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ABERDEEN CITY REGION DEAL:

Powering Tomorrow's World

To: Councillor Christian Allard (ACC), Councillor Gillian Owen (Aberdeenshire Council), Councillor Gwyneth Petrie (Aberdeenshire Council), Councillor Miranda Radley (ACC), Councillor Anne Stirling (Aberdeenshire Council), Councillor Ian Yuill (ACC), Professor George Boyne (ONE), Ms Jennifer Craw (ONE) and Sir Ian Wood (ONE).

Aberdeen City Council Substitute Members:- Councillors Ryan Houghton, M.Tauqeer Malik and Alexander McLellan.

Aberdeenshire Council Substitute Members:- Councillors John Cox, Isobel Davidson and Allison Evison.

ONE Substitute Members:- Stanley Morrice, Professor Steven Olivier and 1 vacancy to be confirmed.

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

Town House,
ABERDEEN, 02 May 2024

ABERDEEN CITY REGION DEAL JOINT COMMITTEE

The Members of the **ABERDEEN CITY REGION DEAL JOINT COMMITTEE** are requested to meet in **Committee Room 2 - Town House, Aberdeen on FRIDAY, 10 MAY 2024 at 9.30 am.** This is a hybrid meeting and Members may also attend remotely.

ALAN THOMSON
INTERIM CHIEF OFFICER - GOVERNANCE

The meetings will be recorded and thereafter published on the Council's website, using the meeting link.

BUSINESS

- 1 Welcome and Apologies
- 2 Appointment of Chairperson
- 3 Appointment of Vice Chairperson
- 4 Determination of Urgent Business (If any)

- 5 Determination of Exempt Business (If any)
- 6 Declarations of Interest/Transparency Statements
Members are required to intimate any Declarations of Interest or Transparency Statements in respect of the items on today's agenda.
- 7 Minute of Previous Meeting of 9 February 2024, for Approval (Pages 3 - 12)
- 8 Aberdeen City Region Deal Quarterly Progress Update
- 9 National Decommission Centre - Presentation of 5-year Anniversary
- 10 Digital Stakeholder Lead Post
- 11 External Transportation Links to Aberdeen South Harbour – Progress Report
- 12 MOU Housing Annual Update
- 13 Scottish Government Additional Investment Update – Transport Projects
- 14 Internal Audit Report 2024

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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 067556

ABERDEEN CITY REGION DEAL:

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ABERDEEN CITY REGION DEAL JOINT COMMITTEE

FRIDAY, 9TH FEBRUARY, 2024

- Present:** Councillors A Stirling (Chair), Cllr I Yuill (Vice-Chair), G Owen, G Petrie, Cllr C Allard, Cllr M Radley and J Craw.
- Apologies:** Councillors Prof G Boyne and Sir I Wood
- Officers:** Mary Beattie, Lauren Cowie, Paul Macari, Alison McLeod, Jack Rigby, Alan Wood, (Aberdeenshire Council); Julie Richards-Wood, Stuart Bews, Alan McKay, Ross Stevenson, Aigul Gray, (Aberdeen City Council).
- In attendance:** Rab Dickson (Nestrans), Paul Finch (Nestrans), Jon Oakey (Port of Aberdeen), Sandy Jamieson and Adam Gould (Transport Scotland), Myrtle Dawes and Nicola McIntosh (Net Zero Technology Centre).

1 SEDERUNT AND DECLARATION OF MEMBERS' INTERESTS

The Chair asked Members if they had any interests to declare, in terms of the Councillors' Code of Conduct.

Councillor Owen made a transparency statement, by virtue of being a Board Member of Opportunity North East. Having applied the objective test she had concluded that she did not have an interest to declare and she would remain in the meeting.

Councillor Yuill made a transparency statement, by virtue of being a Board Member of Nestrans. Having applied the objective test he had concluded that he did not have an interest to declare and he would remain in the meeting.

Councillor Radley made a transparency statement, by virtue of being a Board Member of Nestrans. Having applied the objective test he had concluded that he did not have an interest to declare and he would remain in the meeting.

Councillor Allard made a transparency statement, by virtue of being a Board Member of Opportunity North East. Having applied the objective test he had concluded that he did not have an interest to declare and he would remain in the meeting.

Mrs Jennifer Craw intimated that she had a connection to any issues affecting Opportunity North East, in particular matters relating to the Food Hub, BioAberdeen and the new Energy Transition Zone (ETZ), which may arise during the meeting, by virtue of being a Board Member of ONE. However, having applied the objective test she did not consider she had an interest to declare and would remain in the meeting. This was because, in practice, funding was allocated by agreement with government and in line with the tripartite agreement.

2(A) PUBLIC SECTOR EQUALITY DUTY

In taking decisions on the undernoted items of business, the 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 and 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) to consider, where an Integrated Impact Assessment has been provided, its contents and to take those into consideration when reaching a decision.

2(B) EXEMPT INFORMATION

The Committee **agreed**, in terms of Section 50A (4) and (5) of the Local Government (Scotland) Act 1973, to exclude the public from the meeting during consideration of the items specified below so as to avoid disclosure of exempt information of the classes described in the undernoted paragraphs of Part 1 of Schedule 7A of the Act.

Item No	Paragraph No of Schedule 7A
12	6
13	8

3 MINUTE OF THE MEETING OF THE ABERDEEN CITY REGION DEAL JOINT COMMITTEE OF 17 NOVEMBER 2023.

On consideration of the circulated Minute of Meeting of the Committee of 17 November, 2023, Members **agreed** to approve it as a correct record.

4 ABERDEEN CITY REGION DEAL QUARTERLY PROGRESS REPORT

With reference to Item 4 of the minute of the previous meeting of 17 November, 2023, the Joint Committee had before it a report dated 9 February, 2024, providing an update on the delivery of the Aberdeen City Region Deal Programme under the headings Governance, Milestones, Benefits and Finance.

The Joint Committee heard from Julie Richards-Wood, Interim Chief Officer, City Growth, Aberdeen City Council, who provided an overview of the report, which highlighted progress in respect of project progress during the past quarter. She advised that Aberdeen South Harbour Expansion project had closed as a project and would continue to report its benefits through the annual Benefits Realisation Plan and

a representative of the Port of Aberdeen was in attendance to give a presentation on the project. She noted that the checkpoint reviews with the UK and Scottish Governments for the Transport Projects had been carried out at the end of 2023, In December 2023, Regional Partners had their annual conversation with both Governments and it was very positive but the Partners were reminded that there was no guarantee that future funding could be rolled over from year to year and the Programme Board continued to manage that as a risk going forward.

Mrs Craw, Opportunity North East, advised that the BioHub drawdown was complete and it was proposed to give a presentation to a future meeting of the Joint Committee on the close of the project. She also provided an update on SeedPod which had been subject to some redesign works to do with the steel, with a resulting delay in terms of drawdown, with a completion due in 2024/25.

Mr Macari, Head of Planning and Economy, Aberdeenshire Council highlighted that in terms of the digital workstream work continued to progress and a further report would be considered further down the agenda.

Mr Finch, Nestrans advised that there had been good progress on the appraisal and business case development for the A90(N)/A952 corridor on the routes between Ellon, Peterhead and Fraserburgh and on the business case development for the A956 Wellington Road corridor.

Thereafter, the Joint Committee **agreed**:

- (1) To note the content of the Programme Update and Projects Update at Appendix A; and
- (2) To endorse wider publication of the Aberdeen City Region Deal 7-year progress video, which was presented to the Joint Committee.

Link to video:

<https://vimeo.com/892202069/20c04db216?share=copy>

5 ABERDEEN CITY REGION DEAL GOVERNANCE - DELEGATION TO OFFICERS

The Joint Committee had before it a report dated 9 February 2024 which outlined the existing delegation to officers in respect of Aberdeen City Region Deal business and proposing that the Joint Committee agree to delegate authority to the Chief Officer, City Growth, Aberdeen City Council to formalise and document the Change Control Process.

The Joint Committee heard from Stuart Bews, Programme Manager, who provided some background to the report and advised that the amendment proposed would give a delegation of authority to approve non-material change requests to the Chief Officer, City Growth, Aberdeen City Council, who was also the Chair of the City Regional Programme Board.

During discussion, Mrs Craw highlighted that clarification of the delegation arrangements highlighted within the report should be borne in mind when future audits of ACRD projects were being undertaken, which may have been progressed prior to the report being brought to the Joint Committee.

Thereafter, the Joint Committee **agreed** to:

- (1) Delegate authority to the Chief Officer – City Growth of Aberdeen City Council, who is also Chair of the ACRD Programme Board, to:
 - a. Approve and submit, following consultation with the City Region Deal Programme Board, and the Chair and Vice Chair of ACRD Joint Committee, any non-material change requests (as defined in ACRD change control process document) which are submitted or required in relation to City Region Deal Projects within the scope of the Grant Offer letter from the Scottish Ministers.
 - b. Submit reports, mandatory or otherwise following consultation with the City Region Deal Programme Board, required in relation to City Region Deal Projects by request from the United Kingdom or Scottish Governments, or both;
- (2) Note that Aberdeen City Region Deal Programme Manager will continue to provide a full summary of non-material change requests and mandatory or other reports which have been made and/or approved to the Aberdeen City Region Deal Joint Committee for noting within the Quarterly Programme Report at its next available meeting;
- (3) Endorse **Appendix A (draft)** - Aberdeen City Region Deal Governance – Roles and Remit document; and
- (4) Endorse **Appendix B (draft)** - Aberdeen City Region Deal Change Control Process document; and
- (5) Instruct the Chief Officer – City Growth of Aberdeen City Council to amend Term of Reference of the Programme Board to reflect the recommendation of this report.

6 FUTURE REGIONAL FUNDING GOVERNANCE PROPOSAL

The Joint Committee had before it a report dated 9 February 2024 which provided an update on progress of the Regional Economic Partnership and Investment Zone proposal and sought agreement in principle that the Aberdeen City Region Deal Joint Committee remit was expanded to receive future regional funding where a local authority was required to undertake the role of accountable body, subject to the detail being presented to a future meeting of the Joint Committee.

The Joint Committee heard from Julie Richards-Wood, Interim Chief Officer, City Growth, that Aberdeen City Council, Aberdeenshire Council and Opportunity North East had all approved the North East of Scotland Regional Economic Strategy for the period to 2035 in May/June 2023 and had approved the creation of a Regional Economic Partnership which was due to meet on 15 February 2024. In June 2023 the North East of Scotland was announced as having been allocated Investment Zone status by the UK Government, and a short-term Investment Zone Steering and Working Group had been established to oversee the development of the Investment Zone proposal. The submission of the Investment Zone proposal was expected in

Summer 2024 and an agreement in principle was being sought to expand the Joint Committee remit to allow detailed proposals on governance for the Investment Zone to be developed and the terms of reference for an extended Joint Committee agreed ahead of submission. This would allow the Joint Committee to receive future regional funding, including the Investment Zone.

During discussion, it was noted that in respect of timescales the proposals being developed would be submitted to both Councils and ONE for approval, and would then be referred to the Joint Committee for approval, with an estimated timescale for agreement being in place by September 2024.

Thereafter, the Joint Committee **agreed** to:

- 1) Agree in principle that the Aberdeen City Region Deal Joint Committee remit is expanded to receive future regional funding where a local authority is required to undertake the role of accountable body;
- 2) Agrees in principle that the ten year £160M Investment Zone Funding is governed through the Joint Committee and that Aberdeenshire Council undertake the role of accountable body;
- 3) Instruct the Chief Officer - City Growth, Aberdeen City Council, to work with partners to draft the expanded terms of reference for the Joint Committee and bring to a future meeting for approval;
- 4) Notes the decision of [Aberdeenshire Council on 28th September 2023](#) to approve Aberdeenshire Council undertaking the role of the accountable body for the North East of Scotland Investment Zone;
- 5) Notes that paragraph 3.25 of the report to [Aberdeenshire Council on 28th September 2023](#) stated: *“There are significant similarities between the governance, scrutiny, and fiscal requirements of the Scottish and UK Governments Growth Deal and Investment Zone policies. These duties are discharged by the Joint Committee for the Aberdeen City Region Deal. Therefore, it is proposed to expand the remit of the Aberdeen City Region Deal Joint Committee to discharge the fiscal duties of the North East of Scotland Investment Zone. This approach is resource efficient and builds upon the knowledge and expertise in managing UK and Scottish Government funds by both Councils and their respective Elected Members.”* and
- 6) Notes that [Aberdeen City Council](#) received a report titled North East of Scotland Investment Zone 11th October 2023 and 5.4 within the report outlines the above proposals.

7 ABERDEEN SOUTH HARBOUR

The Joint Committee had before it a report dated 9 February 2024 to inform the Joint Committee that the Aberdeen South Harbour Expansion project had been completed and to highlight the benefits to date. Mr Jon Oakey, Chief Financial Officer, Port of Aberdeen was in attendance and provided an overview of the project and future plans for the Port. He noted that the South Harbour provides a cluster of accessible offshore renewable energy research, manufacturing and support services, together with cruise vessel support to the wider tourism industry and the potential for servicing the wider North East economy including food and drink and timber. He advised that the new facilities were creating new opportunities for energy transition activities, including renewables and decommissioning and would attract new cargo to the port and generate increased tourism through cruise traffic around the North Sea.

He concluded his presentation by providing a video presentation prepared following the completion of the project. The presentation can be found here - [Port of Aberdeen | South Harbour Time \(youtube.com\)](https://www.youtube.com/watch?v=...)

The Chair thanked Mr Oakey for his contribution and update on the success of the South Harbour project and thereafter the Joint Committee **agreed**:

- (1) To note the completion of the Aberdeen South Harbour Expansion project; and
- (2) to note the benefits which the project has achieved to date.

8 DIGITAL CONNECTIVITY

The Joint Committee had before it a report dated 9 February 2024 providing an update on the delivery of Project Gigabit in Scotland, plans on digital connectivity improvements for the Aberdeen City Region, updates on the progress being made through the Reaching 100% Programme and ongoing work being carried out by the Digital Engagement Team through the Aberdeen City Region Deal Digital Theme.

The Joint Committee heard from Paul Macari, Head of Planning and Economy and Jack Rigby, Digital Stakeholder Lead Officer, Aberdeenshire Council, who advised that work was continuing in the City and Shire in terms of enhancing the digital offering, with the object of Project Gigabit to increase availability of gigabit capable broadband connections to 85% of the UK by the end of 2025, and a further goal to reach the rest of the country by 2030. They referred to the Reaching 100% Programme, referred to as R100, which was the Scottish Government programme to ensure every premises in Scotland can access a minimum of a superfast broadband service, providing at least 30Mbps and noted that work continued and in the Aberdeen City Region over 4,200 premises had now been connected to full-fibre FTTP broadband and over 12,000 further connections were planned between 2024 and 2028. Finally, they highlighted the ongoing work of the Digital Engagement Team to support businesses, residents and communities in matters relating to digital connectivity and in increasing the profile of the work being done in the area by the Aberdeen City Region Deal.

Thereafter, the Joint Committee **agreed** to:

- (1) Note the updates on Project Gigabit; and
- (2) Note the progress on work being delivered by the Digital Engagement Team.

9 STRATEGIC TRANSPORT APPRAISAL

The Joint Committee had before it a report dated 9 February 2024 which sought approval for updated proposals for the future business case development and associated funding allocations for the remaining three years of the City Region Deal. The report note that the current programme had been reviewed reflecting on outcomes of Hydrogen Refueller study with indicated a reduced scope and funding requirement, alongside other pressures and opportunities.

The Joint Committee heard from Paul Finch, Strategic Transport, Nestrans, who reminded Members that the Strategic Transport Appraisal element of the Deal was focussed on the progression of Business Cases for regional transport projects, with a view to subsequent implementation when funding opportunities arise. The report outlined the six areas of work which were being undertaken in 2023/24 and updated the progress made to date, as well as proposals for the next three financial years to the end of the deal. He highlighted that the proposals reflect a reduced scope of works for regional hydrogen refueller project and mobility hub project; work on mobility hub Strategic Business Case continued, albeit with a smaller number of locations under consideration. This had allowed an expanded scope of works on projects which link to the regional investment zone proposals in Aberdeen and Aberdeenshire, including provision for design development on the A90/A952 corridor and provision for continuation of design development on the A956 Wellington Road. Furthermore, it allowed the inclusion of business case development for the Aberdeen Rapid Transit proposal and associated multi-modal corridor studies. In addition, it was considered appropriate to include a risk provision for the External Links to Aberdeen South Harbour project in future years, capturing experience from other construction projects and the importance of this project.

After discussion, the Joint Committee **agreed** to:

- (1) Approve the proposals for future Business Case development, as set out in Table 3.1 of the report; and
- (2) Instruct the Director of Nestrans to report back on the completion of the business cases, and at other relevant milestones in their development.

10 SCOTTISH GOVERNMENT ADDITIONAL INVESTMENT UPDATE

With reference to the Minute of Meeting of the Joint Committee of 17 November 2023 (Item 7), the Joint Committee had before it a report dated 9 February 2024 providing an update on the progress of the A90/A937 Laurencekirk Junction Improvement Scheme.

Paul Finch, Nestrans provided an update and advised that Nestrans, Aberdeenshire Council and Transport Scotland had been in regular communication on the project and work was continuing to seek to resolve concerns which would allow the removal of all objections and progression to a final draft Heads of Terms Agreement. Officers from

Transport Scotland Design Team were in attendance and provided reassurance that the Scottish Government was committed to taking forward the Laurencekirk junction Improvement Scheme and Transport Scotland were continuing to engage constructively and actively with Aberdeenshire Council to seek to resolve concerns and get in place the necessary agreement that would allow the objection to be withdrawn and the scheme to be moved forward.

After discussion, the Joint Committee **agreed** to note the update in the report.

11 NET ZERO TECHNOLOGY CENTRE

The Joint Committee had before it a report dated 25 January 2024 providing an update on the plans for the Net Zero Technology Centre (NZTC) over the remaining term of the Aberdeen City Region Deal and asking the Joint Committee to agree that Phase 3 is in line with the approved Business Case and to note the key milestones against the ACRD funding for 2024/25.

Myrtle Dawes, CEO of the NZTC and Nicola McIntosh, Chief Finance Officer, NZTC were in attendance and Myrtle gave a brief overview of the work of the NZTC, which had become an established and successful global offshore oil and gas mature basin technology development centre, since its inception in late 2016 as the Oil & Gas Technology Centre (OGTC) to its evolution to the NZTC in 2021. She noted that the Centre supported the industry's commitment to a net zero North Sea and the local regions commitment to net zero. The NZTC was now moving into Phase 3 of its operation in line with the approved Business Case, which envisaged a global 'go to' technology venture based in Aberdeen for the delivery of technology innovation driven by industry. This ambition was further supported by the exit strategy in the approved Business Case, where NZTC was expected to be financially self-sufficient to enable operations post the end of the ACRD funding period.

Thereafter, after further discussion, the Joint Committee **agreed** to:

- 1) note the NZTC delivery to date;
- 2) agree that Phase 3 is in line with the approved Business Case; and
- 3) note the key milestones against the ACRD funding for 24/25 (related to Phase 3).

12 NET ZERO TECHNOLOGY CENTRE - SUPPLEMENTARY INFORMATION

The Joint Committee had before it and **noted** exempt Appendices 1, 2 and 3 to the report on Net Zero Technology Centre which had been provided as background to item 11 on the agenda.

13 EXTERNAL TRANSPORTATION LINKS TO ABERDEEN SOUTH HARBOUR

The Joint Committee had before it a report dated 9 February 2024 which presented the Aberdeen South Harbour Link Road Design Manual for Roads and Bridges (DMBR) Stage 3 Scheme Assessment, sought approval for the Updated Outline Business Case (OBC), provided an update on the project progress and outlined the

next steps required to expedite the project towards completion at the earliest opportunity.

The Joint Committee heard from Alan McKay, Team Leader, Roads Projects, Aberdeen City Council who provided an update on the project including a summary of the Stage 2 Preferred Option Consultation Feedback, an update on the Business Case DMRB Stage 3 update, and a summary of the next stages. He advised that due to current outturn costs, as part of the BMRB Stage 3 design development process a value engineering exercise was undertaken to determine areas where costs may be reduced without impacting on the project outcomes and he highlighted the identified proposed areas of reductions, as well as the option to consider separate phased delivery.

