changes may result. The most recent version of the business case is attached as Appendix 2 for noting only.

**Transport STAG Appraisal**

ix.      The commission to identify problems, opportunities, key themes and objectives for the regional transport network is now entering the final phase, with the client group expecting the first set of draft reports in the next few weeks.  A second Elected Member workshop has been planned to present the key findings of the work to date, and validate these prior to the interim final report being prepared. This workshop being is planned for the afternoon of 1st June at Woodhill House.

x.       Subsequent to this, the final report will be produced for review by the CRD Joint Committee.  Again, with the timescales involved, this is likely to require a special meeting of the CRD Joint Committee during June.

**Harbour Travel Plan**

xi.      On 9th February, the CRD Joint Committee recommended that a Travel Plan be developed to support the new South Harbour and the arrival of large cruise liners.  Options for resourcing this task are being considered, either resourced from Aberdeen City Council or Aberdeenshire Council or externally procured.

**Dashboard Report**

xii.     Further updates on the progress of individual workstreams and projects

3

| **3:** | Summary of Key Information |
|---|---|
| | are contained in the dashboard report in Appendix 3. |

| **4:** | Finance and Risk |
|---|---|
| i. | The financial implications are included in the body of the report. |

4

To:   Jim Savege, Chief Executive

From: Scottish City Region Deal Delivery Board

18 April 2018

Dear Mr Savege

**Aberdeen City Region Deal Annual Conversation**

The UK Government and Scottish Government remain fully committed to supporting the successful delivery of all agreed Scottish City Region Deals.  To this end, we have established the joint government Scottish City Region Deal Delivery Board (the Board).

The terms of reference for the Board are attached at Annex A for your information. The objective of the Board is to provide implementation oversight of all Scottish City Deals and ultimately to provide assurance to Ministers.

Following the publication of the Scottish Parliament's Local Government and Communities Committee report in January, the Board is continuing to strengthen its governance processes.  As part of this we propose to engage each City Region Deal in an *'Annual Conversation'* at senior official level, to celebrate success and discuss progress, informed by the Aberdeen City Region Deal annual report.  It also presents an opportunity to reflect and work through any concerns that local partners and governments have about the implementation of the deal and the ambitions for the deal going forward.  A proposed agenda is attached at Annex B and a proposed template for the City Deal Annual Report is at Annex C.

The lead UK and Scottish Government officials for your deal, David Herson, Neil MacLennan and Robert Martin, will liaise with John-Paul Cleary to agree a date for the Annual Conversation and confirm the cast list.  At this stage, we anticipate the meeting taking place in June.  In advance of the meeting, we ask that regional partners share their annual report, along with a cover letter outlining any concerns they wish to raise with UK or Scottish Government two weeks prior to the conversation. Please also provide any additional documentation such as risk registers or implementation plans at this time.

If you have any questions about the annual conversation process, please contact David Herson, Neil MacLennan or Robert Martin.

We would like to thank you for your continued work to drive forward the Aberdeen City Region Deal and look forward to meeting with you to review implementation progress as part of the Annual Conversation.

Yours sincerely

Oonagh Gil
**Deputy Director**
Scottish Government

Rebecca Hackett
**Deputy Director**
Scotland Office

Kris Krasnowski
**Deputy Director**
Cities & Local Growth


cc:   John-Paul Cleary
      Richard Sweetnam
      David Herson
      Neil MacLennan
      Robert Martin

# SCOTTISH CITY REGION DEAL DELIVERY BOARD

## Terms of Reference

## (Updated March 2018)

## Date of next review: March 2019

### Role of the Board

The Scottish City Region Deal Delivery Board – the Board - is a joint UK Government and Scottish Government Board with responsibility for:

- Providing assurance and advice to Ministers regarding the current Scottish City Regions Deals programme from the point of signing Heads of Terms.

- The oversight, monitoring and successful implementation of current Scottish City Region Deals, including the effective monitoring of performance, outcomes, budget, risks and other issues relating to the programme, in accordance with best practice and any recommendations issued by auditors, Audit Scotland or the National Audit Office (NAO).

- The appropriate escalation and advice through both Governments should major issues arise.

### Remit of the Board

The remit of the Board will include:

- Monitoring and supporting the successful implementation of Scottish City Region Deals and growth deals from the point of signing Heads of Terms by assessing delivery against agreed implementation plans.

- Oversee and support the development of project business cases having reached the stage of Heads of Terms and where relevant coordinate their final approval with Ministers.

- Agreeing common Government positions and/or required mitigations to manage developing issues, risks or any slippage to a Deal or specific project.

- Agreeing, as far as is possible, common negotiation positions with the relevant localities which will underpin the negotiation of new City Region Deals or any potential future regional growth deals within Scotland.

### Accountability of the Board

- The Board will report to the Senior Responsible Officers and Accountable Officers in both governments on the work of the Board and the successful implementation of Scottish City Region Deals.

- A report noting the status of implementation of Scottish City Region Deals will be submitted to Ministers on an annual basis, based on the outcome of the annual implementation review meetings, ahead of a joint UKG/SG Ministerial forum (if agreed by Ministers).

**How the Board will function**

- The Board will ensure that all City Region or other potential jointly agreed place based growth deals in Scotland having reached the stage of Heads of Terms have appropriate implementation documentation that has been agreed by both SG and UKG.  This may include but are not limited to:

  - An implementation plan
  - A monitoring and evaluation framework
  - A regional governance agreement
  - A communication strategy

- Where either government has a specific expectation of regional partners as part of the return expected for growth deal investment, respective officials will seek to facilitate this as part of framing the deal, with Ministers agreeing any relevant proposal.  The Board will take this in to account in future monitoring and evaluation.

- The Board will monitor the implementation of current and agreed City Region Deals.  This will be achieved by receiving progress reports at each meeting from SG/UKG Deal leads.

- The Board will maintain and review at each meeting an issues log and risk register. Mitigations will be agreed and their implementation and success monitored by the Board.

- The Board will escalate issues and risks as required through internal SG/UKG processes and ultimately to Ministers.

- The Board will undertake an annual implementation review conversation with each of the City Region Deal partnerships to review Annual Reports and discuss implementation progress.

- The Board will maintain a profile with City Region Deal Partnerships, undertaking annual implementation review conversations and inviting representatives to meetings as required.

**Format of Board meetings**

- Reports will be received at every meeting on all Deals being implemented. These reports will include updates from both the SG and UKG lead on their government's delivery commitments, as well as a summary of the local areas' progress.

- Regional City Deal partners may be invited to attend meetings to discuss implementation progress.

- A risk register and issues log will be presented at each meeting.  All SG and UKG Deal leads will contribute to the issue/risk management process.

- A verbal summary of the Deals being negotiated will be received at every meeting to assist the Board with forward planning.

**Responsibility of attendees**

- To update on Deal implementation progress, developing issues and known risks at each meeting.

- To provide required updates to the secretariat by agreed deadlines to ensure timely sharing of papers.

- To utilise the Group's agreed PMO tools and techniques to ensure a consistent approach is taken as much as possible with local Deal areas.

**Membership**

Core membership will be as follows (with additional attendees as appropriate):

- Scottish Government, Economic Development, Deputy Director (Oonagh Gil - Joint Chair)
- UKG Scotland Office Deputy Director (Rebecca Hackett - Joint Chair)
- UKG Cities and Local Growth Unit Deputy Director (Interim) (Kris Krasnowski)
- HMT / Scottish Government Finance
- Transport Scotland as required
- Other UKG/SG departmental/directorate representatives as required

**Secretariat for the meetings**

- The Secretariat for the meeting will be jointly provided by SG (City Deals Finance and Governance Team) and UKG (Cities and Local Growth Unit). The agenda and papers for the regular meetings will be circulated at least five days in advance of the meetings.

- The group will meet at least quarterly unless there is urgent business. Regular meeting dates will be agreed at least six months in advance. Ideally a 12 month rolling programme of dates will be maintained.

- Meetings will alternate between SG and UKG offices and will be available by videoconference and/or teleconference.

- An agenda setting meeting will be held at least two weeks ahead of Board meetings by a *Working Group* of relevant officials from both UKG and SG representatives. The purpose of the *Working Group* is to support the Board with the implementation of City Region Deals.

These terms of reference will be reviewed annually.

**ENDS**

**CITY REGION DEAL – ANNUAL CONVERSATION**
**DATE**
**AGENDA**

1. Welcome and introductions

2. Implementation progress/ draft annual report review
   - Progress against each of the milestones in the implementation plan
   - Do any actions need revising
   - Are there any challenges to overcome
   - Are there any successes to note
   - Review risks and mitigations
   - Have any gaps in the overall City Region Deal package been identified
   - What actions are being taken to address these gaps to ensure outcomes are reached
   - Does the draft annual report reflect progress made

3. Governance and processes
   - How is progress managed and monitored through governance structures
   - How well is this working

4. Finance update
   - What have been the challenges in relation to the flow of financials over the year
   - what have been the risks and how were they overcome
   - has there been progress in achieving private sector leverage

5. Monitoring and evaluation
   - Update on progress of the monitoring and evaluation plan

6. Communications
   - How is awareness of the deal being raised with the public
   - has community engagement been successful
   - When do you expect your annual report to be published

7. Lessons learnt/successes
   - What would you do differently
   - What are the next steps
   - Has the City Region Deal changed behaviours and operating practices
   - How can we further collaborate to drive inclusive growth

*[City Region]*

**City Region Deal**

**Annual Report *[year]***

*Draft outline/template*

**Contents** **Page No.**

**The Deal** *[Key themes information to include specific project information. The themes listed below are examples and so not fixed or exhaustive]*

Follow this link to read the City Deal Agreement: *insert website link*

**An Introduction from the Lead Authority Chief Executive/Chairman**


---------------------------------- NEW PAGE -------------------------------------

**City Deal Overview**

*Overview of City Deal*
*Date of Deal signed*
*Overview of local partners*
*Total investment breakdown*
*Number of themes/projects*
*Overview of outcomes*


---------------------------------- NEW PAGE -------------------------------------


**Geographical Overview**

*Key themes/project locations*

---------------------------------- NEW PAGE -------------------------------------


**Financial Statement**

*Total funding*
*Breakdown of funding*
*Funding variances*
*Percentages*
*Use of infographics*

---------------------------------- NEW PAGE -------------------------------------

**Governance and Accountability**

*Delivery and outcomes management*
*Overview of accountability and assurance structures*

---------------------------------- NEW PAGE -------------------------------------
**Energy**

*Headline achievements*
*Key milestones and progress*
*Project updates*
*Case studies*
*Use of images/infographics*


---------------------------------- NEW PAGE -------------------------------------

**Enterprise & Innovation**

*Headline achievements*
*Key milestones and progress*
*Project updates*
*Case studies*
*Use of images/infographics*

---------------------------------- **NEW PAGE** --------------------------------------

**Transport**

*Headline achievements*
*Key milestones and progress*
*Project updates*
*Case studies*
*Use of images/infographics*

---------------------------------- **NEW PAGE** --------------------------------------

**Tourism**

*Headline achievements*
*Key milestones and progress*
*Project updates*
*Case studies*
*Use of images/infographics*

---------------------------------- **NEW PAGE** --------------------------------------

**Housing**

*Headline achievements*
*Key milestones and progress*
*Project updates*
*Case studies*
*Use of images/infographics*

---------------------------------- **NEW PAGE** --------------------------------------

**Outcomes and achievements**

*E.g.    Over its lifetime, from 20xx to 20xx, the City Deal will deliver X key outcomes:*

*Outcome 1: 2,000 new jobs created or safeguarded*

*Use of infographics*
---------------------------------- **NEW PAGE** --------------------------------------

**Contacts**

*Key City Deal team contacts*

Page 41

**ENDS**

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# ABERDEEN CITY REGION DEAL:
Powering Tomorrow's World

| BUSINESS CASE | |
|---|---|
| **Project name** | Duct Network Extension |
| **Theme** | Digital |
| **Lead** | Richard Sweetnam, Chief Officer City Growth |
| **Date** | 13 April 2018 |

## 1. Executive Summary

The Aberdeen City Region Deal was signed in November 2016 between Aberdeen City Council, Aberdeenshire Council, Opportunity North East, and the Scottish and UK Governments. The Deal aims to deliver economic benefits to the region through investment in innovation and infrastructure.

Aberdeen City Region has limited digital infrastructure compared to the rest of the UK and its global competitors. The situation has been improved by Aberdeen City Council successfully utilising an anchor tenant model to stimulate the local broadband market and increase the number of premises within Aberdeen that have access to ultrafast services. This work is continuing under the City Region Deal and by the end of 2020 there will be 389 public sector sites connected to ultrafast services, the infrastructure for which will provide 60% of premises within the Aberdeen City Region with potential access to gigabit speed fibre to the premises. The success of this approach has been borne out by the recent announcement by CityFibre and Vodafone to deploy 800km of fibre across Aberdeen, making fibre to the home accessible to approximately 80,000 homes by 2021.