During discussion, Members were keen to ensure that any traffic disruption at the South Harbour would be minimised during the construction period. Mr McKay advised that temporary arrangements would be examined as part of the detailed design to address this issue and this information would be reported back through future updates.

Thereafter, the Joint Committee **agreed** to:

- (1) note the proposed scheme as detailed within the Design Manual for Roads and Bridges Stage 3 Scheme Assessment (Appendix [A]);
- (2) subject to the recommendations within item 09 being approved by the Joint Committee, approve the updated Outline Business Case (Appendix [C]);
- (3) note the feedback received from the Stage 2 consultation;
- (4) instruct the Chief Officer – Capital, Aberdeen City Council, following consultation with the Chief Officer - Operations and Protective Services, to consider the viability of further restricting access by Heavy Good Vehicles to Torry and Cove via the Coast Road and bring a report to the Joint Committee on any proposals;
- (5) note the intention to progress with the voluntary acquisition of land required for the scheme where possible;
- (6) note the Chief Officer – Capital, Aberdeen City Council, will be recommending to Aberdeen City Council that it uses Compulsory Purchase powers in order to acquire land for the delivery of the Project;
- (7) instruct the Chief Officer – Capital, Aberdeen City Council, to progress all necessary procurements, approvals, permissions, licenses, agreements and consents required to develop and implement the External Transportation Links to Aberdeen South Harbour within its budget;
- (8) instruct the Chief Officer - City Growth, Aberdeen City Council, in their remit as Chair of the Programming Board to submit the updated OBC to the UK and Scottish Governments;
- (9) instruct the Chief Officer – City Growth, Aberdeen City Council to request, from the UK and Scottish Government, the drawdown of the remainder of the funds

allocated to this project as and when required to develop and implement the scheme; and

- (10) Agreed that where any urgent decisions are required to be taken by the Joint Committee to ensure this project is not delayed, that it be delegated to the Chief Officer, Capital, Aberdeen City Council, following consultation with the Chair, Vice Chair and a representative of ONE. For the avoidance of doubt, this delegation should only be used where it is not possible to convene a special meeting in order to avoid any delays and will be reported back to the next meeting for information.

Draft

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Report Name	Aberdeen City Region Deal Quarterly Progress Update
Lead Officers	Julie Wood, Interim Chief Officer City Growth, Aberdeen City Council Mary Beattie, Section 95 Officer, Aberdeenshire Council
Report Authors	Stuart Bews, ACRD Programme Manager, Aberdeen City Council Aigul Gray, Project Support, Aberdeen City Council John Lovie, Finance Accountant, Aberdeenshire Council
Date of Report	10th May 2024
Governance	City Region Deal Joint Committee

1. Purpose of the Report

1.1 To update the Joint Committee on:

- a) The progress of the last quarter of the Aberdeen City Region Deal Programme under the headings Governance, Milestones, Benefits and Finance. This report includes a visual Summary Dashboard in Programme Update.
- b) Each projects progress - Appendix A.
- c) MoU 5G projects progress – Appendix B

2. Recommendations for Action

2.1 It is recommended that the Aberdeen City Region Deal Joint Committee:

- a) Notes the content of the Programme and Projects Update at Appendix A.
- b) Notes the update of 5G projects funded by the additional investment from Scottish Government Memorandum of Understanding in relation to Digital Programme for the Aberdeen City Region.

3. Programme Update

3.1 Summary Dashboard

- The Red Amber Green (RAG) status is over the agreed timeline for the 10-year Deal. Benefits realisation will continue post 2026/7.

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RAG Status: Green on track, Amber – items are being monitored and managed, Red - items are being escalated.

THEME	TIME	BUDGET	BENEFITS
Innovation			
Transport		<p>External Transportation Links to Aberdeen South Harbour If the Scheme Costs estimate exceeds the current available funding, it may not be possible to deliver the project in its entirety which may reduce the benefits of the scheme. The scheme estimate has been revised as part of the updated Outline Business Case. The risk allocation within the Quantified Risk Assessment includes a range of costs with the most probable risk outcome pushing the scheme estimate over the current available budget. Options for additional funding routes or potential phasing of delivery are being considered and include consideration of use of part of budget allocated to the Strategic Transport Appraisal.</p>	
		<p>Strategic Transport Appraisal The current programme has been reviewed reflecting on outcomes of Hydrogen Refueller study which indicated a reduced scope and funding requirement, alongside other pressures and opportunities. Updated proposals for business case development and associated funding allocations for the remaining three years of the Deal approved by Joint Committee on 9 February 2024.</p>	
Digital		<p>MoU funded 5G Projects Ministerial approval from Scottish Government Memorandum of Understanding was resolved including confirmation of 2025/26 funding.</p>	
		<p>There is remaining Digital funding to be committed. Partners have been awaiting confirmation of how Project Gigabit will be delivered within the region. Recent updates from Scottish and UK Governments indicate that Lot 5 (Aberdeen City & Aberdeenshire) is expected to be opened for procurement before Summer 2024. The Digital Engagement Team is monitoring Project Gigabit procurement process and supporting the development of build plans for the Aberdeen City Region.</p>	

3.2 Governance

3.2.1 As part of the Grant Offer Letter:

- Project Management Office submitted a bi-annual report to Scottish Government including forecast for the remainder of the term for the overall Programme and by individual Project in February 2024.
- An Annual Report and an Annual Benefits Realisation Report for 2023/24 is to be submitted to United Kingdom Government and Scottish Government

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(UK/SG) in summer 2024. These reports will be presented at September's Joint Committee incorporating any feedback from governments.

3.2.2 The Digital Programme is supported by a Digital Working Group made up of expertise and representation from wider networks. The Group meets regularly to collaborate and explore new project ideas qualifying criteria for the remaining Digital infrastructure funding.

3.2.3 UK Government (UKG) have been gathering research on regional economic growth initiatives as part of the Scotland Office's review into Local Economic Growth in Scotland. In order to gain a wide array and fuller understanding of views and to offer an additional opportunity to provide detailed reflections in relation to UK Government local growth interventions in Scotland. The Deal's Project Management Office (PMO) had an action to complete questionnaire by 23rd February 2024 as the first part of the dialogue, with a follow up engagement at Chief Executive and at political level once wider working level and stakeholder views linked to this Deal have been collated. Following the submission of the questionnaire, City & Growth Deals Team, Scotland Office have scheduled a follow-up in-person session with Deal's PMO on 8 May 2024. The outcome of this session will be circulated with the Aberdeen City Region Deal Programme Board and Joint Committee, and Chief Executive of both local authorities offline.

3.2.4 The Deal's regional partners have been aware of a [Call for Evidence - Committees - UK Parliament](#) from the Scottish Affairs Committee within the UK Parliament to provide response with the deadline for submission on 21 April 2024. The response was submitted by Chief Officer – City Growth of Aberdeen City Council, who is also Chair of the ACRD Programme Board following consultation with the City Region Deal Programme Board using the delegated authority from the Aberdeen City Region Deal Joint Committee granted in February 2024.

3.3 Project Gigabit

3.3.1 Project Gigabit is the UK Government's UK wide programme aiming to increase the availability of gigabit capable broadband infrastructure, with a target of reaching 85% of all premises by 2025, with the rest of the UK (or 99%) by 2030. In Scotland, delivery of Project Gigabit will be facilitated with the launch of 6 procurement lots, into which telecoms operators will bid for public subsidy to connect premises to gigabit capable broadband, which cannot currently access this, and are not in scope for any commercial or publicly funded plans to be upgraded to such.

3.3.2 Aberdeen City, along with the majority of Aberdeenshire, has been confirmed as being included in the Lot 5 procurement for Project Gigabit in Scotland, along with the Moray Coast, parts of Angus and Dundee City. The size and scope of this procurement lot has been determined with input from telecoms operators and the telecoms industry through a rolling Open Market review process.

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- 3.3.3 Updates from Scottish and UK Governments indicate that Lot 5 is expected to be opened for procurement before Summer 2024, with the procurement process likely to take a minimum of 12 months. After a successful bidder is announced, it is expected that a premise list showing deployment plans and scope will be developed and provided to stakeholders, including Local Authorities and the Aberdeen City Region Deal.
- 3.3.4 The Digital Engagement Team is committed to continue dialogue with all levels of Government, as well as with telecoms industry stakeholders, to monitor progress of Project Gigabit procurement and to support the development of build plans for the Aberdeen City Region.

3.4 Benefits

- 3.4.1 Projects will continue to report on the plan through the annual benefits update. The Communications group will continue to work with projects to highlight major milestones and benefits through coverage in the media.
- 3.4.2 Media update of individual projects can be viewed at www.abzdeal.com and include the following coverage from the last quarter:
- [National Subsea Centre Launches Centre for Doctoral Training in Net Zero Technologies](#)
 - [NZTC - Horizon Scanning Launch event](#)
 - [NZTC announces 2024 clean energy accelerator start-up cohort](#)
 - [NZTC - Corrosion Under Insulation Testing call for tech winners announcement](#)
 - [North-east food and drink hub One SeedPod 'on track' to open next year](#)
 - [Aberdeen South Harbour Link Road Public Exhibition](#)
 - [ONE Seedpod food manufacturing innovation hub marks construction milestone](#)

3.5 Finances

- 3.5.1 The funding mechanisms of the Aberdeen City Region Deal are centrally managed by Aberdeenshire Council Finance Service, with support from the PMO and oversight by the Programme Board. The membership of the Programme Board includes Aberdeenshire Council's Section 95 Officer to provide financial assurance of the programme finances, ensure the financial requirements of both United Kingdom Government and Scottish Government are met, and ensure alignment with the financial strategy and procedures of both Councils (through liaison with Aberdeen City Council Section 95 Officer).
- 3.5.2 The Deal is growing from £826.2m to £1.013bn primarily because of additional investment from the private sector for the Net Zero Technology Centre, Digital, ONE BioHub and ONE SeedPod, and Aberdeen South Harbour. The Financial Summary is set out in Table 1, Table 2, and Table 3.
- 3.5.3 Table 3 includes a revised forecast of External Transportation Links to Aberdeen South Harbour in FY26/27 & 27/28 following the letter from the Chairs of the Scottish City Region and Growth Deals Delivery Board confirming that this project will be permitted to utilise the £25 million Government allocation until the end of financial year 2028/29.

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Additional anticipated private sector funding for ONE BioHub and ONE SeedPod projects are also recorded for this period.

Table 1: Digital Theme Finance Summary shows a summary of the Digital Theme outturn position at Q4 2023/24 by individual project.

Table 1: ACRD – DIGITAL THEME FINANCE SUMMARY					
Digital Programme	Funding Source	Budget	Q4 Draft Outturn	Variance	Variance Notes/ Additional Comments
		£,000	£,000	£,000	
Duct Network	UKG/SG	1,361	375	(986)	Phase 3 design and programme works that are progressing are delayed because of weather conditions; resources continue to be a risk going forward for completion of the phase. Partners are working on a non-material change request to revise spend profiles and project milestones, noting that the delivery of Phase3 remains within the Deal timeline.
	Partners	0	0	0	
Others/City Network Extension	Partners	7,722	4,721	(3,001)	Staff resource costs to support the Digital programme and Private Sector contribution to City Network Extension. Works originally programmed by Private Sector for 2023/24 now being undertaken in 2024/25.
Total		9,083	5,096	(3,987)	

Summary			
Funding Source	Budget £,000	Q4 Draft Outturn £,000	Variance £,000
UKG/SG	1,361	375	(986)
Partners	7,722	4,721	(3,001)
Total	9,083	5,096	(3,987)

Table 2: Outline the Deal Draft Outturn for Q4 2023/24 including forecast expenditure for the financial year compared to the allocated budget and variance notes.

Table 2: ACRD – ACTUAL EXPENDITURE COMPARED TO FORECAST					
Programme	Funding Source	Budget	Q4 Draft Outturn	Variance	Variance Notes
		£,000	£,000	£,000	

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Net Zero Technology Centre	UKG/SG	27,100	17,161	(9,939)	In light of NZTC moving from funding quarterly in advance to monthly in arrears, as well maintaining a 2-month cash float, NZTC's cashflow outturn of £9.9m not drawn down in 2023/24 and is instead deferred to 2024/25. A revision to the cashflow forecast also reprofiles an element to 2025/26.
	Partners	40,786	31,193	(9,593)	The level of matched funding activity has been updated to reflect current expectations.
ONE BioHub	UKG/SG	577	577	0	
	Partners	3,417	896	(2,521)	With ONE BioHub opening later than planned, partner spend in 2023/24 relating to tenant fit was lower than budgeted.
ONE SeedPod	UKG/SG	5,535	1,197	(4,338)	Construction programme extended to accommodate finalisation of steel design, with action being undertaken by the contractor to reduce the impact over the remainder of the period. This delayed the commencement of the mechanical and electrical installation, with costs moving into early 2024/25. In addition, funding from another party, which was time limited, was used ahead of ACRD funding.
	Partners	5,898	5,788	(110)	Reflects slightly lower contributions from private sector than originally anticipated.
Digital	UKG/SG	1,361	375	(986)	Notes per Table 1
	Partners	7,722	4,721	(3,001)	Notes per Table 1
Strategic Transport Appraisal	UKG/SG	614	517	(97)	Less draw down on during FY23/24 on hydrogen refuellers and mobility hubs projects. Projects re-profiled following CRD Joint Committee decision in Feb 24.
	Partners	0	0	0	
External Transportation Links to Aberdeen Harbour Expansion	UKG/SG	986	956	(30)	An anticipated overspend for the financial year reported at Q3 did not materialise and spend ultimately aligned closely with original budget. Ground investigation costs were less than previously estimated.
	Partners	0	0	0	
Aberdeen Harbour Expansion	UKG/SG	0	0	0	
	Partners	2,200	2,234	34	Reflects slightly higher contributions from private sector than originally anticipated.
Total		96,196	65,615	(30,581)	

Summary

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Funding Source	Budget £,000	Q4 Draft Outturn £,000	Variance £,000
UKG/SG	36,173	20,783	(15,390)
Partners	60,023	44,832	(15,191)
Total	96,196	65,615	(30,581)

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Table 3: Outline the financial profile for the remainder of the Deal and prior year spend for each of the projects.

Table 3: ACRD Profile														
PROGRAMME		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Draft Outturn	Forecast	Forecast	Forecast	Forecast	Grand Total
Project	Funding Source	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	£,000
		£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	
Net Zero Technology Centre	UK/SG	4,100	12,200	17,600	25,200	26,700	22,900	19,100	17,161	15,693	15,881	3,465	0	180,000
	Partners	500	7,440	30,334	36,181	28,401	24,710	46,274	31,193	22,359	10,953	0	0	238,345
ONE BioHub	UK/SG	0	0	318	723	1,685	9,720	6,977	577	0	0	0	0	20,000
	Partners	101	157	532	460	281	2,374	550	896	3,810	3,634	3,600	3,600	19,995
ONE Seedpod	UK/SG	0	0	0	111	376	393	245	1,197	7,678	0	0	0	10,000
	Partners	13	21	53	469	424	1,350	2,751	5,788	1,471	1,476	1,409	1,401	16,626
Digital Theme	UK/SG	0	0	45	257	4,142	3,606	589	375	986	0	0	0	10,000
	Partners	0	0	8,842	16,305	9,839	8,496	11,711	4,721	3,084	3,002	0	0	66,000
Strategic Transport Appraisal	UK/SG	0	195	177	394	185	145	136	517	1,000	1,970	281	0	5,000
	Partners	180	0	0	0	0	0	0	0	0	0	1,820	0	2,000
External Transportation Links to Aberdeen South Harbour	UK/SG	0	28	128	139	106	70	419	956	3,162	11,000	8,000	992	25,000
	Partners	0	0	0	0	0	0	0	0	0	0	0	0	0
Aberdeen Harbour Expansion	UK/SG	0	0	0	0	0	0	0	0	0	0	0	0	0
	Partners	15,989	53,749	86,151	54,613	64,126	96,125	47,120	2,234	0	0	0	0	420,107

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Total	20,883	73,790	144,180	134,852	136,265	169,889	135,872	65,615	59,243	47,916	18,575	5,993	1,013,073
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Summary Current Profile													
Funding Source	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	Total
UK/SG	4,100	12,423	18,268	26,824	33,194	36,834	27,466	20,783	28,520	28,519	11,746	992	250,000
Partners	16,783	61,367	125,912	108,028	103,071	133,055	108,406	44,832	27,705	30,724	6,829	5,001	763,073
Total	20,883	73,790	144,180	134,852	136,265	169,889	135,872	65,615	59,243	47,916	18,575	5,993	1,013,073

Original Deal Profile													
Funding Source	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	Total
UK/SG	4,500	23,250	35,950	42,750	37,950	34,900	24,300	20,300	15,400	10,700	0	0	250,000
Partners	52,070	92,945	174,485	113,600	37,500	26,900	25,100	22,200	18,800	12,600	0	0	576,200
Summary Total	56,570	116,195	210,435	156,350	75,450	61,800	49,400	42,500	34,200	23,300	0	0	826,200

Original Deal v Current Profile													
Funding Source	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	Total
UK/SG	(400)	(10,827)	(17,682)	(15,926)	(4,756)	1,934	3,166	483	13,119	18,151	11,746	992	0
Partners	(35,287)	(31,578)	(48,573)	(5,572)	65,571	106,155	83,306	22,632	11,924	6,465	6,829	5,001	186,673
Summary Total	(35,687)	(42,405)	(66,255)	(21,498)	60,815	108,089	86,472	23,115	25,043	24,616	18,575	5,993	186,873

4. Finance and Risk

- 4.1** The grant offer letter states that “The Grantee and the individual partners will bear the costs of any financial overruns or increased spend on their respective Projects funded as part of the Programme.”

Appendix A: Project Update

1.1 Innovation Theme - Net Zero Technology Centre

1.1.1 **Key Milestones achieved:** The Oil & Gas Technology Centre (OGTC) Business Case approved 2016, OGTC opened February 2017, 18-Month Checkpoints with United Kingdom Government and Scottish Government (UK/SG) in March 2018, December 2020 and October 2022 – targets were met or exceeded. June 2021, Net Zero Technology Centre (NZTC) name change and pivot endorsed by Joint Committee and UK/SG. In October 2022, NZTC announced the launch of the Technology Services group.

1.1.2 **Previous Milestone:** Kick off TechX Cohort 6; Commencement of Open Innovation Projects (OIP2) Projects; NZTC Parliamentary Reception - to engage with MPs and raise awareness of NZTC ahead of submitting the new business case; Horizon Scanning Launch event – to position and promote NZTC's Horizon Scanning Service with industry to generate demand and leads in Q4 2023/24.

Next Milestone: TechX Cohort 6 delivery progressing with graduation planned for June 2024; In Q1 2024/25 OIP2 projects progress to completion and plan to launch Geothermal Centre; NZTC is working on delivering Phase 3 of the business case relating to NZTC post ACRD funding.

1.1.3 Net Zero Technology Centre is focused on developing and delivering affordable technology for a net zero North Sea, with the purpose of the organisation still in support of the Oil and Gas industry and the community we live in. A link to case studies on completed and live projects can be viewed at [Live Projects \(netzerotc.com\)](https://www.netzerotc.com).

1.1.4 The focus in this quarter was on the delivery of Technology Services Projects, along with commencement of the Open Innovation Projects and kick off of TechX Cohort 6. Preparation work on Geothermal Centre Launch is estimated for June 2024.

1.1.5 **Finance:** Draft Outturn expenditure for 2023/24, including matched funding, amounts to £48.34m, of which £17.161m is funded by UKG/SG and £31.193m is funded from Partners. Table 2 provides further information.



Caption: Net Zero Technology Centre

Appendix A: Project Update

1.2 Innovation Theme – ONE BioHub

- 1.2.1 **Key Milestones achieved:** Bio-Therapeutics Hub for Innovation Business Case approval by Joint Committee in June 2017 and Funding Partners October 2017. Successful Checkpoint review with United Kingdom Government and Scottish Government (UK/SG) took place in January 2020 and October 2022. ONE BioHub opened officially to users on 31 August 2023.
- 1.2.2 **Previous Milestone:** The first ONE BioHub tenant was signed up in September 2023
Next Milestone: Commercial discussions are advancing with several potential tenants for bespoke fit-out space within the hub
- 1.2.3 ONE BioHub (Bio-therapeutics Hub for Innovation) is a ten year £40million investment project to accelerate growth and build on the strengths of the Life Sciences cluster in the North-East of Scotland, which includes the company base, University of Aberdeen, Robert Gordon University and NHS Grampian. The ONE BioHub website can be viewed at www.biohubaberdeen.com
- 1.2.4 Since opening, ONE BioHub has hosted national industry trade bodies, international investors, and sector programmes to inspire the next generation of entrepreneurs and founders from within the region's universities and support startup and scaling businesses with best-in-class entrepreneurial education and mentoring. Over 2,000 members of the region's commercial, research, academic, and clinical life sciences community have used the hub.
- 1.2.5 ONE will continue to support ONE BioHub to work with partners to identify and secure further funding to fit out future growth spaces within the building for identified tenants.
- 1.2.6 ONE Life Sciences continues to deliver support to Life Sciences Companies through the delivery of activities, programmes and networking events.
- 1.2.7 **Finance:** Draft Outturn expenditure for 2023/24, including matched funding, amounts to £1.473m, of which £0.577m is funded by UKG/SG and £0.896m is funded from Partners. Table 2 provides further information.



Caption: ONE BioHub

Appendix A: Project Update

1.3 Innovation Theme – ONE SeedPod

1.3.1 **Key Milestones achieved:** The Food Hub Business Case approval by Joint Committee in August 2018; an updated Business Case was approved by the United Kingdom Government and Scottish Government (UK/SG) in January 2019. Successful Checkpoint review took place in January 2020 and October 2022. SeedPod change request highlighting key changes since the approved 2019 Business Case was approved by UK/SG Deals Board in July 2022 and at ACRD Joint Committee in September 2022.

1.3.2 **Previous Milestone:** Building wind & watertight; Internal fit out commenced in Q4 2023/24
Next Milestone: Completion of build project H2 2024/25

1.3.3 ONE SeedPod (The Food Hub) is a £27 million investment in the food and drink industry to create an innovation hub for manufacturing and production in North East Scotland that will deliver regional and national growth ambitions A link to the project can be viewed at [SeedPod | ONE \(opportunitynortheast.com\)](https://www.seedpodone.com)

1.3.4 The focus in this quarter was on:

- Roof cladding, external brickwork and internal partitions: The construction of these elements started in February and continued in March despite the wet and cold weather.
- Feature staircase and glass curtain walling: These components were installed in the atrium in March, adding to the aesthetic appeal of the building.
- Construction value work package commissions: As of mid-March, 96% of these commissions have been placed, indicating a high level of progress and efficiency.
- Internal fit out work: This work began in March with the Mechanical & Electrical installation and a significant increase in contractor activity on site.
- SRUC utility provision commitments: These commitments have been delivered in terms of the SSEN HV link and substation, and the Scottish Water new water supply connection to the west of the site.
- Roof topping comms event on 25 March 2024 involving funding partners was well covered in local media and social media, raising the profile of ONE SeedPod.

Operational planning underway in preparation for handover.

1.3.5 **Finance:** Draft Outturn expenditure for 2023/24, including matched funding, amounts to £6.985m, of which £1.197m is funded by UKG/SG and £5.788m is funded from Partners. Table 2 provides further information.



Caption: ONE SeedPod

Appendix A: Project Update

1.4 Innovation Theme - Aberdeen South Harbour – Project Completed

- 1.4.1 **Key Milestones achieved:** The Aberdeen Harbour Extension Business Case approved in August 2017. The Aberdeen City Region Deal investment in the project ran to £11 million, made up of Aberdeen City Council and Aberdeenshire funding. Construction of this transformational project started in 2017, with a phased handover of the quaysides from construction teams to marine operations since July 2022 and was fully completed in August 2023.
- 1.4.2 Aberdeen South Harbour officially opened in September 2023 and the expanded port now offers its customers and port users 7.6km of quayside, making it Scotland's largest berthage port. South Harbour adds an additional 1.5km of deepwater berths (up to a maximum of 15m depth) to the port estate and can accommodate ships up to 300m in length, a significant increase to the port's previous capability of 165m. It also has extensive heavy-lift zones, and 125,000m² of flexible laydown space with expansive project areas.
- 1.4.3 Her Royal Highness the Princess Royal officially opened South Harbour on Friday 22 September 2023 marking the completion of the UK's largest marine infrastructure project. During the event, The Princess Royal engaged with a wide range of people who helped take Aberdeen South Harbour from concept to completion, as well as representatives from the private, public and third sectors.
- 1.4.4 The Aberdeen City Region Deal Joint Committee has marked an important milestone, with the official project closure being signed off for Port of Aberdeen's Aberdeen South Harbour expansion in February 2024.
- 1.4.5 The expanded port is a national strategic asset and supports the economy of the North East and contributing to national and international connectivity, vital freight connections, the drive to net zero and Scotland's Just Transition. The Port will continue to share information in terms of the Benefits of the Aberdeen South Harbour project. All benefits will be captured in the Aberdeen City Region Deal Benefits Realisation Plan annually.



Caption: Aberdeen South Harbour

Appendix A: Project Update

1.5 Digital Theme - Duct Network

- 1.5.1 **Key Milestones achieved:** In January 2017, Joint Committee approved the Duct Network Extension Business Case. United Kingdom Government and Scottish Government (UK/SG) approved in January 2019. A Phase 2 approved in December 2020 and Phase 3 in February 2022. Successful checkpoint reviews with UK/SG took place in 2019, 2020 and October 2022.
- 1.5.2 **Previous Milestone:** Phase 2 100% completed
Next Milestone: Phase 3 programme ongoing design planning to be continued in Q1 2024/25
- 1.5.3 Aberdeen City Council already operates a duct network in the city, and this will be expanded to cover key strategic transport areas. Initially this duct network will be used by the Council, followed by engagement with commercial organisations to encourage them to use the expanded network to enhance their fibre offering in Aberdeen City, consequently stimulating the market. This project will also provide the enabling infrastructure for sensors and provide the opportunity for Aberdeen City to be used as a testbed for autonomous vehicles as well as supporting 5G installations.
- 1.5.4 In March 2021 works started for Phase 1 - West Route (A944) and Phase 2 - South route (A956). Phase 1 completed in September 2022 and Phase 2 completed in September 2023.
- 1.5.5 Phase 3 design and programme works is progressing with delay as a result of weather conditions. The resources continue to be a risk going forward for completion of Phase 3. Therefore, partners are working on change request to revise project financial spend and project milestones completion, noting that the delivery of Phase 3 remains within the Deal timeline.
- 1.5.6 This quarter the Squad relocated from Anderson Drive to Holburn street to improve the traffic management and reduce the disruption caused by the resurfacing work.
- 1.5.7 **Finance:** Draft Outturn expenditure for 2023/24, amounts to £0.375m and is funded by UKG/SG. Table 1 provides further information.

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1.6 Digital Theme - City Network Extension– Project Completed

1.6.1 **Key Milestones achieved:** In November 2017 Joint Committee approved this project and the connection of fifty-seven public sector sites. CityFibre with Vodafone announced a £40million investment for Fibre to The Premises Build in February 2018. In March 2021 TalkTalk announced as an Internet Service Provider (ISP). CityFibre recently announced plans worth a further £19million to connect more premises in the city. Successful checkpoint reviews with United Kingdom Government and Scottish Government (UK/SG) took place in 2019, 2020 and October 2022.

In November 2021, the last milestone was completed, and final payments made, the City Network Extension project extended Aberdeen City Council's fibre network to fifty-seven public owned buildings sites across the city such as schools and sheltered housing. It has successfully stimulated private investment to extend and deploy fibre, providing most of the city with access to 'fibre to the premises' and creating a 'Gigabit City.'

1.6.2 To date the following benefits have been met and realised:

- Public sector sites that previously had low speed connections, now can work better, and increase their bandwidth. In addition to having the flexibility to expand at these sites, they are pro-actively managed in the event of any performance issues / outages.
- Additional private sector investment has been made sooner than without this Aberdeen City Region Deal investments.
- Aberdeen is now a gigabit City with increased availability of fibre to the premises.
- The Scale – over 768Km Network build.
- There were eighty-five jobs created throughout the build.
- Access to CityFibre's 'City Gigabit Club.'
- Utilisation of existing Ducts share and partnership working to reduce digs and carbon impacts.
- CityFibre have been involved in supporting community projects.

1.6.3 Benefits still to be fully realised include:

- Laying the foundation for further connectivity such as 5G and Internet of Things. The Council and CityFibre are exploring how innovative technology can provide benefits and opportunities for services and citizens.
- CityFibre is currently investigating the foundation for expansion into key economic locations.

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1.7 Digital Theme - Full Fibre Infrastructure – Project Completed

- 1.7.1 **Key Milestones achieved:** In February 2018, Joint Committee approved a revised (January 2017) Digital Infrastructure Project Business Case which approved by United Kingdom Government and Scottish Government (UK/SG) in January 2019. Network build started in June 2020. Original contract network build completed in March 2022. Successful Checkpoint reviews with UK/SG took place in 2019, 2020 and October 2022.
- 1.7.2 The Full Fibre project was designed as a public sector anchor tenancy model, meaning that by connecting public sector through an approved framework it could stimulate a commercial investment into the city and region, to rollout fibre to the premises (FTTP) to homes and businesses. It was delivered in partnership between Neos, Aberdeenshire Council, Aberdeen City Council and NHS Grampian under the Aberdeen City Region Deal (ACRD).
- 1.7.3 The project represented a major investment and commitment to bring full-fibre connectivity to the region to boost economic activity and quality of life as well as improve the delivery of public services. All sites within the original contract have been connected and transitioned to the corporate network. A saving in the resources budget allowed additional sites to be added. In March 2023, the last milestone was completed – a new school was connected and final payments made.
- 1.7.4 To date the following benefits have been met and realised:
- Increased availability of fibre to the premises in Aberdeen City Region - the dark fibre network stretches for some 275km and links six major locations - Aberdeen, Westhill, Stonehaven, Banchory, Inverurie and Ellon as well as the smaller communities in between. This network connects 192 public sector buildings is within reach of 44,000 homes and 1,700 business premises. Unused capacity within the network can be offered commercially to residents and businesses across the region.
 - Employment opportunities delivered via Community Benefits clauses.
 - Full Fibre project announced as the outright winner of the prestigious Social Value Award.
- 1.7.5 Benefits still to be fully realised include:
- Neos are building an upgraded Ciena Optical network connecting Aberdeen diversely to Inverness, Perth, and Dundee and from there Edinburgh, Glasgow and the rest of the UK. This build will enable NEOS to offer higher capacity resilient services to be offered to and from the Aberdeenshire area. The network is well underway and is expected to be ready for service later this calendar year. There is already interest from a number of Altnets in buying high-capacity services on this build upgrading their backhaul from the region.
- 1.7.6 The Digital Programme will continue to work with NEOS and report on the Benefits of the Full Fibre infrastructure project. All benefits will be captured in the ACRD Benefits Realisation Plan annually.

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1.8 Transport Theme - Strategic Transport Appraisal

- 1.8.1 **Key Milestones achieved:** The Strategic Transport Appraisal Business Case approval by Joint Committee, Aberdeenshire Committee and United Kingdom Government and Scottish Government (UK/SG) in November 2017. Successful Checkpoint Reviews with UK/SG took place in November 2019, March 2021 and November 2023. Proposals for the next years of work on the Strategic Transport Appraisal were considered by the Aberdeen City Region Deal (ACRD) Joint Committee in May 2021 and were updated in June 2022 to reflect progression of work. ACRD Joint Committee in February 2024 to reflect progression of work and changes in external funding environment.
- 1.8.2 **Previous Milestone:** Strategic Transport Appraisal Budget Proposals Q4 2023/24
Next Milestone: Business Case development work on specific schemes
- 1.8.3 The Strategic Transport Appraisal (STA) is tasked with considering the future transport requirements of the region over the next twenty years, taking account of the impacts arising from the investment associated with the Deal and completion of the Aberdeen Western Peripheral Route etc.
- 1.8.4 Work on the Strategic Transport Appraisal to date has successfully informed the Regional Transport Strategy, which has been approved by the Transport Minister. Local authorities are basing their Local Transport Strategies on this work.
- 1.8.5 In February 2024, the ACRD Joint Committee approved updated proposals for business case development and associated funding allocations for the remaining three years of the Deal. The current programme has been reviewed reflecting on outcomes of Hydrogen Refueller study which indicated a reduced scope and funding requirement, alongside other pressures and opportunities. Updated Strategic Transport Appraisal proposals include:
- **ASAM Transport Model** – now completed and being used for range of projects across the region to assist with future year forecasts for appraisals. Being used as an input to “evidence reports” for each local authority’s Development Plan.
 - **A90/A952 Appraisal** – Continuing scheme development beyond Scottish Transport Appraisal Guidance (STAG) options appraisal to Design Manual for Roads and Bridges (DMRB)/Business Case responds to need and opportunity to deliver an infrastructure improvement at pace.
 - **A956 Wellington Road** – Extend scope through to DMRB Stage 3 (detailed design), ensuring coverage between Craigshaw Drive and Charleston Road North.
 - **Rail Freight Terminals Review** – Current stage of work completed in November 2023, no immediate requirement for further options development, pending outcome of other workstreams.
 - **Regional Hydrogen Refuellers** – Reduce scope to consider business case for solution such as a portable fuelling facility, linked to initial H2 HGV / fleet trials in regional locations.
 - **Mobility Hubs** – Strategic business case work ongoing, anticipating reporting in FY 2024/25.

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- **Aberdeen Rapid Transit (ART) Development** - Progression of business case development for Aberdeen Rapid Transit proposals, building on STAG and Strategic Business Case work already underway.

1.8.6 **Finance:** Draft Outturn expenditure for 2023/24, amounts to £0.517m which is funded by UKG/SG.

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1.9 Transport Theme - External Transportation Links to Aberdeen South Harbour

1.9.1 **Key Milestones achieved:** The project has undergone various stages of appraisal and assessment, such as the Strategic Business Case, the Scottish Transport Appraisal Guidance (STAG) Pre-Appraisal, the STAG Detailed Options Appraisal, and the Outlined Business Case.

1.9.2 **Previous Milestone:** Updated Outlined Business Case update; DMRB Stage 3 – Engineering and Environmental Assessment Reports in Q4 2023/24

Next Milestone: Submission of Planning Application in Q1 2024/25

1.9.3 The project External Transportation Links to Aberdeen South Harbour is focussed on delivering the most appropriate road, public transport and active travel measures to improve wider linkages to the Aberdeen South Harbour Development at Bay of Nigg and support the Energy Transition Zone.

1.9.4 The External Transportation Links to Aberdeen South Harbour project is being progressed by Aberdeen City Council, as Local Roads Authority. Following the early Scottish Transport Appraisal Guidance (STAG) assessment stages the project has progressed through the Department for Transport (DfT), Design Manual for Roads and Bridges (DMRB), Scheme Assessment Reporting processes.

- The DMRB Stage 2 Route Option Assessment process identified a preferred route option within the STAG preferred corridor in September 2023.
- The DMRB Stage 2 preferred route option was refined and subject to DMRB Stage 3 Scheme Assessment.
- The Stage 3 design includes segregated uni-directional cycle facilities on both sides of Hareness Road.
- A revised right/left stagger at the Hareness Road/Hareness Place/Coast Road priority junction is provided.
- The new bridge over the Aberdeen to Dundee Railway line removes the current shuttle working and constrained horizontal alignment.
- An Outline Business Case (OBC) has been developed to present the case for the intervention.
- Detailed Design for the project has commenced and pre-planning application engagement has concluded.

1.9.5 **Finance:** With a £25m investment from UKG/SG this project's main period of expenditure will be towards the end of the Deal period. Draft Outturn expenditure for 2023/24, amounts to £0.956m which is funded by UKG/SG. Table 2 provides further information.

1.9.6 A summary of the key risks for the project and mitigations is provided below.

Description	Mitigation (Counter Measures)
Quality of Service –The developed solution does not meet the long-term expectations of key stakeholders such as Energy Transition Zone (ETZ), Port of Aberdeen, Community Groups and other Road Users	Regular liaison with Key Stakeholders at an early stage to confirm design requirements from the outset.

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Reaching a agreement with Network Rail on construction of new railway bridge. Network Rail (NR) seeking to control design process. Could result in project delays and cost over runs.	1. Establish points of contact with Network Rail. 2. Request and obtain a asset information and Bridge Asset Protection Agreement (BAPA). 3. Review and agree BAPA. 4. Consult NR throughout the assessment work.
If Utility Companies do not perform in accordance with the programme, then delays and extra costs could arise resulting in delay in completion of the Scheme.	Close and regular liaison with utilities throughout - contact established with Utilities providers - Key clashes to be identified and regular consultation undertaken to minimise impact during development of preferred option.
Necessary statutory approvals for development cannot be gained or are delayed resulting in overall project delays and cost increases	Early and continual engagement with Aberdeen City Council (ACC) planning department, roads department and external statutory consultees.
Unable to acquire third party land required.	If land acquisition required, early engagement and discussion with relevant landowners to take place. Compulsory purchase process would be progressed in parallel to voluntary acquisition discussions
Landowners may not permit access for surveys/ ground investigation	Prepare Road Scotland Act S140 Notices in advance of any surveys or investigations
Ineffective internal communication	Hold regular senior management meetings. Prepare matrix of key personnel and note what information personnel should be kept up to date with.
Act of God/ Force Majeure/ Covid	To be guided by national strategies
Adverse reactions from public and businesses due to changes in traffic management and impacts of construction works on traffic flow in and around A1 tens.	Need careful communications and stakeholder engagement to ensure support for the scheme. Public consultation on all proposed route options has taken place with selected route corridor being preferred option. Detailed design of the preferred alignment to follow similar process.
Political support not achieved resulting in significant delays.	Preferred route corridor option already agreed by Elected Members on the City Resources and Growth Committee. Further stakeholder engagement and regular briefings of project delivery team, senior management team Elected Members and Cabinet.
If the Scheme Costs exceeds the current available funding it may not be possible to deliver the project in its entirety, this may reduce the benefits of the scheme.	As the detailed design for the project progresses further design development and value engineering will be conducted to reduce costs. Options for additional funding routes or potential phasing of delivery are being investigated.

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Appendix B: MoU Digital – 5G Project Update

1.1 Digital Theme - 5G projects

1.1.1 **Key Milestones achieved:** Projects 5G Port of Aberdeen, Huntly and ONE Pop Up Network recommended options as part of the Digital Infrastructure Business Case Gap Analysis approved at Aberdeen City Region Deal (ACRD) Joint Committee in November 2022.

1.1.2 **Previous Milestone:** 5G Project initiation & start procurement Q4 2023/24

Next Milestone: Port of Aberdeen 5G project: Commencement of installation work; Huntly 5G project: Completion of the development of technical and systems integration requirements to support identified case studies; ONE 5G Pop Up Network: Launch of the first project.

1.1.3 In November 2022 the outcome of the digital infrastructure gap analysis produced three new projects to deliver 5G networks in the region. 5G Project initiation & start of procurement process commenced following completion of subsidy control and signed 5G Grant Agreements in 2023/24. The focus of this quarter for three 5G projects was:

- **Port of Aberdeen 5G project** - The Public Contracts Scotland tender process was completed and a successful network provider and supporter, North SV Limited, was appointed. In the next period, the key tasks include specifying and ordering key network infrastructure for South Harbour, partially installing it, identifying initial use cases in South Harbour and establishing purchasing requirements. Approved budget amounts to £1m.
- **Huntly 5G project** - The project team has identified and engaged with various stakeholders, including Huntly Development Trust, Opportunity North-East, ScotEID, Mobile Network Operators and the Scotland 5G Centre. The project has identified several use cases, such as town centre WiFi, environmental monitoring, ambient assisted living, livestock methane sensing, biodiversity monitoring, and off-grid 5G. The project has also procured and will test various technologies, such as standalone 5G network, 5G NB-IoT, LoRaWAN sensors, and next generation fixed wireless access. The next phase of the project will include developing the technical and systems integration requirements to support identified case studies. Approved budget amounts to £1.5m.
- **ONE 5G Pop Up Network** - The project has completed the implementation plan, equipment specification, pilot site identification, and a public event in the reporting period. The project plans to receive, test, and commission the equipment, continue the business engagement, launch the first project, open the applications for project funding, and identify the second and third deployment sites in the next reporting period. Approved budget amounts to £0.327m.