With a view to stimulating the communications market Aberdeen City Council has also unlocked the spare capacity within its existing duct network through a lease type agreement with the operator for space to install a sub-duct for fibre optic cables. This achieved immediate success with two communication infrastructure companies having formal agreements in place to enable rapid deployment of their communication services with greatly decreased disruption to the public. One of the infrastructure companies is focused on mobile connectivity and has, through a separate contract commissioned by the Council, used the space to connect small cell mobile communication sites that are enabled for future network technologies.

This project aims to build on this success by extending the City's duct infrastructure further and providing the necessary foundations for the delivery of the wider digital theme within the City Region Deal which includes:

- Deployment of a sensor network
- Establishment of a regional data exchange to address collation and use of data in the region

The deployment of the duct network will focus on the strategic road corridors, with an aim to provide connected corridors, fit for future growth particularly around Connects and Autonomous Vehicles (CAV's). CAV's have been described as the next 'mobile device' beyond the current generation of smart phones, tablets and emerging wearable devices.  The potential benefits of CAVs are significant, with recent research suggesting a value of £51 billion per year to the UK economy by 2030. The enabling infrastructure to support the introduction of sophisticated, highly connected and increasingly autonomous vehicles is, therefore, of real significance to the automotive industry and wider society.

The total cost of the project is estimated to be £5 M over a period of three and a half years.  It is proposed that it will be funded by City Region Deal monies.

**Current Landscape**

The National Infrastructure Commission published a report "Connected Future"  which sets out the steps the Government needs to take for the UK to become a world leader in the deployment of 5G mobile telecommunications networks, and enable the UK to take early advantage of the applications those networks may enable.

The Commission's central finding is that mobile connectivity has become a necessity. The market has driven great advances since the advent of the mobile phone but the Commission recommended that Government must play an active role to ensure that basic services are available wherever we live, work and travel, whilst our roads, railways and city centres must be made 5G ready as quickly as possible.  This enabling infrastructure will lay the necessary groundwork for the introduction of sophisticated, highly connected and increasingly autonomous vehicles which are of increasing significance to the automotive industry and wider society.

**The Market Failure in Aberdeen City Region**

To date, the Aberdeen City Region has been poorly served when it comes to broadband infrastructure compared to the rest of the UK and its global competitors.  In a 2014 study into superfast broadband coverage, Aberdeen City Region ranked 61 out of 63 UK regions; and in a separate worldwide study of Oil and Gas cities, the City Region recorded the second slowest connectivity speeds of all cities surveyed. The situation has improved as the Digital Scotland roll out has brought benefits to the region. Nevertheless the proportion of premises in the City Deal Region able to receive fixed superfast broadband services (>30 Mbps) is estimated to be 79%. This is adversely impacting economic performance and the competitive place credentials of the region, especially in terms of attracting and retaining key people to help drive the economy and in retaining graduates from the city's two universities.

Research carried out by GO ON UK shows that the Aberdeen City Region is one of those the most likely in the UK to adopt digital technologies. This is largely due to high skills levels, demand and a desire to use digital technology.

This demand in the City Region is not matched by supply. The issue is insufficient speed and availability to enable economic growth, delivery of modern public services and more sophisticated off campus academic and residential usage.

**Local Activities Already Underway**

The Aberdeen City Region Deal was signed in November 2016 between Aberdeen City Council, Aberdeenshire Council, Opportunity North East, and the Scottish and UK Governments.  The Deal aims to deliver economic benefits to the region through investment in innovation and infrastructure.

Within the agreement, an ambitious vision is set out for a digitally connected smart city region with deployment of a sensor network and regional data exchange.

There are six digital projects within the Deal and these are set out in Figure 1. This project forms Project Three – extension of Aberdeen City's duct network.



**Project One:** Full fibre broadband capability to 57 City public buildings (offering speeds up to 1 gigabit)

**Project Two:** Extension of that full fibre capability to a further 269 public buildings across the City Region Deal area.

**Project Three:** Extension of Council owned ducts by 20Km. Ducts provide the conduit through which fibre can be run.

**Project Four:** Roll out of DCMS voucher scheme whereby SMEs can apply for a grant of up to £3000 towards the cost of getting fibre broadband to the Premise.

**Project Five:** Sensor Network. Sensor that monitor physical and environment conditions distributed through out the region.

**Project Six:** Regional Data Exchange . A facility for storing and exchanging data. This improves decision making, supports collaboration and stimulates innovation.

Since 2015, Aberdeen City Council has been successfully utilising an anchor tenant model to stimulate the local broadband market and increase the number of premises within Aberdeen that have access to ultrafast services. This work is continuing under the City Region Deal and by the end of 2020 there will be 389 public sector sites connected to ultrafast services, the infrastructure for which will provide 60% of premises within the Aberdeen City Region with potential access to gigabit speed fibre to the premises. The success of this approach has been borne out by the recent announcement by CityFibre and Vodafone to deploy 800km of fibre across Aberdeen, making fibre to the home accessible to approximately 80,000 homes by 2021.

With a view to stimulating the communications market Aberdeen City Council has also unlocked the spare capacity within its existing duct network through a lease type agreement with the operator for space to install a sub-duct for fibre optic cables. This achieved immediate success with two communication infrastructure companies having formal agreements in place to enable rapid deployment of their communication services with greatly decreased disruption to the public. One of the infrastructure companies is focused on mobile connectivity and has, through a separate contract commissioned by the Council, used the space to connect small cell mobile communication sites that are enabled for future network technologies.

O2 and Wireless Infrastructure Group (WIG) have installed the UK's first fibre connected small cell network in the Granite City. The first 5G-ready technology was switched on in city centre locations such as the railway station, the University of Aberdeen and Pittodrie in October 2017.

The wireless infrastructure uses a network of small cells attached to lamp-posts and traffic lights across Aberdeen's city centre. Cells are connected back to a nearby centre using fibre links which deliver faster and higher capacity mobile services. This technology is viewed as being essential for the advancement of future applications such as driverless vehicles and has laid the groundwork for these being deployed across the city in future.

**The Proposal**

This project aims to build on this success by extending the City's duct infrastructure further and providing the necessary foundations for the delivery of the wider digital theme within the City Region Deal which includes:

- Deployment of a sensor network
- Establishment of a regional data exchange to address collation and use of data in the region.