1.1.4 **Finance:** 5G Digital projects was approved to be funded from the Scottish Government Memorandum of Understanding (MoU) additional investment announced alongside the City Region Deal in March 2016.

- £10 million for extension of digital infrastructure in the Aberdeen and Aberdeenshire area above and beyond the commitment through the City Deal.

ABERDEEN CITY REGION DEAL:

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Appendix B: MoU Digital – 5G Project Update

The Aberdeen City Region Deal Joint Committee will be kept informed of progress with the overall digital project so it can maximise synergies with the rest of the City Region Deal investments.

1.1.5 The Financial Summary of 5G projects is provided in the Table 1 below.

Table 1: MOU - DIGITAL THEME FINANCE SUMMARY				
Digital Programme	Funding Source	2023/24 Budget	Q4 Draft Outturn	Variance
		£,000	£,000	£,000
Port of Aberdeen 5G project	SG (MoU)	0	0	0
Huntly 5G project	SG (MoU)	200	200	0
ONE 5G Pop Up Network	SG (MoU)	100	100	0
Total		300	300	0

Summary			
Funding Source	2023/24 Budget £,000	Q4 Draft Outturn £,000	Variance £,000
SG (MoU)	300	300	0
Total	300	300	0

ABERDEEN CITY REGION DEAL: Powering Tomorrow's World

Report Name	Digital Stakeholder Lead Post
Lead Officer	Paul Macari
Report Author	Stuart Bews
Date of Report	10 th May 2024
Governance	City Region Deal Joint Committee

1:	Purpose of the Report
	<ul style="list-style-type: none"> i. To seek approval to allocate funding from ACRD Digital theme to extend the post of Digital Stakeholder Lead post up to September 2026.

2:	Recommendations for Action
	<p>It is recommended that the Joint Committee:</p> <ul style="list-style-type: none"> i. Delegates authority to the Head of Finance, Aberdeenshire Council as Section 95 Officer of the Deal to allocate up to £130,000 from the existing Digital Theme Funding to resource the costs relating to the Digital Stakeholder Lead Officer post until end of September 2026.

3:	Summary of Key Information
	<ul style="list-style-type: none"> i. Funding was agreed previously by the Joint Committee to fund a Digital Engagement Team until June 2024. The intention is to extend the remaining post until September 2026 to allow for aggregation and demand stimulation activities across both Local Authority area resulting in more premises being able to access superfast and gigabit capable broadband services. ii. Since inception, the Digital Engagement Team has directly supported over 3,700 residents in matters relating to digital connectivity. Additionally, the team has attended 48 public events in the past year to provide advice, support and information directly to communities and stakeholders. iii. By extending the funding of the Digital Engagement Team, there are some key benefits this will bring to the Aberdeen City Region:

3:	Summary of Key Information
<ul style="list-style-type: none"> • Continued & increased uptake in the SBVS & GBVS, resulting in more premises being able to access superfast and gigabit capable broadband services. With more premises able to benefit from superfast broadband, this will have direct economic impact for the region, allowing more businesses to be set-up and run rurally with good connectivity, and allow people to work from home. This will also play a part in growing the region as a desirable place to live, with connectivity being seen as an essential service for many. • Continued working relationships and collaboration with telecoms operators, to support them in growing their infrastructure networks and customer base. This will support local telecoms businesses to grow, increasing their revenue and customer base, whilst also providing an opportunity for these companies to grow their teams and employ local residents. This will also attract new businesses to the region, helping for jobs creation and market competition. • Further development of full-fibre (FTTP) projects in rural areas, where the prospect of commercial improvements is minimal. Development of these projects will help to make the City Region a leader in innovation and deployment in connectivity, and play a part in de-monopolising the infrastructure in the North East of Scotland. • Further lobbying capability to Scottish Government, UK Government, and telecoms industry. Continued funding of the Digital Engagement Team will give the City Region a unique ability to lobby both Scottish and UK Governments, emphasising the needs and opportunities of further investment and support in the North East of Scotland. No other Scottish Region currently has dedicated resource to achieve this. • Targeted business support in the realm of digital connectivity and productivity. In the coming year(s), the Digital Engagement Team are committed to conducting research and analysis to identify business needs in the region, in matters relating to digital connectivity, and other digital areas. Following this, we will be able to offer specialised business support for the Digital Sector, as well as digital support for traditional industries. • Continued support for residents and communities in matters relating to digital connectivity. • Dedicated resource to develop, or contribute to, strategies to improve digital connectivity for the region, by playing a part in Aberdeen City Region Deal projects and strategy. • Ability to focus on the 'Digital Economy' by providing dedicated resource to work with business and industry on improving the digital space and digital economy for commerce, thus allowing businesses to grow and bring further economic prosperity to the region. Additionally, a focus on digital economy allows us to support circular economy objectives, as if people are able to live and work comfortably in rural areas, with good connectivity, money and investment will stay local. 	

3: Summary of Key Information

- Capacity to explore opportunity to secure additional external funding streams, to develop workstreams and projects focussed on: the digital economy; digital inclusion; digital sector; etc.

Table 1 – Evidence of success of DET to date.

<i>Promotion of Solutions</i>	<i>Operator Engagement</i>	<i>Community Engagement</i>	<i>Added Value</i>
<ul style="list-style-type: none"> • Aberdeenshire now has the highest uptake of the Scottish Broadband Voucher Scheme (SBVS) in Scotland, with 902 vouchers utilised, equating to a 12.2% uptake – this is significantly above the whole of Scotland which is at 3.4%. • DET has successfully lobbied and influenced Scottish Government in making improvements and adaptations to aspects of the R100 Programme. • DET has facilitated some of the R100 build programme, supporting in matters related to wayleaves, road closures, and public engagement. • Examples of SBVS and R100 success in the City Region have been highlighted at a national level, showcasing the benefits of the approach developed by the DET. 	<ul style="list-style-type: none"> • Creation of an ‘Operators Forum’ working with all telecoms operators in the Region. • Supporting Telecoms Operators to grow their networks and business through: <ul style="list-style-type: none"> ○ Exploring use of Council Assets & street furniture. ○ Working with Grampian Assessors to look at Business rates on infrastructure. ○ Supporting operators to benefit from the Full-Fibre Charter. • DET has developed working relationship with Openreach as the wholesale operator and R100 contractor. • DET has successfully attracted numerous telecoms operators to the Aberdeen City Region, increasing the number of active operators from 9 to 35, increasing the connectivity options for the region. • DET has facilitated the development of 8 externally funded full-fibre broadband projects in the Region, with several key telecoms companies. 	<ul style="list-style-type: none"> • DET has handled 781 live enquiries from members of the public, businesses, and community representatives. • DET has directly supported over 3,500 premises in matters relating to digital connectivity. • DET has organised or attended 48 community meetings, in partnership with Community Councils and other community groups. • DET works closely with Elected Members (Councillors; MSP’s; MP’s) handling public queries and concerns around digital connectivity. • DET has received a 4.5/5 rating in quality of support from residents, from a survey pool of 200 residents. • DET is actively working with Scottish Land & Estates, providing advice and support for owners of rural Estates in digital connectivity matters. 	<ul style="list-style-type: none"> • DET provides dedicated resource for the City Region in matters relating to digital connectivity. • DET has been able to lobby Scottish Government on programmes, to influence the R100 and SBVS programmes to the benefit of the City Region. • DET is leading the development of the Digital Inclusion Strategy for Aberdeenshire Council. • DET is working with National Trust to find connectivity solutions for NTS properties. • DET contributes to Cairngorms National Park Digital Steering Group & Digital Strategy. • DET Model has been highlighted as a notable success by other LA’s and Scottish Government. • DET has played a role in the continuing gap analysis in connectivity of the region, and the deployment of CRD funds for 5G

3: Summary of Key Information			
<ul style="list-style-type: none"> • DET has supported Scottish Government colleagues to expand the number of SBVS approved operators and create slicker voucher usage processes for operators. 		<ul style="list-style-type: none"> • DET is developing a plan for business support, to identify needs of businesses in the region in matters relating to digital connectivity. 	<ul style="list-style-type: none"> • Digital Place projects. • DET has contributed to Aberdeenshire Council's resilience strategies in relation to power and telecoms. • DET is contributing to the Local Development Plan.

4: Finance and Risk	
i.	The funding for the costs incurred will be met from the Aberdeen City Region Deal subject to agreement by Committee

ABERDEEN CITY REGION DEAL: Powering Tomorrow's World



Report Name	External Transportation Links to Aberdeen South Harbour – Progress Report
Lead Officer	John Wilson
Report Author	Ross Stevenson
Date of Report	10 May 2024
Governance	City Region Deal Joint Committee

1:	Purpose of the Report
<p>At the Aberdeen City Region Deal of 8 September 2023 the committee instructed:</p> <ul style="list-style-type: none"> i. <i>that regular update reports be provided in respect of the timescales and project finance costs to each future meeting of the Joint Committee;</i> <p>The purpose of this report is to update the Joint Committee on timescales and the project finance costs.</p>	

2:	Recommendations for Action
<p>It is recommended that the Joint Committee:</p> <ul style="list-style-type: none"> i. Note, in line with the Aberdeen City Region Deal Joint Committee meeting of 8 September 2023, the current update on the timescales and project finance costs including the Appendix 1 – ASHLR Stage 3 Exhibition Panels - April 2024. 	

3:	Summary of Key Information
<ul style="list-style-type: none"> i. Following consideration of the Aberdeen South Harbour Link Road Design Manual for Roads and Bridges (DMRB) Stage 3 Scheme Assessment and Updated Outline Business Case to the Joint Committee on 9 February 2024, they have now been submitted to the governments. The detailed design for the project continues to progress. <p>Public & Stakeholder Engagement</p> <ul style="list-style-type: none"> ii. An online public exhibition of the DMRB Stage 3 design, outlining the changes between DMRB Stage 2 and Stage 3, and giving a video flythrough has been 	

3: Summary of Key Information

advertised, this exhibition started on 8 April 2024 and continues until 6 May. An in person event was held at the Torry United Free Church on 15 April with landowners, tenants, stakeholders directly invited. Posters advertising the event were displayed in Cove, Altens and Torry. Social media posts were also used to highlight the exhibition. Copies of the Exhibition Panels used are included in Appendix 1.

CPO / Land Acquisition

- iii. The land required for the scheme has been identified as part of the DMRB Stage 3 and the detailed design of the Project. Aberdeen City Council owns most of this land, however, it is necessary to acquire third party land in order to deliver the scheme.
- iv. Letters have been issued to owners and tenants of land required for the scheme, advising of the need to acquire land and offering the opportunity to progress discussions on the voluntary acquisition of land. The District Valuer has been appointed to provide support with this process.
- v. Due to the total number of plots, it is unlikely that voluntary acquisition will be possible for all. As a result, compulsory acquisition is considered reasonable and proportionate to ensure that they can be acquired and within an appropriate timescale. At its meeting of 17 April 2024 Aberdeen City Council resolved to make a Compulsory Purchase Order, to implement the statutory procedures following on from the making of the Order and continue to pursue voluntary acquisition in parallel with the compulsory purchase process. It is intended that the order be made in the coming weeks.

Planning Application

- vi. Following the submission of a pre-application and subsequent feedback on that process a full planning application for the scheme has been progressed and is due to be submitted in the coming weeks.

Programme and Milestones

- vii. The milestones remain as follows:

Project Milestones	Current Date
Structure – Technical Approval (ACC and Network Rail)	07/11/2024
Submission of Planning Application	10/05/2024
DMRB Stage 3 Public Exhibition	06/05/2024
Complete Detailed Design	01/11/2024
Post Design Public Exhibition	01/11/2024
Supplier Selection – Complete SPD	11/09/2024
Conclusion of statutory processes	20/12/2024
Final Business Case	01/04/2025

3:	Summary of Key Information
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Major Milestone: Road Infrastructure Open for use	12/02/2027
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4:	Finance and Risk
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- i. Ongoing global factors are having a significant impact on the supply of construction materials with associated impact on overall scheme costs, as such the Project Team will regularly review the scheme cost estimate.
- ii. Following award of the construction contracts the financial profile for the project will be updated and the Joint Committee will be updated as part of the regular progress updates.
- iii. Timescale risks associated with the statutory approvals and the acquisition of third party land remain.

Appendix 1 - ASHLR Stage 3 Exhibition Panels - April 2024.

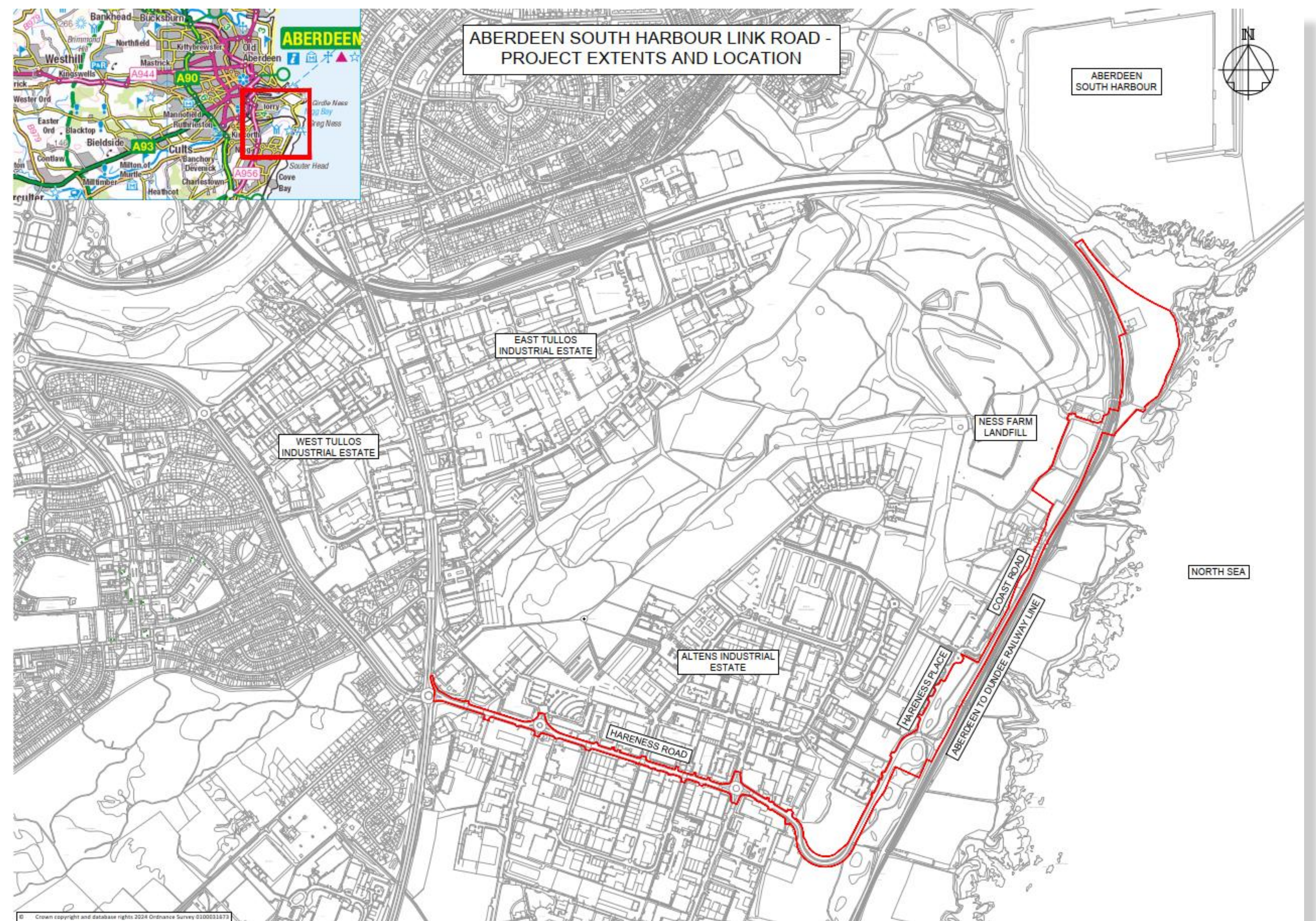
Introduction

Aberdeen South Harbour Link Road

is a road improvement project consisting of 3.4km of upgraded single carriageway road with walking, wheeling and cycling routes from Wellington Road to the newly-built Aberdeen South Harbour.

The intentions of the project are:

- Reduce journey times for heavy goods vehicles (HGVs) between Aberdeen South Harbour and the Aberdeen Western Peripheral Route (AWPR)
- Reduce the environmental and nuisance impacts of HGVs through Torry and Cove as they move towards the city bypass;
- Improve connectivity for all modes of transport (car, public transport, cycling, wheeling, and walking);
- Improve connectivity between proposed Energy Transition Zone (ETZ) businesses and other energy related businesses in Aberdeen;
- Improve access to Aberdeen South Harbour and proposed ETZ sites for the widest range of abnormal loads possible whilst minimising the impact on residential and business properties, specifically through Torry and Cove; and
- 1 • Improved connectivity between the proposed ETZ sites and Aberdeen South Harbour.



Project Background

The first stage of the project was the Scottish Transport Appraisal Guidance (STAG) work which was undertaken between 2018 and 2021 to examine transport connectivity to and from Aberdeen South Harbour. The STAG work identified appropriate transport improvements and a preferred corridor which were taken forward to a Strategic Business Case.

The Strategic Business Case recommended investment in active travel facilities and widening of Coast Road for access to the South Harbour including a new bridge over the Aberdeen to Dundee Railway Line.

The Design Manual for Roads and Bridges (DMRB) Stage 2 Route Options Assessment was completed in 2023. This assessment identified a preferred route option from a number of designs within the STAG corridor. This preferred option was consulted upon throughout November 2023 with a public consultation held in Torry United Free Church of Scotland on the 1 November 2023.

The DMRB Stage 3 Scheme Assessment looked at developing the preferred option from DMRB Stage 2 to provide more detail and bring it closer to the finished design. This involved undertaking a more detailed engineering assessment of the design with an accompanying environmental assessment to look at the impact of the developed preferred option on the wider area.

The feedback from the public consultation, discussed on the following panels, was implemented into the DMRB Stage 3 design which concluded at the beginning of February 2024.



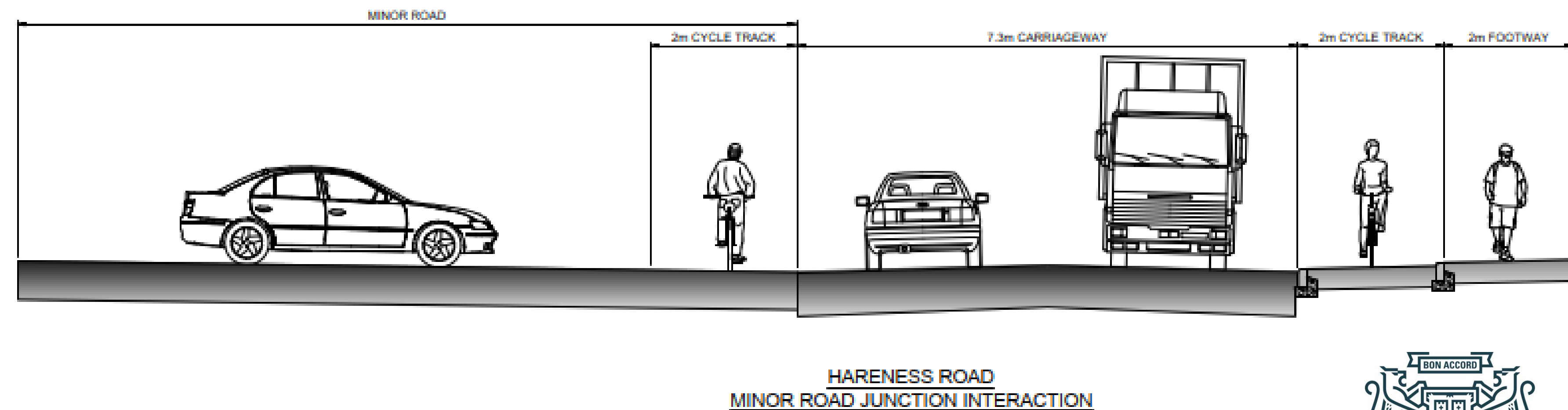
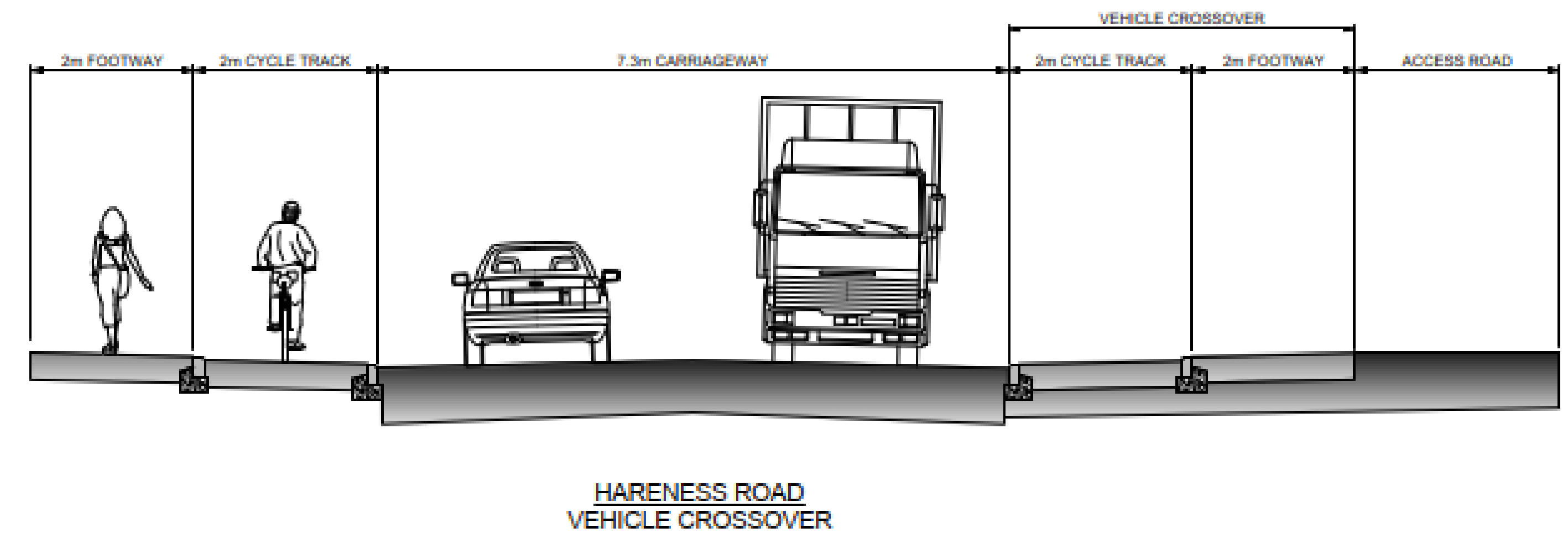
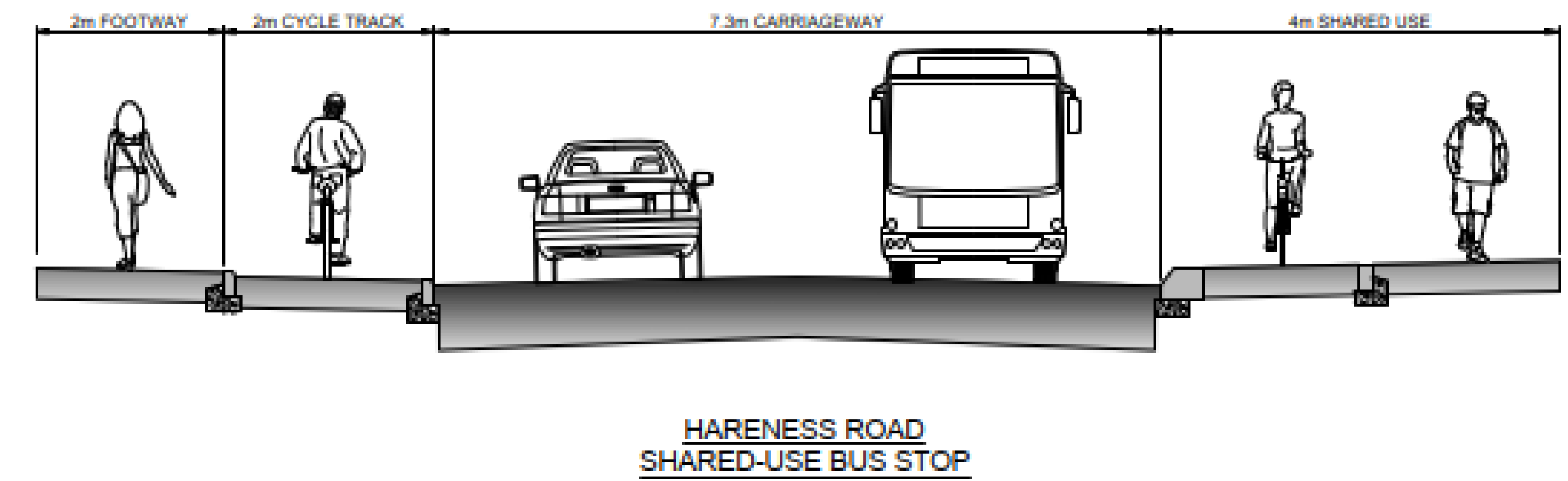
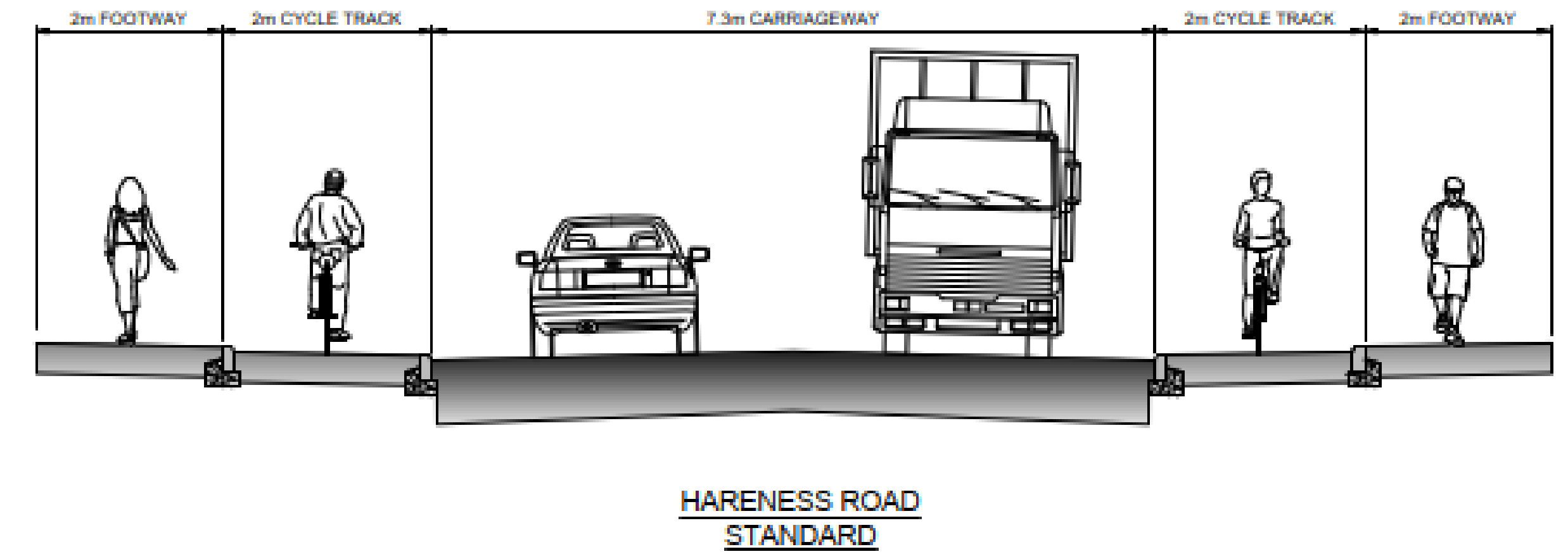
You Said, We Did (i)

Hareness Road

On Hareness Road, the main piece of feedback was the need for separation between users.

This has been addressed by providing a kerb line between the road and cycle track and then a second kerb line between the cycle track and pavement (footway).

This arrangement will help promote the link road as a safe cycling route whilst making it safer for pedestrians.

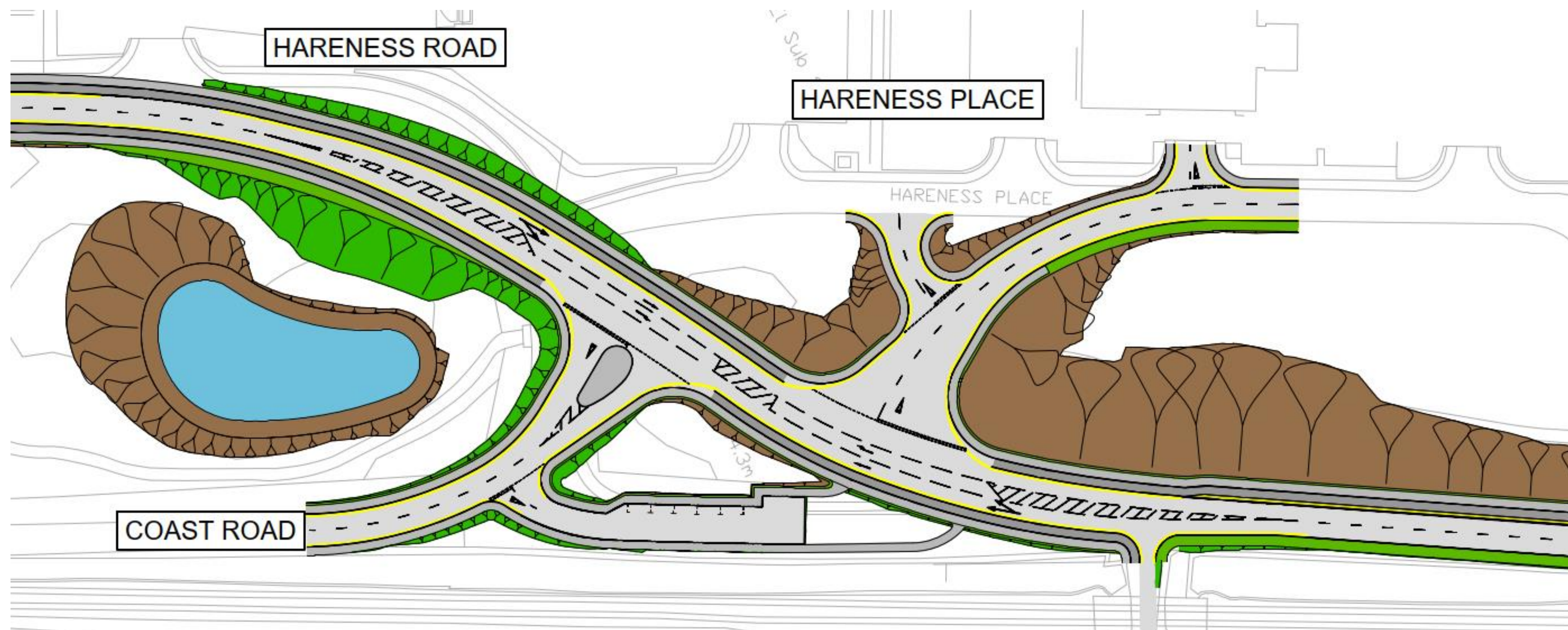


You Said, We Did (ii)

Hareness Road/Coast Road Junction

Hareness Road /Coast Road junction feedback related to concerns regarding HGV's using Coast Road towards Cove to access the strategic road network. By providing a traffic island on the southern arm of the junction, reducing the width of the road, use by HGVs will be discouraged through the perception of a more difficult manoeuvre.

Further measures to discourage or prevent HGVs from utilising Coast Road, south of Hareness Road are being investigated, these range from the introduction of additional signage, physical constraints or more formal traffic restrictions.



You Said, We Did (iii)

Coast Road

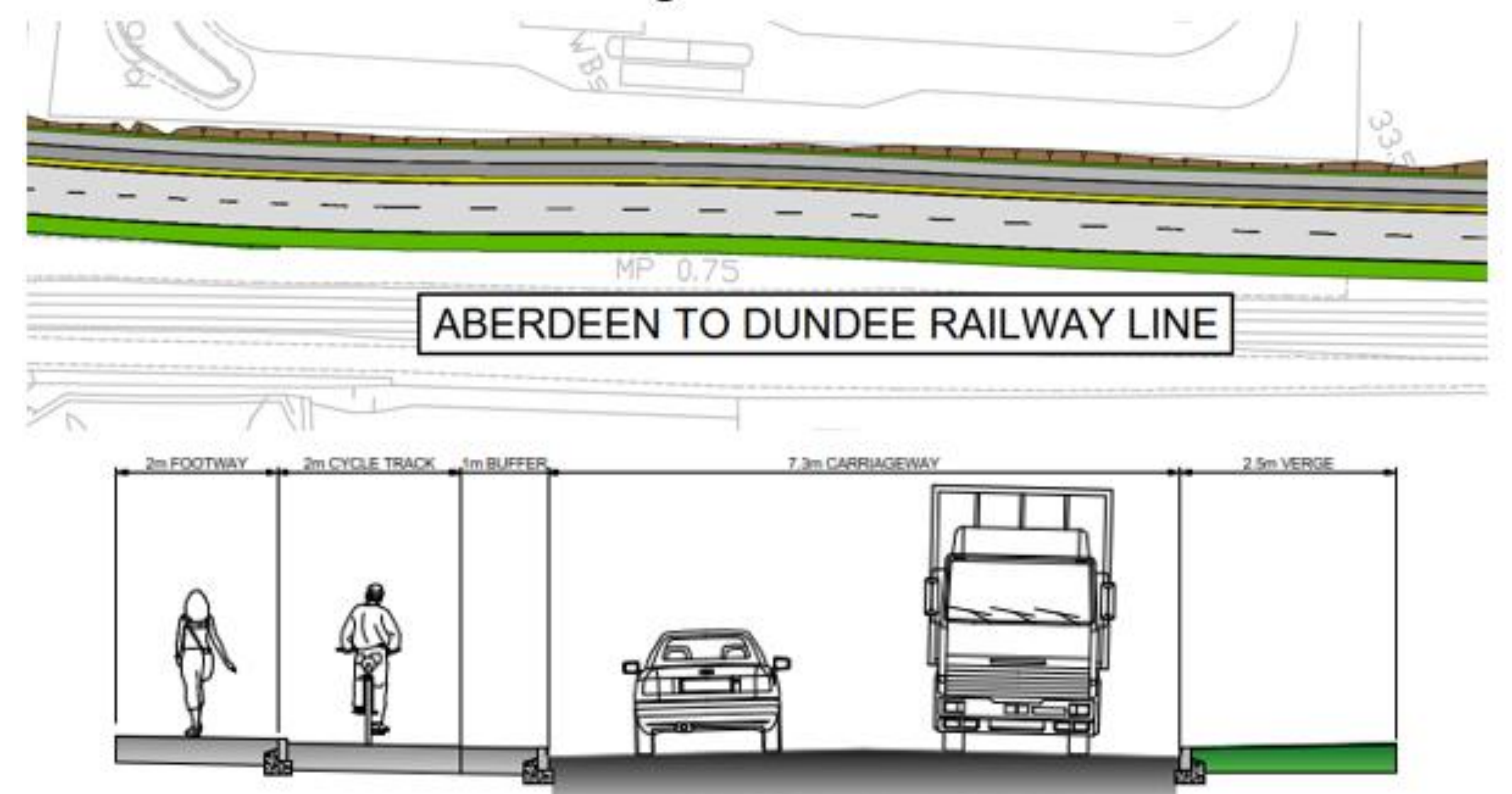
The main feedback for the proposals on Coast Road related to the level of service that the walking, wheeling and cycling facilities provided, specifically that the cycle track width exceeds requirements for the envisaged usage.

This has been addressed by reducing the proposed width to absolute minimum, as per 'Cycling by Design 2021', whilst still providing a safe and segregated experience from vehicles and pedestrians.

DMRB Stage 2 Cross Section



DMRB Stage 3 Cross Section

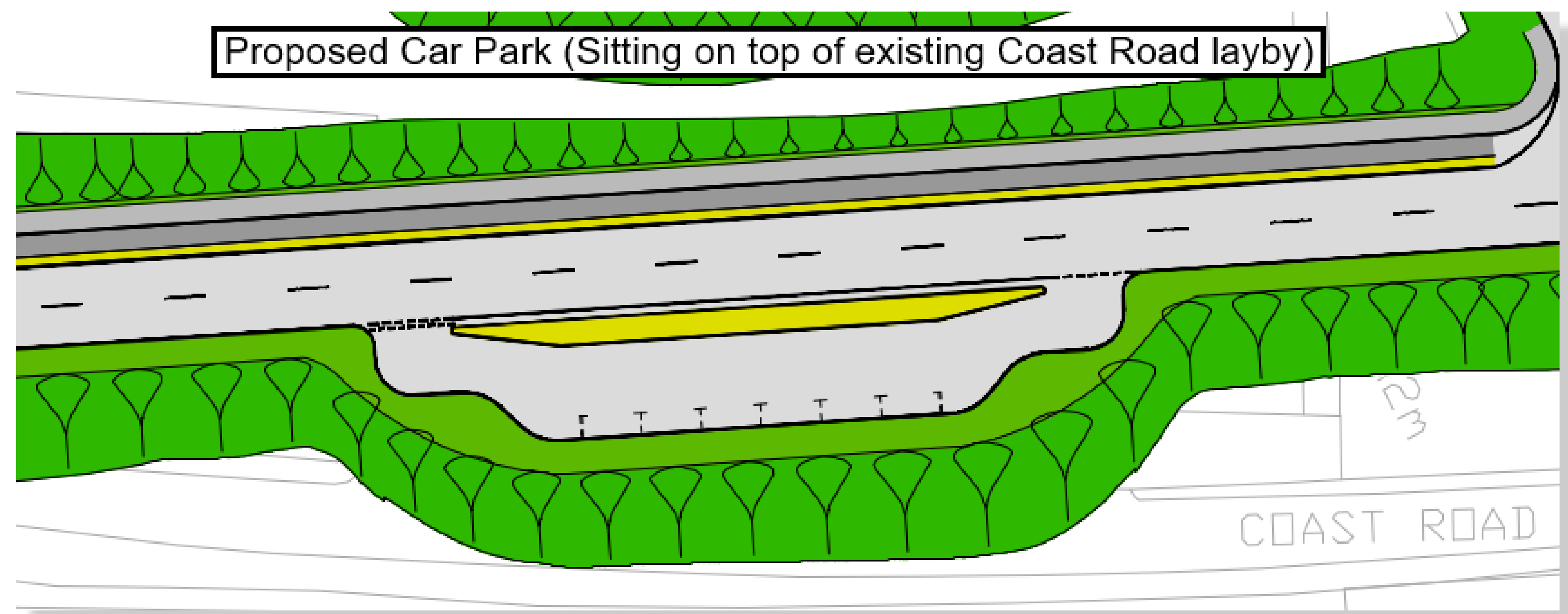
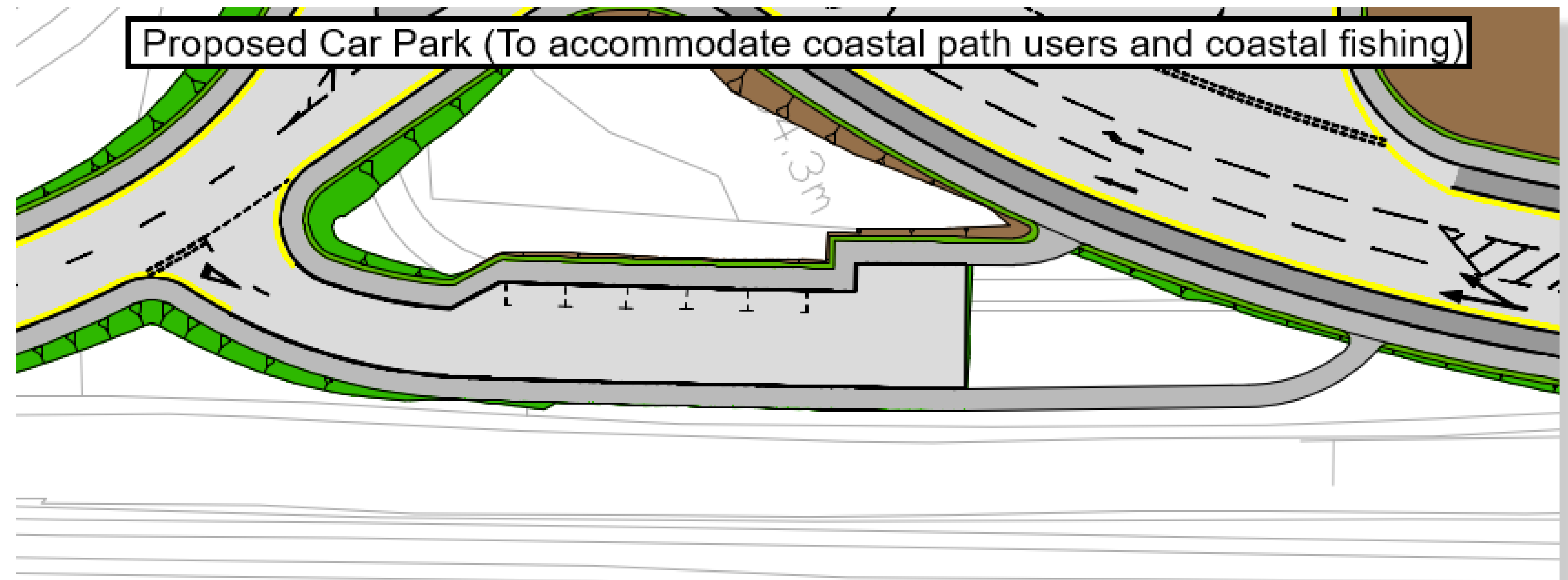


You Said, We Did (iv)

General Project Feedback

A general concern held by a number of attendees was safe parking. This has been addressed by providing two car parks, to replace the current car park on Coast Road and to formalise current parking practices near the Hareness Road junction.