The digital theme will address the collation and use of data in the region. It will improve the use of data, apply standards for its collection, recording and storage, and implement the means to share data securely. This will enable the application of data science techniques to model complex inter-connected service provision, predict demand and impact, and rationalise how we collaborate for outcomes and develop policy at a City Region level to optimise the cost effectiveness of public services and infrastructure use.

**The Objectives**

This project seeks to invest in the necessary infrastructure to achieve the following objectives:

- Facilitate increased competition in the fibre market and provide open access for multiple providers
- Provide the facilities to allow the Aberdeen City Region to function as a testbed where new infrastructure and service providers, technologies and services can be rapidly deployed, assessed and put into production (e.g. 5G, autonomous vehicles, etc.)
- Provide a platform for developing 'end to end' delivery routes in conjunction with other duct owners
- Improve resilience for public and private sector networks and the ability to respond to demand
- Improve digital infrastructure to allow public services to be delivered more cost effectively to a larger proportion of residents, increasing the efficiency and wellbeing of the area.
- Provide enabling infrastructure for the Sensor Network and Regional Data Exchange CRD projects

## 3. The Economic Case

This section outlines the options explored and explains how these were assessed.

| Option 1 – Do Nothing | |
|---|---|
| Description | Take no action and leave duct expansion to market forces |
| Expected Costs | £0 |
| Risks Specific to this Option | Lack of market appetite from commercial suppliers to invest in duct network . <br><br> Digital infrastructure in Aberdeen City Region will be constrained by commercial offerings and associated market interests and delay the development of the necessary infrastructure for the provision of world-class digital services. |
| Advantages & Disadvantages | No funding commitment from CRD funds required |

| Option 2 – Commercially Built Ducts | |
|---|---|
| Description | Active engagement is undertaken with the market to encourage commercial suppliers build ducts at their own expense. |
| Expected Costs | £55K |
| Risks Specific to this Option | Lack of market appetite <br><br> Dependent upon commercial suppliers being willing to share duct space with other providers – there are currently significant challenges getting suppliers to share ducts <br><br> Public services are subject to market rates and potential associated increase in costs <br><br> Some suppliers do not use ducts for the deployment of fibre and instead choose to use narrow trenching which cannot be shared. |
| Advantages & Disadvantages | To date there has been limited deployment of duct networks by commercial suppliers and indications are that this is unlikely to improve in the near future. |

| **Option 3 – Extend the Existing Duct Network** | |
|---|---|
| Description | Extend the existing duct network to cover the primary travel to work routes in Aberdeen City. |
| Expected Costs | £4.8M |
| Risks Specific to this Option | Levels of commercial uptake of duct space may not meet expectations |
| Advantages & Disadvantages | Opportunity to do joint digs with other parties e.g. CityFibre – this could reduce costs and maximise the use of resources.<br><br>Will reduce cost to public sector organisations in future for delivering services. Market analysis has indicated the costs to purchase / rent duct access piecemeal from the commercial sector would be prohibitive for public sector organisations.<br><br>Enabling infrastructure for sensors, cameras, etc. which will facilitate reduced emissions, improved traffic flow, and provide data for innovative apps and deployment of autonomous vehicles.<br><br>Fibre will need to be procured separately. |
| Other Points | Aberdeen City Council has duct sharing experience and associated development of wayleave agreements - currently provide to NHS; Aberdeen College; Aberdeen University; telecare; mobile work |

| **Option 4 – Extend the Existing Duct Network and Install Dark Fibre** | |
|---|---|
| Description | Extend the existing duct network to cover the main economic areas identified in the Strategic Case and install dark fibre. |
| Expected Costs | £5M |
| Risks Specific to this Option | Levels of commercial uptake of duct space may not meet expectations<br>Lack of market interest in lighting fibre |
| Advantages & Disadvantages | Fibre will already be installed and available to be lit.<br><br>Opportunity to do joint digs with other parties e.g. CityFibre – this could reduce costs and maximise the use of resources. |

| | Will reduce cost to public sector organisations in future for delivering services. Market analysis has indicated the costs to purchase / rent duct access piecemeal from the commercial sector would be prohibitive for public sector organisations.<br><br>Enabling infrastructure for sensors, cameras, etc. which will facilitate reduced emissions, improved traffic flow, and provide data for innovative apps and deployment of autonomous vehicles. |
|---|---|
| Other Points | Aberdeen City Council has duct sharing experience and associated development of wayleave agreements - currently provide to NHS; Aberdeen College; Aberdeen University; telecare; mobile work |

| | Options Scoring Against Objectives | | | |
|---|---|---|---|---|
| **Objectives** | **1** | **2** | **3** | **4** |
| Facilitate increased competition in the fibre market | ✘ | ✘ | ✔ | ✔ |
| Provide the facilities to allow the Aberdeen City Region to function as a testbed where new infrastructure and service providers, technologies and services can be rapidly deployed and assessed | ✘ | ✘ | ✔ | ✔ |
| Provide a platform for developing 'end to end' delivery routes in conjunction with private sector duct owners | ✘ | ✘ | ✔ | ✔ |
| Improve resilience for public and private sector networks and the ability to respond to demand | ✘ | ✘ | ✔ | ✔ |
| Improve digital infrastructure to allow public services to be delivered more cost effectively to a larger proportion of residents, increasing the efficiency and wellbeing of the area. | ✘ | ✘ | ✔ | ✔ |
| Provide enabling infrastructure for the Sensor Network and Regional Data Exchange CRD projects | ✘ | ✘ | ✘ | ✔ |
| **Ranking** | 4 | 3 | 2 | **1** |

The proposal for expanding the Councils fibre optic duct network will enhance the potential for rapid deployment of small cell communication sites. The Connect Future Report[1] highlights the importance of such infrastructure, particularly for the automotive industry;