The southern car park will be accessed from Coast Road, south of the new junction with Hareness Road. The northern car park will be accessed directly from the east side of Coast Road, south of the access into the former Ness Farm landfill site. These parking areas will provide access to Tullos Wood, the coastal path network and the wider walking, wheeling and cycling route.



Stage 3 Feedback

We would welcome any feedback you may have on these updated proposals. Feedback can be made through representatives of Aberdeen City Council and their Technical Advisors or via our email: ashlinkroad@aberdeencity.gov.uk

ABERDEEN SOUTH HARBOUR LINK ROAD -
SCHEME OVERVIEW - SHEET 1 OF 5



WELLINGTON ROAD

CRAWPEEL ROAD

HARENESS ROAD

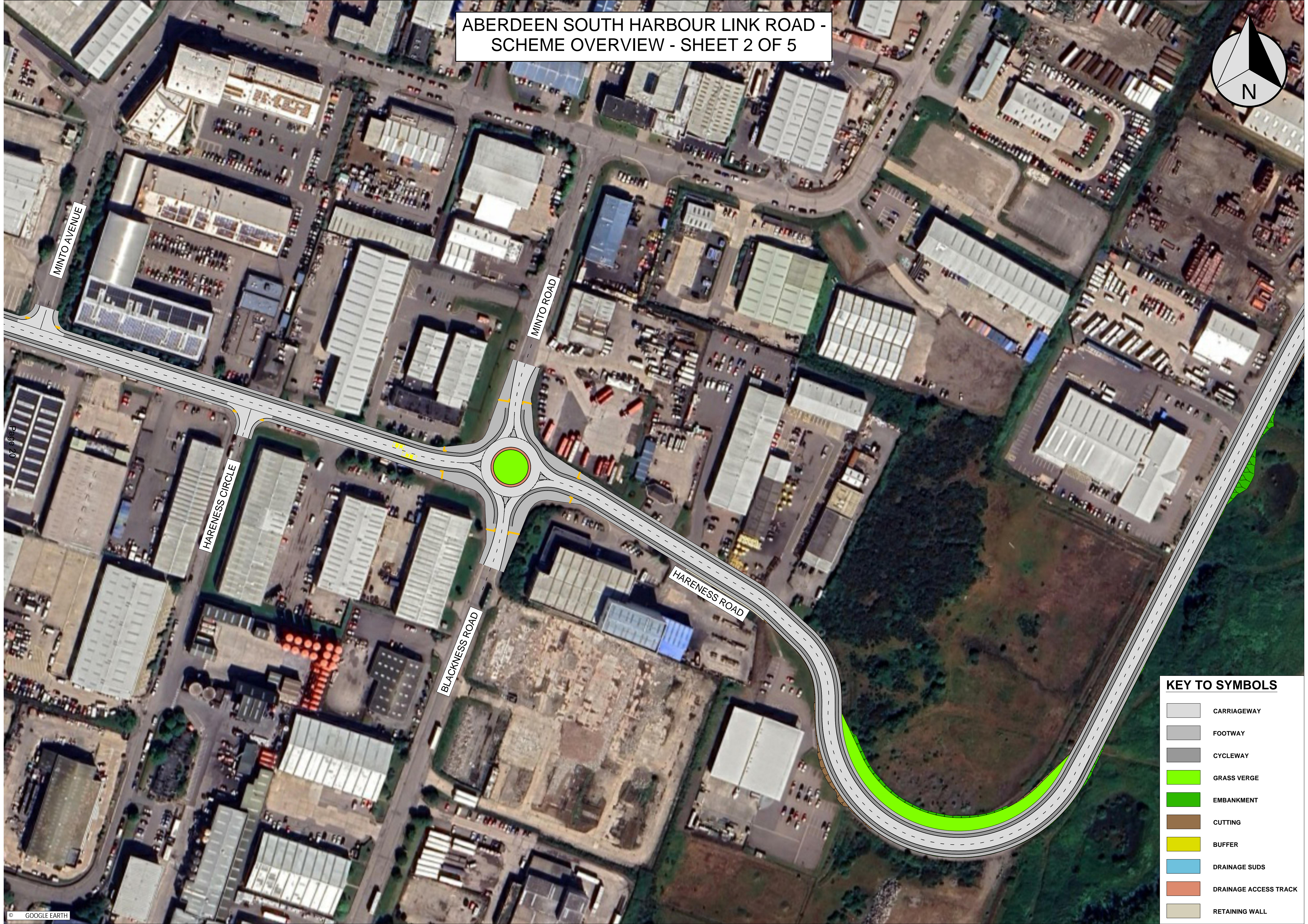
HARENESS CIRCLE

MINTO AVENUE

KEY TO SYMBOLS

- CARRIAGEWAY
- FOOTWAY
- CYCLEWAY
- GRASS VERGE
- EMBANKMENT
- CUTTING
- BUFFER
- DRAINAGE SUDS
- DRAINAGE ACCESS TRACK
- RETAINING WALL

ABERDEEN SOUTH HARBOUR LINK ROAD -
SCHEME OVERVIEW - SHEET 2 OF 5



MINTO AVENUE

MINTO ROAD

HARENESS CIRCLE

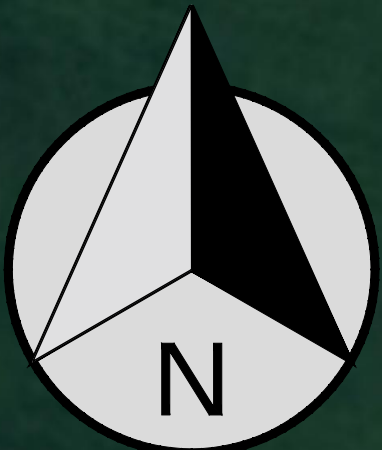
BLACKNESS ROAD

HARENESS ROAD

KEY TO SYMBOLS

- CARRIAGEWAY
- FOOTWAY
- CYCLEWAY
- GRASS VERGE
- EMBANKMENT
- CUTTING
- BUFFER
- DRAINAGE SUDS
- DRAINAGE ACCESS TRACK
- RETAINING WALL

ABERDEEN SOUTH HARBOUR LINK ROAD -
SCHEME OVERVIEW - SHEET 3 OF 5



NORTH SEA

KEY TO SYMBOLS










	CARRIAGEWAY
	FOOTWAY
	CYCLEWAY
	GRASS VERGE
	EMBANKMENT
	CUTTING
	BUFFER
	DRAINAGE SUDS
	DRAINAGE ACCESS TRACK
	RETAINING WALL

ABERDEEN SOUTH HARBOUR LINK ROAD -
SCHEME OVERVIEW - SHEET 4 OF 5



NORTH SEA

KEY TO SYMBOLS

	CARRIAGEWAY
	FOOTWAY
	CYCLEWAY
	GRASS VERGE
	EMBANKMENT
	CUTTING
	BUFFER
	DRAINAGE SUDS
	DRAINAGE ACCESS TRACK
	RETAINING WALL

ABERDEEN SOUTH HARBOUR LINK ROAD -
SCHEME OVERVIEW - SHEET 5 OF 5













NESS FARM
LANDFILL

NORTH SEA

ABERDEEN TO DUNDEE RAILWAY LINE

KEY TO SYMBOLS

	CARRIAGEWAY
	FOOTWAY
	CYCLEWAY
	GRASS VERGE
	EMBANKMENT
	CUTTING
	BUFFER
	DRAINAGE SUDS
	DRAINAGE ACCESS TRACK
	RETAINING WALL

Aberdeen City Region Deal

The Aberdeen City Region Deal is a partnership between Aberdeen City Council, Aberdeenshire Council, Opportunity North -East, other regional partners, the private sector, Scottish Government and UK Government. The Deal is one delivery mechanism for the regional economic strategy and is investing in sector innovation projects and infrastructure to support economic diversification and resilience.

Signed in November 2016, both Governments committed to jointly investing up to £250 million over a 10-year period. These commitments form part of an overarching £826 million funding package for the Aberdeen City Region Deal.

The Aberdeen South Harbour Link Road forms part of an overarching £826million funding package for the Aberdeen City Region Deal. Part of this deal is to upgrade the existing transportation links to the recently opened Aberdeen South Harbour

ABERDEEN CITY REGION DEAL:

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Aberdeenshire
COUNCIL



ONE
OPPORTUNITY NORTH EAST

#ABZdeal



SWECO



ABERDEEN CITY REGION DEAL: Powering Tomorrow's World

Report Name	MOU Housing Annual Update
Lead Officer	David Dunne, Chief Officer, ACC (Aberdeen City Council)
Report Author	Mel Booth, Senior Housing Strategy Officer (ACC)
Date of Report	10 May 2024
Governance	City Region Deal Joint Committee

1:	Purpose of the Report
<p>To update the Joint Committee on the progress in relation to the housing workstream of the Memorandum of Understanding, which is a Scottish Government commitment to invest a further £254M over the same 10-year period as the City Region Deal.</p>	

2:	Recommendations for Action
<p>It is recommended that the Joint Committee:</p> <ul style="list-style-type: none"> i. Note annual update in relation to the Memorandum of Understanding for Housing. ii. Agree that no further annual updates in relation to Housing Infrastructure Fund (HIF) to be provided to Joint Committee unless new projects qualifying criteria for HIF are identified and pursued. 	

3:	Summary of Key Information
<p>3.1 Memorandum of Understanding (MOU)</p> <p>The Memorandum of Understanding for the additional investment in relation to housing for the Aberdeen City Region provides:</p> <ul style="list-style-type: none"> 1. 5-year certainty on £130m of affordable housing supply grant. The housing commitment that forms part of the package of additional Scottish Government investment alongside the City Region Deal equates to £130m over the 5-year period from 2016/17 – 2020/21. 	

3:	Summary of Key Information
<p>2. £20m Housing Infrastructure Fund (HIF) to unlock sites that are of strategic importance.</p> <p>Aberdeen City Region Deal Joint Committee has a governance role in relation to the MOU for Housing. The objective is to ensure that Joint Committee has an overview of the prioritisation, scope of the work and aggregate investment package in order to identify and local challenges and/or deliver additional local opportunities.</p> <p>Joint Committee agreed to receive annual updates in relation to the Housing MOU.</p> <p>3.2 Access to HIF</p> <p>Joint Committee wrote to the Minister for Local Government, Housing & Planning in December 2020 expressing disappointment with the inability to access the HIF. A response to this letter was received on 05 February 2021 which details the additional funding that has been achieved to support housing delivery plans and states there are no plans to relax the current HIF criteria.</p> <p>The Minister confirmed that given the long-term plans for City Deal delivery in the region, Scottish Government officials will remain engaged with both local authorities to support the delivery of HIF eligible proposals, even if the delivery timescales are beyond March 2021.</p> <p>Both local authorities have had ongoing discussions with the Scottish Government on potential approaches to utilising the £20m Housing Infrastructure Fund and recently asked if there could be more flexibility in how the Housing Infrastructure Fund could operate.</p> <p>Scottish Government confirmed that the MOU for Aberdeen does not form part of the core deal structure. The MOU is a ‘side agreement’ that included the flexibility/certainty over a 5 year period from 2016 for affordable housing investment along with the notional £20m infrastructure funding that could be made available should any qualifying projects be brought forward.</p> <p>They confirmed that whilst both local authorities have had on-going engagement on the potential for HIF funding, no projects that meet the qualifying criteria for HIF have been brought forward. They further confirmed that there is no option for repurposing the notional HIF element of the MOU for other uses.</p>	

3: Summary of Key Information

In light of this, it is recommended that Officers no longer provide an annual update to Joint Committee, but will provide an update if projects are identified and pursued. Officers will continue to engage with Scottish Government on HIF in relation to Greenferns and Greenferns Landward which are Aberdeen City Council owned sites which will deliver new build social housing, along with any other new sites that may be eligible.

3.3 Affordable Housing Supply Grant

Significant progress was made in relation to the delivery of affordable housing across the city region with circa £368.117m having been spent between 2016/17 - 2023/24 which has delivered 5,304 affordable homes.

The table below details number of affordable homes delivered from 2016/17 - 2023/24. There are also significant numbers of affordable housing on-site in both local authorities to continue to deliver affordable housing across the city region post 2023/24.

	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
	Units	Units	Units	Units	Units	Units	Units	Units
Aberdeen City Council	117	367	351	401	461	691	481	770
Abshire Council	223	115	200	270	153	209	185	310
Total	340	482	551	671	614	900	666	1,080

£7.9m has been allocated through the HIF loan fund for the site at Grandhome.

4: Finance and Risk

- i. The value of the Infrastructure Fund allocated through the Memorandum of Understanding is £20m. To date, none of this has been successfully allocated to unlock development sites.

4:	Finance and Risk
	<ul style="list-style-type: none"><li data-bbox="293 248 1355 376">ii. There is a reputational risk that the fund remains unused, and that the city region is viewed as not accessing available funding to aid local housebuilding.<li data-bbox="293 421 1355 539">iii. There is an economic risk that housebuilding fails to meet the levels required to support the growing economy in the city region.
	<p>The ongoing discussions with Scottish Government regarding approval of any potential sites would mitigate some of these risks if the HIF can be utilised.</p>

ABERDEEN CITY REGION DEAL: Powering Tomorrow's World

Report Name	Scottish Government Additional Investment Update – Transport Projects
Lead Officer	Rab Dickson
Report Authors	Paul Finch
Date of Report	10 May 2024
Governance	Additional Investment Memorandum of Understanding

1:	Purpose of the Report
<p>To update the Aberdeen City Region Deal 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 A90/A937 Laurencekirk Junction Improvement Scheme and the investment in the rail network to improve services between Aberdeen and the Central Belt. Transport Scotland's update reports are provided as Appendices to this cover report, alongside recent correspondence from the Cabinet Secretary.</p>	

2:	Recommendations for Action
<p>It is recommended that the Joint Committee:</p> <ol style="list-style-type: none"> I. Note the update in the report. 	

3:	Summary of Key Information
<p><u>Governance</u></p> <p>Funding for the two transport projects was announced alongside the City Region Deal by the Scottish Government. These projects are wholly funded by the Scottish Government and are being managed by Transport Scotland. The MoU notes: ...</p> <p><i>“The transport commitment that forms part of the package of additional Scottish Government investment alongside the City Region Deal is:</i></p> <ul style="list-style-type: none"> • <i>An initial £200 million additional funding to help improve journey times and increase capacity on key rail links between Aberdeen and the Central Belt: and</i> 	

3: Summary of Key Information

- £24 million of funding for the trunk roads programme to support improvements to the key A90/A937 south junction at Laurencekirk

There is value in ensuring that the Aberdeen City Region Deal Joint Committee is kept informed of progress with these projects to that it can maximise synergies with the City Region Deal investments.”

Officers from Transport Scotland have attended the Joint Committee on a six-monthly basis to provide updates on the progress of the projects (typically May/June and November joint committees), although at the request of the committee, the Laurencekirk project was in the agenda of the February 2024 meeting.

Both of the Transport Projects have accompanying stakeholder liaison groups. In the case of the Aberdeen to Central Belt group, these meet quarterly, with the last meeting being 04 March. For the Laurencekirk project, the last meeting of the group was held late 2021, although regular communications between Aberdeenshire Council and Transport Scotland have continued since this time.

Furthermore, the CRD Transport Working Group meets approximately every 6 weeks, and the two MoU Transport Projects are included on the agenda as a standing item. Representatives from Transport Scotland attend this meeting.

During evidence provided to the Scottish Parliament’s Net Zero, Energy and Transport Committee on 30th January 2024 by the Cabinet Secretary, related to Budget Scrutiny for Financial Year 24/25, it was confirmed that aspects of the programme for the Aberdeen to Central Belt were now under review. The Chair of ACRD Joint Committee accordingly wrote to the Cabinet Secretary on 16 February seeking confirmation of the scope of this review, enquiring regarding wider implications for the Laurencekirk project, and seeking a meeting at the earliest opportunity.

The response to this letter is contained as Appendix A to this report. In summary, it confirms continued commitment to both projects, but that a review is necessary due to wider budgetary constraints across the Scottish Government.

Aberdeen to Central Belt Rail Improvements

Appendix B presents the progress update provided by Transport Scotland.

Officers have continued to liaise with both Network Rail and Transport Scotland including at the project stakeholder meeting on 04 March, and via wider regional rail liaison meetings. An update was also provided to the Nestrans Board held on 10 April. Across each of these forums, the importance of delivering the

3:	Summary of Key Information
<p>improvements associated with Aberdeen to Central has been emphasised, as a means to unlocking journey time improvements, accessibility improvements, decarbonisation, and rolling stock renewal. Completion of the programme is also recognised as helping to unlock the region’s rail freight potential, and opportunities for local rail stations south of Aberdeen station.</p> <p>A90/A937 Laurencekirk Junction Improvement Scheme</p> <p>Appendix C presents the progress update provided by Transport Scotland.</p> <p>Officers from Aberdeenshire Council have confirmed that their dialogue with TS continues on the project. Significantly, these discussions have enabled Aberdeenshire Council to lift their formal technical objection to the scheme (related to Oatyhill Bridge) in February 2024. It is understood that Transport Scotland continues to liaise with remaining objectors to the scheme.</p>	

4:	Financial and Risk Implications
<p>There are no direct financial implications for the Joint Board arising from the progress report, as the two transport projects are directly funded and project managed by the Scottish Government / Transport Scotland.</p> <p>With respect to A90/A937 Laurencekirk Grade Separated Junction project, it is important that partners continue to work together in order to minimise programme impact.</p> <p>With respect to Aberdeen to Central Belt project, officers will continue to work with Network Rail and Transport Scotland on the progression of the project to programme, and the delivery of regional benefits.</p>	

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Paul Macari
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Our Reference: 202400399536
Your Reference: Councillor Anne Stirling, Aberdeen City Region Deal Chairperson

10 April 2024

Dear Councillor Stirling,

Thank you for your letter of 14th February 2024 to Mairi McAllan in her former capacity of Cabinet Secretary for Transport, Net Zero and Just Transition regarding the Aberdeen to Central belt enhancement project. I am responding in my capacity of Cabinet Secretary for Transport. Please accept my apologies for the delay in replying to you.

As you note in your letter, further to Ms McAllan's appearance at the evidence session with the Net Zero, Energy and Transport Committee, the budget allocation for financial year 2024-25 in December 2023 has meant that we are having to review our plans for the delivery of projects in our portfolio.

Consistent with the works successfully completed to date on this programme, we remain committed to delivering the Aberdeen – Central Belt Rail Enhancement scheme. However, given the extremely challenging financial climate, and following a worst case scenario UK Autumn Statement in which UK Ministers prioritised tax cuts over public spending, we have had to take difficult decisions in setting the budget 2024-25. Due to the UK Government's failure to inflation-proof capital budgets, our capital spending power is due to contract by almost 10% in real terms over 5 years.

As Ms McAllan outlined, when budgets are constrained, it is only right to consider the time over which projects can be completed. I have asked that a review is undertaken and I will ensure that an update is provided to Parliament in due course.

We are also looking to align the planned infrastructure enhancements to improve journey times with the

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Tha Ministearanna h-Alba, an luchd-comhairleachaidh sònraichte agus Rùnaire Maireannach fo chumhachan Achd Coiteachaidh (Alba) 2016. Faicibh www.lobbying.scot



plans for the signalling renewals on the route and also the electrification of the route. This will enable the deployment of cleaner, greener and more attractive rolling stock, and will more efficiently deliver the overall programme of works, reducing disruption to passengers who use this key route.

We undertake to advise all interested parties, and the Stakeholder Group (including NesTrans) with relevant updates, when appropriate.

The Scottish Government continues to develop a joint business case for upgrade works on the Aberdeen to Central Belt rail corridor, examining both the Enhancement project and the case for decarbonisation including how this can best be achieved. This will be considered in the coming months and within the context of the present and anticipated future funding available for rail enhancements. Achieving rail decarbonisation across Scotland remains a key term target for Scottish Government.

I can confirm that the Scottish Government remains committed to the A90/A937 Laurencekirk Junction Improvement scheme as part of a package of additional investment alongside the Aberdeen City Region Deal.

It is important to note that the real terms decrease in the capital grant allocation Scotland has received from UK Government and the ongoing impact of high inflation and the current cost of living crisis places significant additional pressure on our capital programme. The Scottish Government is prioritising programmes of work which have the greatest impact on the delivery of our three core missions of equality, opportunity and community. Transport Scotland is in the process of considering how the current funding constraints may impact the future delivery of the A90/A937 Laurencekirk Junction Improvement Scheme.

Transport Scotland and its technical advisors continue to take forward work on the scheme to further progress the required statutory processes. Following ongoing constructive dialogue with Aberdeenshire Council, we are pleased to welcome the Council's formal withdrawal of its technical objection to the scheme. Two objections from directly affected landowners remain outstanding and Transport Scotland continues to work with these objectors to try and resolve concerns where possible. Should Transport Scotland be unsuccessful in removing all objections, a public local inquiry may be required. As with all trunk road projects, this is the appropriate forum for considering objections received and not withdrawn. The statutory right for individuals to have their say on our proposals cannot be set aside.

Delivery of the scheme itself can only commence if it is approved under the relevant statutory procedures, at which point a timetable for its progress can be set in accordance with the availability of funding.

Thank you for extending an invite to discuss the project. Unfortunately, due to diary commitments and Parliamentary business, I am unable to meet at this time.

Please be assured that we remain firmly committed to infrastructure investment as a key factor in securing economic growth and high-quality public infrastructure across Scotland, including spending over £1.6 billion in 2024-25 to operate, maintain and improve Scotland's railway.

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Tha Ministearanna h-Alba, an luchd-comhairleachaidh sònraichte agus Rùnaire Maireannach fo chumhachan Achd Coiteachaidh (Alba) 2016. Faicibh www.lobbying.scot

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Yours sincerely



FIONA HYSLOP
Cabinet Secretary for Transport

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ABERDEEN CITY REGION DEAL:

Powering Tomorrow's World

Report Name	Scottish Government Additional Investment Update
Lead Officer	Adam Priestley
Report Authors	Alastair Camelford
Date of Report	29 th April 2024
Governance	Additional Investment Minute of Understanding

1:	Purpose of the Report
<p>To update the Aberdeen City Region, Deal 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 investment in the rail network to improve services between Aberdeen and the Central Belt.</p>	

2:	Recommendations for Action
<p>To note the update in the report.</p>	

3:	Summary of Key Information
<p>Aberdeen to Central Belt Rail Corridor Investment</p> <p>The Scottish Government has committed £200 million to improve journey times and increase capacity on key rail links between Aberdeen and the Central Belt for passengers and freight.</p> <p>A bespoke Aberdeen to Central Belt Key Stakeholders Group meets quarterly to keep stakeholders informed of progress and is attended by an Aberdeen City Region Deal representative, Nestrans, Tactran, Network Rail and ScotRail. The most recent meeting of the Group took place on 4th March 2023, where an update was provided on project progress.</p> <p>The option selection process concluded in 2023. The package selected comprises signal enhancements, improvements to station layouts at Dundee, Aberdeen, Arbroath and Montrose, and specific capacity alterations, including freight loops, to facilitate the mixed operation of faster and slower trains on the same route.</p>	

3: Summary of Key Information

Given the extremely challenging financial climate, and following the UK Autumn Statement, Ministers have had to take difficult decisions in setting the budget for 2024-25. Budget decisions have impacted upon our planning for this project. As the Cabinet Secretary Ms McAllan outlined to the Scottish Parliament, when budgets are constrained, it is only right to consider the time over which projects can be completed. This will be undertaken as part of the project's Outline Business Case (OBC) preparation.

Work continues by Network Rail and its contractor Atkins, on the completion of the OBC. This is due to be submitted to Transport Scotland's Investment Decision Making Board in late spring / early summer 2024, for approval and funding to take the project through its next stage.

The OBC takes a whole corridor approach, examining journey time improvements, route decarbonisation, gauge improvements and signalling renewals. Delivering this project as part of a wider programme enables efficiencies, not only in terms of costs but also by means of minimising, and making full use of, line possessions, when it is necessary to close the line to passenger and freight traffic.

Signalling enhancements for this project will be undertaken in a manner that facilitates the efficient decarbonisation of the line and opportunities are currently being considered to modernise the signalling along the length of the route in parallel with this project and the decarbonisation project, producing further efficiencies.

Journey Time Improvements Project

The contract for the Approval In Principle design with Siemens is ongoing for the selected scope. Works continue on developing the design and an integrated schedule. These will continue throughout 2024.

Revised cost estimates remain under preparation as part of Outline Business Case development.

An Environmental Screening Request was prepared and was subsequently submitted to Aberdeen City, Aberdeenshire, Angus, and Dundee City, , and Councils in late October 2023. All four councils have responded with a 'no Environmental Impact Assessment required' confirmation.

Discussions with local landowners on land acquisition for the proposed new loops has commenced.

Other aspects of works have been undertaken to support the Aberdeen to Central Belt enhancement projects as follows.

Decarbonisation Works

In terms of the route decarbonisation works, the following update is provided:

3: Summary of Key Information

- Route Clearance works now concluded at 3 bridges and 2 tunnels.
 - Kippenross tunnel (Dunblane) completed October 2023.
 - Moncrieffe tunnel (Between Perth and Dunblane) completed February 2024.
- The location of the proposed Dundee Feeder Station (To serve railway electrification) is now planned to be east of Dock Street. . A contract has been placed with National Grid for a new Feeder Station at Drumlithie.
- The decarbonisation project continues to take advantage of renewals projects to clear for future electrification and freight gauge.

Dunblane and Barnhill

Works to support the journey time improvements have been completed at Barnhill (east of Perth) and Dunblane.

The Barnhill line speed improvements were completed in late 2023, with capacity benefits planned for the December 2024 timetable. The works will allow an increase in line speed for trains from 20mph to 50mph in this location.

At Dunblane the following works have now been completed:

- Installation of a new crossover at Dunblane, with final commissioning completed 22nd February 2024.
- The new crossover provides a capacity increase which will lead to less delay and cancellations and provides an opportunity for additional services.
- Journey time improvements between Glasgow and Aberdeen planned for June 2024 timetable.
 - The new crossover means trains will be able to arrive and then depart from platform 3 towards Edinburgh and Glasgow, without having to leave the station.
 - This will reduce delays and improve train performance while increasing capacity for freight on the line between Dunblane and Perth by almost 40%.
- The Anticipated Final Cost is £16m for both enhancements.

General

We continue to encourage you to continue to raise any queries through your representative on the Key Stakeholder Group. The next meeting of this group will be held in June 2024.

We remain willing to attend future Joint Committee Meetings to provide members with the opportunity to ask any questions they may have.

Action from Previous Meeting

Action: Thereafter the Joint Committee agreed to note the update in the report and that Officers be requested to provide further information on the network improvement project with a summary of the business case and a breakdown of spend, in due course."

3:	Summary of Key Information
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Update 29/04/2024 "This action is ongoing. Project estimates are in the process of being refreshed for inclusion in the Outline Business Case. We are happy to share the information requested with the Committee once the Outline Business Case has been completed and is ready for publication."

ABERDEEN CITY REGION DEAL:

Powering Tomorrow's World

Report Name	Scottish Government Additional Investment Update
Lead Officer	Adam Priestley
Report Authors	Rebecca Long
Date of Report	29 April 2024
Governance	Additional Investment Minute of Understanding

1:	Purpose of the Report
<p>To update the Aberdeen City Region Deal 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 A90/A937 Laurencekirk Junction Improvement Scheme.</p>	

2:	Recommendations for Action
<p>To note the update in the report.</p>	

3:	Summary of Key Information
<p>A90/A937 Laurencekirk Junction Improvement Scheme</p> <p>Transport Scotland appointed design consultants (AMEY) for the A90/A937 Laurencekirk Junction Improvement scheme in September 2016 to support progress of the design development and assessment phases based on the standards of good practice set by the Design Manual for Roads and Bridges (DMRB).</p> <p>The options from the DMRB Stage 2 assessment process were presented to the public at an exhibition in October 2017 with the preferred option itself announced in July 2018 at a series of public exhibitions. The preferred option consists of a south grade-separated junction with a full diamond layout and bridge over the A90 together with retention of the existing central reserve gaps at the Centre (B9120) and North (A937) junctions.</p> <p>The DMRB Stage 3 detailed development and assessment of the preferred option was completed with the culmination in the publication of the draft Orders and an Environmental Impact Assessment Report on 19 December 2019. A public exhibition was held on 10 January 2020 to allow local communities and road users to view and comment on proposals for the scheme. The statutory</p>	

3: Summary of Key Information

consultation period closed on 14 February 2020. Three statutory objections were received from landowners directly affected by the Compulsory Purchase Order. The substance of these objections was primarily in relation to loss of land and access arrangements. Aberdeenshire Council as local Roads Authority also lodged a statutory objection on the basis that the stopping up of Oatyhill Junction to the southern end of the Scheme would leave residents with a single point of access over the Oatyhill Rail bridge which is in poor repair.

Transport Scotland has continued to work with objectors to the scheme to resolve concerns where possible. To date this has resulted in the successful withdrawal of three objections, including Aberdeenshire Council's, and we continue to make positive progress with the one remaining objection from a landowner.

Transport Scotland reached a formal agreement with Aberdeenshire Council on 20 February 2024 regarding funding and provision of a new bridge at Oatyhill, enabling withdrawal of their objection.

The decision of Aberdeenshire council to close Oatyhill Bridge to vehicular traffic following publication of draft Orders directly impacts on the deliverability of the scheme as currently being promoted. Further Statutory Process will be required in order to progress the new bridge solution at Oatyhill. This is because additional land is required to deliver the new bridge solution which is outwith the extents of land identified for the originally promoted scheme. Transport Scotland will work with directly affected parties to reduce the likelihood of objections being received as far as possible during the design development and promotion of the new bridge providing access to Oatyhill.

Should we be unsuccessful in removing all objections, a public local inquiry may be required. As with all trunk road projects this is the appropriate forum for considering objections received and not withdrawn.

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 scheme by providing a cohesive policy and investment approach which will help to maximise the benefits of the investment. Consultation with the group has been maintained throughout the scheme development stages, with further engagement with the Group planned as part of the ongoing scheme development.

ABERDEEN CITY REGION DEAL: Powering Tomorrow's World

Report Name	Internal Audit Report 2024
Lead Officer	Julie Wood
Report Author(s)	Stuart Bews
Date of Report	24 April 2024

1:	Purpose of the Report
<p>To inform the Joint Committee of the recommendations of the 2024 Internal Audit report which considers the internal processes of the Local Authorities supporting delivery of the Deal, and provide an update on the matters already resolved and wider control and governance framework embedded within each project.</p>	

2:	Recommendations for Action
<p>2.1 To note the update that an Internal Audit has been concluded by the Internal Audit Team and will be reported to both Councils Audit Committees at their next meeting.</p> <p>2.2 To note the progress already made by both Local Authorities to implement in full recommendations of the Internal Audit report in the areas of Delegated Powers, Mitigation of Variances and Project closure reports.</p> <p>2.3 To note the wider control environment in place for each project which sits outwith the Local Authorities and provides additional assurance over the control of public funds.</p> <p>2.4 To Instruct the Chief Officer City Development & Regeneration, Aberdeen City Council, to report to Joint Committee with an update on progress made in respect of any action plan agreed by Aberdeen City and Aberdeenshire Council in relation to the internal audit report.</p>	

3: Summary of Key Information

3.1 Since 2022/23 the UK & Scottish Government’s annual grant offer letter has included their expectation that the Deal be included in the Internal Audit Plan at least every two years.

3.2 On 20th July 2023, a City Region Deal Audit Scope was shared from Internal Audit to Programme Management Office (PMO). The audit scope identified the following specific internal control areas for review:

- Governance arrangements
 - Reporting lines, delegations, and approvals
- Programme management and reporting
 - Business case development, critical appraisal, and approval
 - Monitoring delivery, risks, and issues
 - Change management
 - Performance and benefits realisation
 - Project conclusion, sustainability, and lessons learned
- Expenditure / grant disbursement
- Income / grant drawdown

3.3 Upon completion of all fieldwork the internal audit team circulated their draft audit report to the PMO who prepared and submitted management responses and had dialogue with the Internal Audit team to seek to fully understand their position on all matters. In some areas agreement has been reached on both the individual risk rating and the recommended actions to provide greater assurance and mitigate the perceived risk. However, there are some areas where City Deal Local Authority Management were not in agreement with the risk rating, and this is explained within the table below and stated within the Internal Audit report (Appendix A).

A summary of the individual net risk ratings is provided below:

Area	Internal Audit Risk Rating & Recommendations	Risk Agreed by Local Authorities Management	Comments
Funding Agreements	Moderate <i>The City Region Deal partners should ensure up to date agreements are in place with all delivery partners and are maintained up to date to provide assurance over continued compliance with changes to UK/SG requirements.</i>	Yes	PMO cannot update these until the 24/25 Grant Offer letter from the Scottish Government has been received and accepted. Expected this to be actioned late summer 2024 and will require resource from both legal and finance teams.

3: Summary of Key Information			
Delegated Powers	Major <i>Delegations should be reviewed and where appropriate confirmed by the Joint Committee and/or all partners. The scope of such delegations should be documented.</i>	Yes – and implemented already	Recommendations of Internal Audit Report were already implemented in February 2024 by Joint Committee approving an explicit delegation to Chief Officer City Growth of Aberdeen City Council.
Progress Reporting	Moderate <i>Milestones should be sufficiently detailed and separated out for each project to gauge progress with delivery of project deliverables and outcomes, through to final delivery. Assurance should be obtained and reported on risks, their impact on delivery, finance and outcomes, and progress with actions to mitigate them. Progress on delivery of projects against plans, commitment, and utilisation of funding, should be reported to the Joint Committee regularly.</i>	Yes	PMO will amend the reporting template for the quarterly programme update to a dashboard style. To be effective from Q1 24/25 reporting periods.
Performance and Benefits Reporting	Major <i>All agreed measures should be reflected in the benefits tracker promptly following project approval, with variations (e.g. following approved changes) clearly recorded. Performance and benefits data should be made available to the PMO in full, on a regular basis, to provide assurance over progress with delivery of the Deal outcomes. Decisions on sensitivity should be determined at the reporting stage rather than by individual delivery partners. Data provided by delivery partners should be reviewed and</i>	No	Risk not agreed.

3: Summary of Key Information			
	<i>challenged or independently verified where appropriate. The basis and level of assurance over figures included in returns should be clearly disclosed. Progress on delivery of benefits against those planned should be reported to the Joint Committee regularly.</i>		
Expenditure Records	<i>Major Partners should provide, and Aberdeenshire Council Finance should review, detailed spend records to demonstrate that expenditure and forecast figures have a sound basis, and that only grant eligible spend is being drawn down.</i>	Yes	PMO have created a new template to document all information reviewed for audit purposes, but this will have resource implications to implement fully.
Mitigation of Variances	<i>Moderate Variances and action taken to address them should be clearly explained. Forecast accuracy should be reviewed and the risk of over-optimism factored into future forecasting. Where material financial variances are anticipated, and action is not otherwise being taken to mitigate them in-year, change requests should be prepared and agreement sought in advance</i>	Yes – and implemented already	Recommendations of Internal Audit Report were already implemented in February 2024 by Joint Committee
Project Closure Reports	<i>Moderate Project closure reports should include a comparison of planned and actual costs and benefits, with a reflection on lessons learned and how these are being applied to ongoing / future projects</i>	Yes – and implemented already	Recommendations of Internal Audit Report were already incorporated into the project closure report template in March 2024.

3.4 As shown in the table above, Local Authority Programme Management Office have rejected the major risk rating against “Performance and

3: Summary of Key Information

Benefits reporting.” The findings relate to the Benefits Realisation Plan, which was a recent requirement of the Governments. ACRD Joint Committee approved the plan in January 2023, and feedback from both Governments confirmed their support for the Benefits Realisation Plan.

3.4.1 The Benefits Realisation Plan (BRP) sets out that its reporting frequency shall be annually, and that the data will be captured annually for activity indicators through the benefits reporting template. This is separate from the monthly progress status reports, because it measures different targets – a consequence of the BRP being a new ask of Governments. There is little purpose of the PMO requesting Benefits information on a frequency more regular than annually since the majority of the benefits being measured within the BRP only are to be realised over a number of years and the Governments were in agreement on the annual reporting cycle. The resource implication on the PMO, and also on partners, to report this more frequently would be disproportionate since the BRP is only published annually. The frequency of the reporting is set out in the grant offer letter from UK/Scottish Government annually and is complied with.

3.4.2 The internal audit report also makes recommendations around data and there are two areas where the PMO does not agree with the recommended actions. The reports states “Decisions on sensitivity (of data) should be determined at the reporting stage rather than by individual reporting partners.” The PMO disagree with this on the basis that it relates to data on protected characteristics of individuals and that we should accept that reporting partners may not be able to provide us with data on protected characteristics (retrospective and/or future reporting) where they consider it to be in breach of General Data Protection Regulations. The PMO is part of a wider City & Growth Deals PMO network and working with a Benefits Realisation sub-group to find resolutions and a consistent approach in protected characteristics reporting. PMO informed Internal Audit of this, and had sought guidance from Government on the matter, but there does not appear to be a ready-made solution that is compliant with GDPR. This is a national challenge, not specific to ACRD and on that basis the PMO rejected the risk rating of major.