---

[1] *Connected Future Report*, National Infrastructure Commission 2016

*"In the automotive industry, the low latency and high capacity capabilities of 5G will help facilitate the evolution of highly connected and, ultimately, fully autonomous vehicles. And, in sectors as varied as healthcare and gaming, the potential for new services – like real time health monitoring and augmented reality to improve lives and generate growth is enormous.*
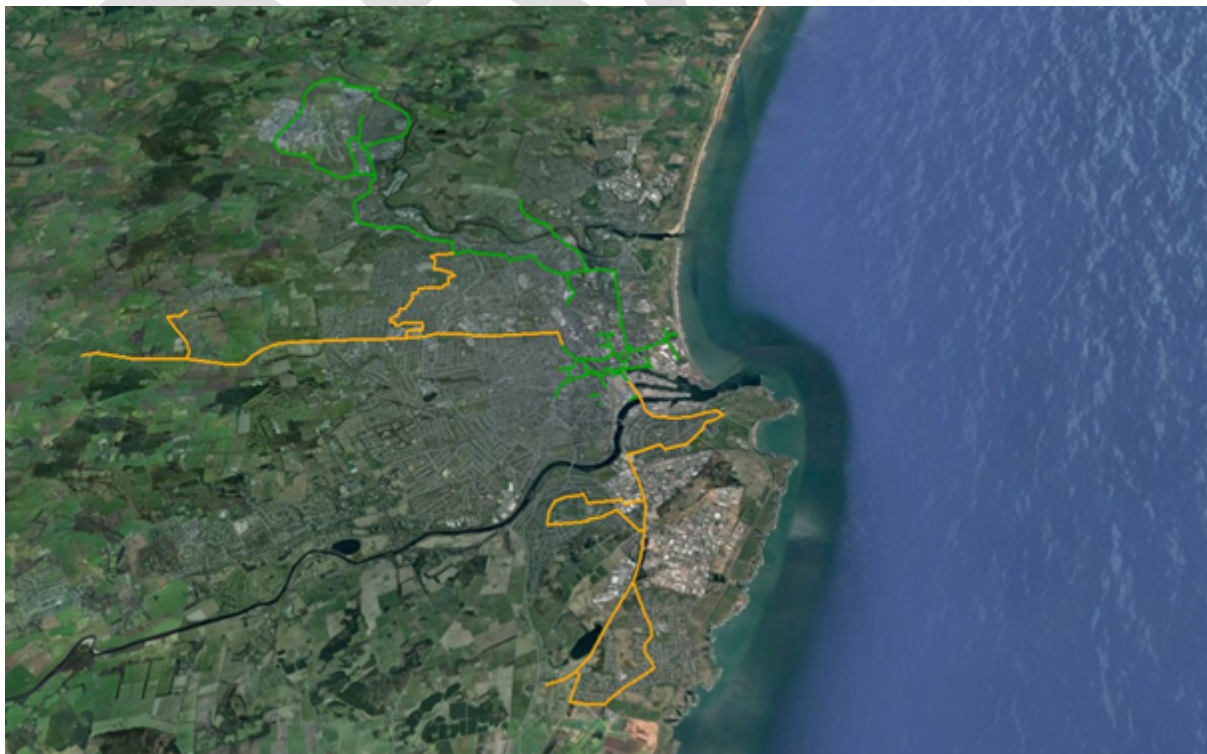
*Realising these benefits will require the deployment of tens of thousands of new small cell mobile base stations connected to fibre optic cables, which will necessitate investment, coordination and removal of a number of regulatory barriers. In order to pave the way towards the vision of an always on, reliable and high speed network, it will be vital to address existing issues, such as areas of poor coverage."*

The deployment of the duct network will focus on the strategic road corridors, with an aim to provide connected corridors, fit for future growth particularly around Connects and Autonomous Vehicles (CAV's). CAV's have been described as the next 'mobile device' beyond the current generation of smart phones, tablets and emerging wearable devices.  The potential benefits of CAVs are significant, with recent research suggesting a value of £51 billion per year to the UK economy by 2030. The enabling infrastructure to support the introduction of sophisticated, highly connected and increasingly autonomous vehicles is, therefore, of real significance to the automotive industry and wider society.

**Scope**

An initial network design has been undertaken to show how this footprint will be expanded. This is presented below:

**Proposed Full Fibre Network Design**

The length of duct required will be 20km.

**Benefits**

The project will provide the following benefits in support of the Aberdeen City Region Deal.

| Benefit | Measures | Baseline |
|---|---|---|
| **Stimulate the market to increase competition** | No. of communication providers in the local market | 2 |
| **Quickly deploying 5G small-cell** | No. of small-cell communication sites | 0 |
| | Uptake of 5G | 0% |
| | Cost of 5G | To be identified |
| **Early adoption of autonomous vehicles** | No. of suppliers testing autonomous vehicles in Aberdeen | 0 |
| **Cost-effective Enabling Digital Infrastructure** | Ducts along primary travel to work routes | |
| | Implement smart transport network | |
| | No. of duct partners (e.g. NHS, Police, Universities, etc.) | 3 |

**Networks Management Organisation**

Aberdeen City Council currently offers both commercial and public sector access to duct infrastructure and have mechanisms in place to prevent "lock out" by single providers sitting on unused capacity in the duct.  There are currently two commercial providers sharing Aberdeen City Council ducts along with the NHS from the public sector.

It is proposed that a networks management organisation would be established to support the deployment of new fibre infrastructures and collaborative interoperability across public and private sector capacity.  This organisation would proactively engage with both the private and public sector to facilitate the use of the available ducts to deploy future digital services.  The model is a collaborative one and the ownership structure would be designed to evolve around open standards of access and development.

The public realm asset ducting would host and/or connect to resources required to operate public and private (smart) services that will increase the efficiency and thereby the social and economic performance of the Aberdeen City Region Deal area.

**Challenges and Risks**

The project will face the following challenges and risks. Where mitigation has been identified this is included

| Risk | Mitigation |
|---|---|
| Joint digs – these may offer benefits by reducing build costs by sharing digs with other suppliers in the area.  There are challenges around any potential shared liability issues | Engagement with other providers in the market to be held to identify opportunities for joint digs – agreements to be developed in relation to liability, wayleave agreements, etc. |
| Operational barriers to swift deployment of new infrastructure such as unnecessarily restrictive planning constraints, traffic management policies, etc. | Both local authorities will work to ensure all operational constraints are removed such as planning approvals, permits, impact on street scene etc. |
| Procurement timescales and the risk that operators may have multiple procurements to be undertaken in parallel | A project team will be established to ensure there is dedicated resource and |

| | focus. The use of SWAN will assist with a more rapid procurement timeframe. |
|---|---|
| Interdependencies between digital infrastructure and transport programmes | CRD digital programmes are managed by the same Workstream Group. Dialogue is ongoing with local partners and the Scottish Government to ensure these are fully complementary. |
| Risk around commercial demand for duct space | Engagement with small regional players ongoing |
| Opportunity to Negotiate with Transport Scotland to connect into all of their data and link up their duct and sensor networks with Aberdeen City's. | Discussions have begun with Transport Scotland to identify and agree how this can be achieved. |

## 5. The Financial Case

The total estimated cost for this project is £5M .

The project will be funded by Aberdeen City Region Deal monies.  The project funding sources are set out in Table 5.3.

| Source | £('000) |
| --- | ---: |
| UK Government | (2,000) |
| Scottish Government | (2,000) |
| Local Government | (1,000) |
| Total | (5,000) |

**Project Resource Requirements**

An appropriately resourced project team will require to be established for the duration of the project with expertise in the following:

- project management
- procurement
- contract management
- roads engineering
- traffic management

| Resource Required | No. of FTE | Project Stage | Time Period |
| --- | --- | --- | --- |
| Infrastructure Project Manager – day-to-day management of project | 1 | Design, Procurement and Build | 4 years |
| Procurement Advice/Category Manager | 0.25 | Procurement | 1 year |
| Commercial Solicitor | 0.25 | Procurement | 1 year |
| Roads Engineer | 1 | Design and Procurement | 1 year |
| Roads Engineer | 0.2 | Build | 3 years |
| Technical Officer | 1 | Design, Procurement and Build | 4 years |

| | | | |
|---|---|---|---|
| Inspector | 2 | Build | 3.5 years |

**State Aid**

Investment in any duct infrastructure is driven by public sector usage and hence is state aid compliant. The Scottish Government State Aid unit have been consulted on the commercial exploitation of the City Council's duct network.
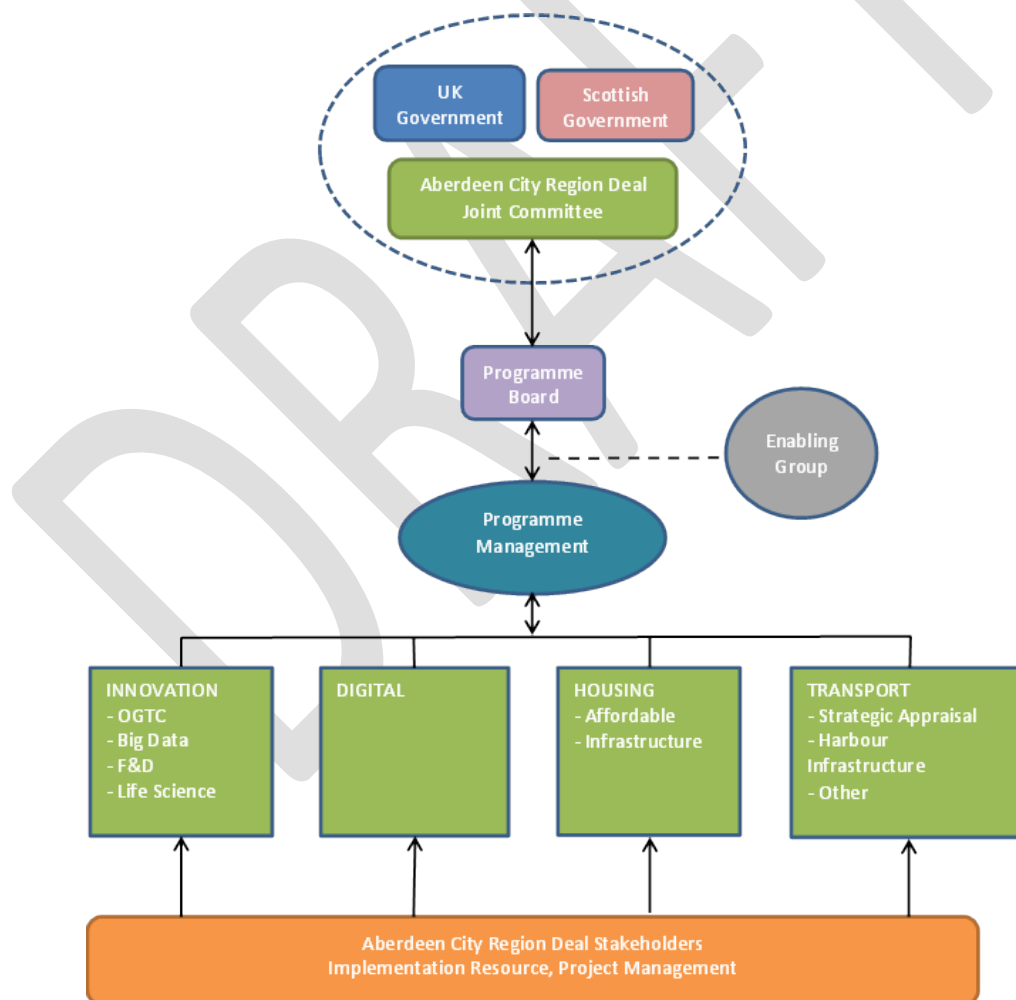
## 6. The Management Case

**Governance**

A workstream group has been established for the Digital theme and it is responsible for delivering the Business Cases for the constituent projects, identifying and arranging relevant resources, initiating the projects, and in partnership with the Programme Management Office, monitoring and reporting progress. Stephen Archer, Director of Infrastructure Services at Aberdeenshire Council, is the workstream lead and coordinates the activities of the Group.

Linkage to the Aberdeen City Region Deal Programme Board and to the Joint Committee is provided by the Programme Manager who sits on all workstream groups.

The governance structure for the Aberdeen City Region Deal is shown below:



- Project Status Reports will be provided by the Project Manager to the Project Board on a monthly basis

- Digital Theme Dashboard to be compiled by the CRD Programme Manager on a monthly basis for scrutiny by CRD Digital Group
- Digital Theme Update to be provided to the City Region Deal Joint Committee quarterly
- Project Change Controls to be submitted for approval to the Project Board within the agreed tolerances. Outwith these tolerances, they will require to be submitted to the CRD Digital Group.

**Outline Plan**

The proposed duct infrastructure will be procured during early 2019. A phased approach will be taken, with one contract being awarded first followed by the second six months later. The infrastructure build will take approximately 4 years in total, with the first route being completed mid-2020 and the second late 2021.

The primary milestones are set out below:

| Milestone | Date |
|---|---|
| Review of Business Case by Scottish Government | May 2018 |
| Peer Review of Business Case | May 2018 |
| Implementation Team Appointed | June 2018 |
| Begin Design Phase | June 2018 |
| Complete Design Phase | December 2018 |
| Begin Implementation | June 2019 |
| Duct Network Completed | October 2021 |

# ABERDEEN CITY REGION DEAL - PROGRAMME DASHBOARD
## 4 May 2018

| Id | Theme / Project | Lead | Stage | Last Completed Milestone | Next Milestone | Next Milestone Target Date | Timeline | Budget | Resource | Notes |
|---|---|---|---|---|---|---|---|---|---|---|
| **1** | **Innovation** | | | | | | | | | |
| 1.1 | Oil & Gas Technology Centre | Collete Cohen | Implement | Approval of Centre of Excellence Business Plan for Life Extension and Decommissioning | Digital technologies / big data: Exemplar project well advanced | TBA | G | G | G | Over 90 members of the Solution Centres in place. 84 approved Projects in progress, with a total investment of £40.5m (OGTC share £16.7m). 30 offshore trials planned **Digital and Decommissioning** - Digital and Decommissioning Solution Centres now actively building their project hoppers with a number of projects already being progressed through the approval stages. Business Plan's approved for the Decommissioning Centre of Excellence (University of Aberdeen) and the Subsea Centre of Excellence (Robert Gordon's University). Development of operational set up and governance in progress. **Tech-X -** over 200 applications received. The top 10 companies for the Pioneer Cohort have been selected after a rigorous screening process. 2017 Annual Report being drafted for publication. |
| 1.2 | Agri-Food and Nutrition Hub for Innovation | Jennifer Craw | Define | Project Management / Implementation Group established | Produce draft business case | TBA | R | A | G | Further testing of model and market demand testing completed. Stakeholder engagement ongoing Further development of draft strawman and business case Met with Scottish Government, Scotland Food & Drink, and City Region Deal teams with ambition for food projects. Timeline red - Project delayed as a result of the initial market research work leading to the concept for the hub being revisited. Full business case now scheduled for June 2018. Budget amber - delays will also impact spend forecasts next year. |
| 1.3 | Bio-Therapeutic Hub for Innovation | Jennifer Craw | Implement | Business case approved by both governments | Complete Design and planning of Hub for Innovation | Oct 2018 | R | A | G | Formal funding agreement between BioAberdeen Ltd and Aberdeenshire Council signed. Produce draft master programme for the development Procurement of Project Management services in final stages following competitive tender process. BioAberdeen Limited set up and first Board meeting held Timeline red - delays in approval of business case mean Year 2 becomes Year 1 in schedule. Revised programme / change control will be issued to rebaseline. Budget amber - delays will also impact spend forecasts next year. Also risks remain around securing funding from other non CRD sources including Scottish Enterprise |
| **2** | **Digital Infrastructure** | | | | | | | | | |
| 2.1 | Duct Network Delivery | Heather Martin | Define | Revised business case completed | Issue of revised Business Case to Joint Committee for information | 4 May 2018 | A | G | A | The Business Case has been revised and refocused with a stronger emaphasis on innovation and a revised scope as requested by the UK Government. |
| 2.2 | Local Full Fibre Network | Roddy Matheson | Define | DCMS funding decision. | Options to be considered on next steps | | A | A | G | The bid for DCMS funding towards this project was unsuccessful. Options for the way forward are being considered. |
| 2.3 | Expansion of Aberdeen City Council Fibre Network | Julie Richards | Implement | Approval of Business Case by Joint Committee | Implementation Planning | | G | R | A | Implementation planning is underway in partnership with City Fibre. Budget red and Resource amber as additional funding is required for resources. |
| 2.4 | Connection Voucher Scheme | Zoe Evans | Implement | First connection achieved within Aberdeen City Region | In progress | Ongoing | G | G | G | The scheme has successfully launched and the first voucher in Scotland distributed to an Aberdeen business. |
| 2.5 | Sensor Network | Zoe Evans | Define | Approach to procurement of consultancy identified. | Outline Business Case approved by UK and Scottish Governments | 31/05/2018 | G | G | R | The approach to procurement of consultancy has been identified and specification of works developed. Resource is red due to the vacant role of CRD Digital Strategy Lead. |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2.6 | Regional Data Exchange | Zoe Evans | Define | Approach to procurement of consultancy identified. | Outline Business Case approved by UK and Scottish Governments | 31/05/2018 | G | G | R | The approach to procurement of consultancy has been identified and specification of works developed.<br><br>Resource is red due to the vacant role of CRD Digital Strategy Lead. |

| 3 | Transportation | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 3.1 | Strategic Transport Appraisal | Paul Finch | Implement | Pre appraisal - data analysis and consultation | Strategic Transport Appraisal - draft and final pre-appraisal reports | 30 April 2018 | G | G | G | ASAM - interim model substantially complete and modelling reports received. The commission to identify problems, opportunities, key themes and objectives for the regional transport network is now entering the final phase, with the client group expecting the first set of draft reports in the next few weeks.<br><br>A second Elected Member workshop has been planned to present the key findings of the work to date, and validate these prior to the interim final report being prepared. This workshop being is planned for the afternoon of 1st June at Woodhill House. |

| 4 | Internationalisation | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 4.1 | Aberdeen Harbour Expansion | Margaret Pattison (ACC) | Implement | North Breakwater construction resumes | North Breakwater Complete | Oct 2018 | G | G | G | Over 100m of North Breakwater now constructed. Dredging and breakwater construction resumed. |
| 4.2 | Aberdeen Harbour Expansion - Supporting Infrastructure | John-Paul Cleary | Implement | 2017/18 Q4 Grant Payment | 2018/19 Q1 Grant Payment | 2 July 2018 | G | G | G | Quarterly grant payments in progress based upon claims with associated proof of expenditure on State Aid compliant infrastructure. |
| 4.3 | Aberdeen Harbour Expansion - Transportation Links to Bay of Nigg (Initial Options Appraisal) | Ken Neil | Implement | Inception Report | Define Problems & Opportunities | 30 April 2018 | G | G | G | STAG Pre-Appraisal work is on-going. The collection of Baseline data has been completed and the establishment of problems and opportunities is nearing completion. A number of key milestones dates have been adjusted slightly to take account of rounding up to the nearerest month end. |

**ABERDEEN CITY REGION DEAL:**
Powering Tomorrow's World

| Report Name | City Region Deal – 2017/18 Financial Update |
|---|---|
| Lead Officer | Alan Wood |
| Report Author | John-Paul Cleary, John Lovie |
| Date of Report | 4 May 2018 |
| Governance | City Region Deal Joint Committee |

| **1:** | Purpose of the Report |
|---|---|

i. To update the Joint Committee on the finances of the Aberdeen City Region Deal for financial year 2017/18.

| **2:** | Recommendations for Action |
|---|---|

i. It is recommended that the Joint Committee notes the content of the report.

| **3:** | Summary of Key Information |
|---|---|

i. The funding mechanisms of the Aberdeen City Region Deal are centrally managed and monitored by the City Region Deal Programme Manager with support from Aberdeenshire Council Finance Service, and with oversight provided by the Programme Board as part of its normal activities. The membership of the Programme Board includes a Section 95 Officer to provide financial assurance of the programme finances, ensure the financial requirements of both the UK and Scottish Governments are met, and ensure alignment with the financial strategy and procedures of both Councils (through liaison with the Section 95 Officer of the Council not represented directly).

ii. The Aberdeen City Region Deal budget for 2017/18, including funding from the Scottish Government under the Memo of Understanding (MOU) during 2017/18 was as follows:

1

| **3:** | Summary of Key Information |
|---|---|

| **Aberdeen City Region Deal Budget 2017/18** | | | |
|---|---|---|---|
| **(£'s)** | **CRD** | **MOU** | **Total** |
| Oil & Gas Technology Centre | 12,200,000 | 0 | 12,200,000 |
| Bio-Therapeutic Hub for Innovation | 4,000,000 | 0 | 4,000,000 |
| Agri-Food & Nutrition Hub for Innovation | 700,000 | 0 | 700,000 |
| Digital Infrastructure | 8,500,000 | 2,000,000 | 10,500,000 |
| Strategic Transport Appraisal | 1,445,000 | 0 | 1,445,000 |
| Aberdeen Harbour Expansion | 3,100,000 | 0 | 3,100,000 |
| **Total (£'s)** | **29,945,000** | **2,000,000** | **31,945,000** |

iii.    Total draw down in financial year 2017/18 against all central and local government budgets covered by the City Region Deal Agreement and the Memo of Understanding (MOU) was **£17,438,961**.  This is broken down as follows:

- Scottish Government / UK Government CRD Grant    £12,438,961
- Aberdeen City Council / Aberdeenshire Capital    £3,000,000
- Scottish Government MOU Grant    £2,000,000

iv.    The breakdown of draw down 2017/18 (CRD Agreement and MOU, all Central and Local Government budgets) is shown below:

| **Aberdeen City Region Deal - Draw Down 2017/18** | |
|---|---|
| **(£'s)** | **Draw down** |
| Oil & Gas Technology Centre | 12,200,000 |
| Bio-Therapeutic Hub for Innovation | 0 |
| Agri-Food & Nutrition Hub for Innovation | 0 |
| Digital Infrastructure | 2,000,000 |
| Strategic Transport Appraisal | 211,219 |
| Aberdeen Harbour Expansion | 3,027,742 |
| **Total (£'s)** | **17,438,961** |

v.    The total underspend against all budgets was **£14,506,039**. The breakdown is shown below:

| **Underspend 2017/18** | |
|---|---|
| **(£'s)** | **Underspend** |
| Oil & Gas Technology Centre | 0 |
| Bio-Therapeutic Hub for Innovation | 4,000,000 |
| Agri-Food & Nutrition Hub for Innovation | 700,000 |

2

| 3: | Summary of Key Information | |
|---|---|---|
| Digital Infrastructure | | 8,500,000 |
| Strategic Transport Appraisal | | 1,233,781 |
| Aberdeen Harbour Expansion | | 72,258 |
| | Total (£'s) | 14,506,039 |

vi. The element of this underspend against Aberdeen City Council and Aberdeenshire Council budgets was £3,695,000. The breakdown is shown below.

| Underspend (Aberdeen City & Aberdeenshire Councils Budgets) | | |
|---|---|---|
| (£'s) | Budget | Underspend |
| Oil & Gas Technology Centre | 0 | 0 |
| Bio-Therapeutic Hub for Innovation | 0 | 0 |
| Agri-Food & Nutrition Hub for Innovation | 0 | 0 |
| Digital Infrastructure | 3,500,000 | 3,500,000 |
| Strategic Transport Appraisal | 195,000 | 195,000 |
| Aberdeen Harbour Expansion | 3,000,000 | 0 |
| Total (£'s) | 6,695,000 | 3,695,000 |

vii. The underspend for the Bio-Therapeutic Hub for Innovation project was caused by slippage primarily as a result of a protracted business case approval phase involving the two governments which has severely impacted the original plan.

viii. The underspend in the Digital Infrastructure was caused by slippage as a result of a number of factors. The impact of the national R100 Digital Infrastructure Programme, delayed the development of the key infrastructure business cases while discussions with the Scottish Government took place over a protracted period. The loss of the Digital Lead for the Digital Infrastructure Workstream, who was also the chair of the Digital Workstream Group, and the difficulty in replacing him has also had a serious impact on progress during 2018. There was also delay awaiting the DCMS grant award decision on the Local Full Fibre Network project.

ix. The underspend in the Strategic Transport Appraisal was as a result of an agreement not to fund existing studies from the CRD budget, as had been assumed in the original plan. These studies have been taken forward using other funding sources.

x. On 4th April 2018, the Finance and Governance representative in the Scottish City Region Deals team confirmed that "any underspend from the 2017-18 grant allocation will be available to draw down as part of

3

| 3: | Summary of Key Information |
|---|---|

the 2018-19 grant allocation".  The Scottish Government have also confirmed this will involve the review of the budget requirements for 2018/19 based on new forecasts provide by Aberdeen City Region Deal, rather than simply rolling forward all underspend into the following year.

xi.    The forecast for 2018/19 is shown below. The required UK Government and Scottish Government funding will be communicated to the Scottish Government and will form the basis of the grant letter for 2018/19.

| Aberdeen City Region Deal - Forecast 2018/19 | | | |
|---|---|---|---|
| (£'s) | UKG / SG | AC / ACC | Total |
| Oil & Gas Technology Centre | 17,600,000 | 0 | 17,600,000 |
| Bio-Therapeutic Hub for Innovation | 4,000,000 | 0 | 4,000,000 |
| Agri-Food & Nutrition Hub for Innovation | 2,000,000 | 0 | 2,000,000 |
| Digital Infrastructure | 0 | 500,000 | 500,000 |
| Strategic Transport Appraisal | 430,000 | 110,000 | 540,000 |
| Aberdeen Harbour Expansion | 123,355 | 4,000,000 | 4,123,355 |
| Total (£'s) | 24,153,355 | 4,610,000 | 28,763,355 |

| 4: | Finance and Risk |
|---|---|

i.    Finance information constitutes the body of the report. There are no corporate risks related to this report.

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