3.4.3 The matrix for internal audit risk rating is provided below. The PMO are firmly of the view that the definition of a major risk has not been met in this instance. The report does not substantiate on the “The absence of, or failure to comply with, an appropriate internal control, such as those

3: Summary of Key Information

described in the Council’s Scheme of Governance. This could result in, for example, a material financial loss, a breach of legislative requirements or reputational damage to the Council. Action should be taken within three months.” The PMO informed Internal Audit we could accept a moderate rating because of the ongoing work across the country to find a solution to this challenge. This was rejected by Internal Audit, and the major risk rating was retained in their report.

Individual issue / risk	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12-month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area’s adequacy and effectiveness. Action should be taken within a six-month period.
Major	The absence of, or failure to comply with, an appropriate internal control, such as those described in the Council’s Scheme of Governance. This could result in, for example, a material financial loss, a breach of legislative requirements or reputational damage to the Council. Action should be taken within three months.
Severe	This is an issue / risk that is likely to significantly affect the achievement of one or many of the Council’s objectives or could impact the effectiveness or efficiency of the Council’s activities or processes. Examples include a material recurring breach of legislative requirements or actions that will likely result in a material financial loss or significant reputational damage to the Council. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

3.5 The Internal Audit report will be presented to both Local Authority Internal Audit Committees by the Internal Audit Team. Aberdeen City Council’s Audit, Risk and Scrutiny Committee meet on 27th June and Aberdeenshire Council’s Audit Committee meet on 23rd May.

3.6 The Internal Audit Report is being shared with the Joint Committee by the Programme Management Office in line with the Aberdeen City Region Deal Partners Communication Protocol.

4: Wider Control Environment

- 4.1 Having reviewed the summary of the Internal Audit Report, the Programme Board has identified that the restriction of scope to internal processes within the Local Authorities means that key external controls in place within individual projects have not been recognised, and that therefore the compensating controls to mitigate the internal risks identified have not been considered in arriving at the audit conclusions set out in the Internal Audit Report.
- 4.2 The Aberdeen City Region Deal governance structure is somewhat unique within the two Local Authorities, being a partnership with the private sector which embeds that relationship within the governance structure, and provides funding directly to not for profit organisations set up specifically for the purpose of delivering ACRD projects.
- 4.3 Governance arrangements for significant projects within the Deal were set out and agreed by Joint Committee and UK and Scottish Governments through the approval of the Deal Heads of Terms and individual business cases. These business cases require that projects within the Innovation theme are delivered directly by not for profit partners. These companies have each established governance procedures and internal controls which are cognisant of the significant public sector funding which they receive, however this is not referenced within the audit report.
- 4.4 There are independent external audit requirements on projects which have a significant effect of mitigating the risk associated with the control and use of public funding. These independent external audits review and verify the utilisation of public funds in accordance with the funding agreements between Aberdeenshire Council and the projects in place for ACRD projects. The governance and controls over project expenditure within the external projects were not part of the scope of audit and therefore not considered. The external projects have robust and strict controls in place to control expenditure which follow public sector procurement practices when committing ACRD funds and comply with UK Subsidy Control legislation.
- 4.5 Programme Board is therefore unable to agree that there is a major risk in respect of expenditure records. Programme Board is of the opinion that the mitigating action recommended in the audit report does not take into account that these external controls in place within projects already provide a significant additional mitigation of risk. The recommendations of action required by Aberdeenshire Council is only provided by only examining the internal controls of Aberdeenshire Council. Programme Board would also note that the internal control risk for the Council arises

from the retroactive application of changes in the information requirements as part of the Government grant conditions beyond the governance and control arrangements that were agreed at the inception of the Deal.

4.6 Programme Board are surprised at the increased level of risk identified in this report in comparison to the most recent External Audit conducted by Audit Scotland in 2022 and Internal Audit conducted by Internal Audit in 2020 since neither of the earlier audits raised concerns on many of the areas now being identified as moderate or even major risk levels, when substantively the processes which were audited in 2020 and 2022 remain unchanged.

4.7 Programme Board consider that the level of expectation set out in the recommendations of the Internal Audit Report will lead to a duplication of effort to review information that is already subject to independent external audit and internal governance and controls within project organisations. This would not be the most effective use of public funds, and greater understanding of the existing mitigating external controls would have helped to ensure that the Internal Audit Report recommendations took these external controls into account when setting the expectation of assurance and review to be undertaken internally by Aberdeenshire Council.

4.8 Programme Board has arrived at the same conclusion as Local Authority Management that the risk regarding Performance and Measurement Reporting cannot be agreed for the reasons set out in section 3.4 above.

5: Financial and Risk Implications

Financial Implications

5.1 The financial implications of the Internal Audit will not be identified until after both Local Authority Audit Committees have determined the outcome of the Internal Audit Report. An Action plan will come back to Joint Committee and outline the financial implications to ensure full compliance with approved recommendations.

Risk Implications

5.2 Government(s) may seek to intervene if they are of the view that the PMO is under resourced and unable to provide the level of assurance expected.

Internal Audit

Assurance Review of City Region Deal

Status: Final

Report No: 2422

Date: 25 March 2024

Assurance Year: 2023/24

Risk Level: Strategic

Net Risk Rating	Description	Assurance Assessment
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited

Report Tracking	Planned Date	Actual Date
Scope issued	20-Jul-23	20-Jul-23
Scope agreed	27-Jul-23	26-Jul-23
Fieldwork commenced	4-Aug-23	9-Oct-23
Fieldwork completed	1-Dec-23	8-Dec-23
Draft report issued	15-Dec-23	21-Dec-23
Process owner response	12-Jan-24	15-Jan-24
Director response	19-Jan-24	25-Mar-24
Final report issued	26-Jan-24	25-Mar-24

Distribution	
Document type	Assurance Report
Director	Rob Simpson, Director of Business Services, Aberdeenshire Alan Wood, Director of Infrastructure and Environment, Aberdeenshire Gale Beattie, Director of Commissioning, Aberdeen City
Process Owners	Stuart Bews, Interim City Region Deal Programme Manager, Aberdeen City Karlyn Watt, Strategic Finance Manager, Aberdeenshire
Stakeholder	Paul Macari, Head of Planning and Economy, Aberdeenshire Mary Beattie, Head of Finance, Aberdeenshire Julie Wood, Interim Chief Officer – City Growth, Aberdeen City Jonathan Belford, Chief Officer – Finance, Aberdeen City
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1 Introduction

1.1 Area subject to review

The Aberdeen City Region Deal (the Deal), agreed in November 2016, is a three-way, ten-year agreement between the UK Government, the Scottish Government and regional partners including Aberdeen City and Aberdeenshire councils, and other organisations including universities and Opportunity North East (ONE) - the private sector partner that leads on innovation projects within the Deal. The total allocations of funding for the capital projects is £826.2m.

The Deal's aim is to significantly advance economic and infrastructure development in the area, addressing the challenges that business and industry face in the North East of Scotland whilst grasping opportunities through projects that can enable Aberdeenshire and Aberdeen City to continue to be an attractive and productive area for organisations to locate and develop. Key projects include the Net Zero Technology Centre (formerly Oil and Gas Technology Centre), Food and Drink and Life Science Innovation Hubs, a Digital Infrastructure Fund, expansion of Aberdeen Harbour, and development of a Strategic Transport Appraisal (STAG).

The councils' jointly fund £20m of activity relating to the Digital (£7m), STAG (£2m) and Harbour Expansion (£11m) elements of the Programme. The Digital and Transport themes are led by Council based working groups whilst the other project themes, Innovation, and Internationalisation, are led by external project boards with which the Council has a Funding Agreement. The councils are responsible for ensuring projects are appropriately planned and managed and for monitoring their progress and finances. They also host the Aberdeen City Region Deal Joint Committee, which includes representation from each stakeholder.

Aberdeenshire Council acts as a conduit for Government and Council funding in accordance with the signed Deal Agreement and the terms of the Scottish Government's annual Aberdeen City Region Deal Grant Offer. Drawdowns and grant payments to projects are dependent on the Accountable Body receiving evidence of projects' spend and progress.

1.2 Rationale for the review

The objective of this audit is to provide assurance over the governance and financial spend of the City Region Deal¹. The Deal is managed on behalf of various partners; each stakeholder will have an interest in assurance over the governance arrangements. Aberdeen City Council supports programme management for delivery of the Deal's projects and outcomes. Aberdeenshire Council is the Accountable Body for project funding drawdowns and payments. They therefore have lead responsibility for programme delivery and stewardship of funds².

Since 2022-23 the UK and Scottish Governments' funding letter, setting out the terms of their annual grant offer, includes an expectation for the Deal to be included in the Internal Audit Plan at least every two years.

Governance of the Deal was last reviewed in 2020 (Internal Audit Report 2101). Whilst the main focus of the review was financial governance – over which positive assurance was obtained, areas of improvement were recommended relating to project change management controls, benefits measurement and associated action plans and reporting, and demonstrating project sustainability following the end of the funding period.

1.3 How to use this report

¹ This review has been undertaken by the Internal Audit Service of Aberdeenshire Council, who also provides such services to Aberdeen City Council. This report will be presented to both councils' respective audit committees (in whichever form they take) and will be made available to other stakeholders, such as the UK and Scottish governments, as appropriate. It should be noted that the primary reason for this review is to gain assurances for both councils and to satisfy the overall funding requirements. Any other assurances taken by stakeholders is based on their own judgement and does not place any responsibility or liability on the Internal Audit Service of Aberdeenshire Council.

² The audit methodology used across both councils is similar, with the only difference being slightly different assurance terms e.g. a Strategic review for Aberdeenshire is considered a Corporate Review for Aberdeen City. For ease of reporting and consistency, the Aberdeenshire terms have been used.

This report has several sections and is designed for different stakeholders. The executive summary (section 2) is designed for senior staff and is cross referenced to the more detailed narrative in later sections (3 onwards) of the report should the reader require it. Section 3 contains the detailed narrative for risks and issues we identified in our work.

2 Executive Summary

2.1 Overall opinion

The full chart of net risk and assurance assessment definitions can be found in Appendix 1 – Assurance Scope and Terms. We have assessed the net risk (risk arising after controls and risk mitigation actions have been applied) as:

Net Risk Rating	Description	Assurance Assessment
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited

The organisational risk level at which this risk assessment applies is:

Risk Level	Definition
Strategic	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.

2.2 Assurance assessment

Internal Audit has identified an overall net risk rating of **MAJOR**, with **LIMITED** assurance obtained over the governance and financial spend of the City Region Deal. The Deal planned to utilise in excess of £290m of public funds, leveraging over £530m from private sector and other contributions. This audit sought to determine whether suitable and proportionate controls, data, and checks, are in place to provide assurance over reported project delivery and grant disbursement. Partners to the arrangement are working together in the spirit of the agreement to deliver against the agreed aims and objectives. The level of progress with actions and spend are reported regularly, and this meets the current reporting requirements for the Councils, the UK, and Scottish Government. However, weaknesses have been identified in governance arrangements, review of the supporting audit trail for expenditure, and delivery of outcomes.

It is noted that as an early adopter of the City Region Deal model, Aberdeenshire and Aberdeen City have had to continuously develop governance and reporting arrangements, and their work in this area has been recognised by the governments – which continue to develop their own requirements, reflected in variations to terms and conditions included in annual grant offer letters. Partners have adapted to meet changing demands, to meet funders' expectations.

However, these changes have not been fully reflected throughout the Deal's governance arrangements (e.g. by updating funding agreements), and there is a need for more transparency and challenge in respect of financial and progress data provided by project delivery partners. Project status, expenditure claims, financial forecasts, and the realisation of benefits is declared, collated, and reported, but detailed supporting evidence is not always provided and reviewed in sufficient detail to confirm their accuracy. Data required for the measurement of benefits realised is being withheld due to partners' concerns over the release of commercially and personally sensitive information.

Internal Audit requested project board minutes and transactional data, and where available this provided a level of assurance; however, full data was not provided in every case. If delivery partners are not comfortable sharing information, this limits the level of assurance that can be taken and drives up the level of risk. Explanations for variances, delays, and mitigating actions, are limited. There is limited scrutiny of financial and progress data provided from delivery partners by the councils as part of their programme management and financial accountable body roles, and where this takes place it is not well evidenced. It is important to demonstrate appropriate checks and challenge are being applied to provide assurance that the grant is only being paid out to cover eligible spend. Conditions and requirements of the UK and Scottish governments have varied over the life of the Deal. Partners and delivery of the programme and project outcomes may be at risk if required information cannot be obtained to satisfy changing funders' requirements.

The delivery of benefits and conclusion of projects to date has been reported in summary or through selected highlights and case studies as part of the Deal Annual Report, rather than detailed comparisons of actual outcomes and costs against planned. It may be difficult to ensure this data is obtained, given requirements had not been determined and agreed in advance, and flexibility has not been incorporated into existing agreements. In the absence of this data, it may not be possible to fully determine the successful delivery of the intended Deal outcomes.

An assumption is being made by project delivery partners that funds committed but not spent in the financial year can be rephased to future years, however few projects in this situation have submitted formal change requests to date. The governments have stated in grant offer letters that although the totality of funds remains available (within the Deal funding period – to 2027), requests to move funding between specific years may not be possible. It cannot therefore be assumed that all requests to rephase budgets will be agreed, or can be accommodated within the funding period.

Approval of project changes is reserved to the City Region Deal Joint Committee. However, this has been delegated to an Officer on its behalf by one of the partners and there is no record of other partners having agreed this. It is essential that decision making on governance and controls is planned and transparent.

Recommendations have been made to address the noted points, specifically around strengthening the governance and reporting arrangements within the councils and from partners. These include updating and securing flexibility in funding agreements, and reviewing delegations. Further work has been recommended to develop and expand the level of data obtained, and its critical appraisal, in respect of use of funding, performance against plans, and realisation of benefits, at a more detailed level proportionate with the level of funds being managed through the City Region Deal.

2.3 Severe or major issues / risks

Issues and risks identified are categorised according to their impact on the Council. The following are summaries of higher rated issues / risks that have been identified as part of this review:

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
1.2	<p>Delegated Powers – Some project changes (e.g. the carry forward of £337k budget on a project) are being approved by the Aberdeen City Chief Officer - City Growth, in consultation with the Joint Programme Board, on the basis of authority delegated by Aberdeen City Council. Such changes are being subsequently reported in appendices to quarterly progress updates provided to the City Region Deal Joint Committee. The Committee is asked to note the document, and not the exercise of delegated powers. More substantial changes are being put to the Committee for a decision (e.g. a change of scope to extend another project for £2,671k), but there is currently no guidance on the level or type of change requiring Joint Committee approval.</p> <p>There are no requests for approval or ratification of these decisions, and the Joint Programme Board (which is being consulted as part of this delegation) does not have delegated powers from the Committee to approve changes. The Joint Committee is not directly controlled by a single partner - therefore whilst Aberdeen City Council has</p>	Yes	Major	11

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
	<p>the power to delegate a part of the Committee's powers to one of its officers, it would require formal agreement from the partners or the Joint Committee itself. There is no record of Aberdeenshire Council having agreed this delegation.</p>			
1.4	<p>Performance and Benefits Reporting – A Benefits Realisation Plan was agreed in February 2023, for the 2016-2026 programme, though performance and benefits reporting has been carried out annually with highlights and case studies presented in the annual report. To date there has been no formal reporting of a detailed comparison of actual compared with planned benefits.</p> <p>The majority of identified benefits do not have clear targets – there are measures of project level outputs, activities, or indicators used as proxies for the impact of project activity on the overall Deal outcomes, but only a small number of measures were set in project business cases (an average of 20% of measures across three workstreams reviewed by Internal Audit had specific targets).</p> <p>Benefits are tracked in a benefits tracker spreadsheet, which is updated annually and used to support reporting to the Joint Committee and governments. Elements of the tracker varied from the originally agreed targets set out in project business cases. Satisfactory explanations were provided, however improved tracking of revisions would provide greater assurance that outcomes are being compared and reported against agreed targets.</p> <p>Processes for data collection and reporting are still developing. Whilst some data is produced nationally, or by the PMO applying standardised calculations, generally delivery partners submit their own data into the tracker, and data is not typically subject to challenge or independent verification.</p> <p>Some of the data is not currently available, particularly where it is retrospective and baselines were not established, relates to 'personal data', or is considered 'commercially sensitive' by delivery partners. Selective presentation of data presents a risk in terms of completeness. It may be difficult to ensure this data is obtained, given</p>	No		14

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
	<p>requirements had not been determined and agreed in advance, and flexibility has not been incorporated into existing agreements. In the absence of this data, it may not be possible to fully determine the successful delivery of the intended Deal outcomes and benefits.</p>			
1.5	<p>Expenditure Records – Whilst there are records provided to Aberdeenshire Council Finance to support grant drawdowns by partners, there is currently insufficient detail to demonstrate that only grant eligible spend is included in each claim.</p> <p>Reliance is being placed on delivery partners' project leads to provide accurate figures on current spend and forecasts for use of funding. Aberdeenshire Council Finance collates this information from Project Status Reports and puts it into the relevant formats for reporting to the Joint Committee and UK/Scottish governments.</p> <p>Whilst Aberdeenshire Council Finance will challenge material variations and request explanations, which are then included within grant returns to the governments, they are not receiving or reviewing detailed supporting records of spend, or forecast calculations and assumptions, from each partner to obtain assurance they have a reasonable basis.</p> <p>Aberdeenshire Council Finance officers have confirmed they are able to request further information/review accounts on an 'open book' basis, and they have received satisfactory explanations, including viewing additional evidence on calls. However, they are not recording that they have done so, and there is limited documentary evidence held by the Council to support the claims (e.g. one project provides information covering only up to 50% of each claim, and certification required under the funding agreement is not on file). Arrangements for obtaining further supporting evidence have not been formally documented – therefore it is not clear if this is a conscious decision to restrict the level of review based on e.g. other sources of assurance.</p> <p>Transaction level data was sought by Internal Audit from delivery partners to confirm accuracy. Full supporting records were not provided in every case. For</p>	Yes		15

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
	<p>example, one project provided a selection of invoices supporting approximately 73% of a £1.2m claim, and there was not always sufficient information to demonstrate that the costs included related to a specific activity referenced in the business cases or funding agreements. In another case, amounts (£40k out of a £714k claim – 6%) were being claimed that were committed but had not yet been paid out (retentions), contrary to terms in the funding agreement. Recoverable VAT was also being claimed on the basis of an informal agreement that it would be repaid, following its recovery, at a later date. As this level of detail is not typically obtained by the Council, these potential anomalies had not been reviewed and addressed.</p> <p>The Deal utilises in excess of £290m of public funds, leveraging over £530m of private sector contributions. In the absence of appropriate and proportionate checks and challenge where necessary, there is limited assurance that grant funding is only being paid out to cover eligible spend. Conditions and requirements of the UK / Scottish Governments have varied over the life of the Deal. Partners and delivery of the programme and project outcomes may be at risk if the required information cannot be obtained to satisfy changing funders' requirements.</p>			

2.4 Management response

Whilst we accept there are areas of improvement outlined in this report, we do not agree with the Net Risk Rating as - Major and the Assurance Assessment - Limited.

It should be noted that an audit was undertaken in 2020/21, where the same governance and procedures were in place, agreed by UK/SG and ACRD JC a positive assurance was obtained– all recommendations from that audit have been completed.

This audit report recognises that “the Deal has continuously developed reporting arrangements, in line with new requests from government and partners have adapted to meet the changing demands, to meet funders’ expectations”. It should be noted that formal Annual Reviews and 18 month Check point reviews between UK/SG and each project covering finances, milestones and benefits have taken place since inception and all actions from these reviews have been completed.

The audit recommends further checks and challenge is given to the information that projects submit to the PMO, UK/SG Government and Joint Committee, specifically Benefits and Finance information.

The management would like to highlight the controls that are in place:

Legal Agreement

Legal agreement exists between Aberdeenshire Council and projects, the terms and conditions of this agreement give the Council access to information, as well as the power to suspend payments where

appropriate. To date, projects have provided all information required of them in line with the grant agreement.

Progress Status Reports

These are provided monthly for review by the PMO. They report on actual monthly spend and provide a forecast for future months. Aberdeenshire Council reviews the costs claimed and can request for supporting information to support costs claimed.

Project Internal Governance

Each private company has its own Board, in which, a member of the Aberdeen City Region Deal Programme Board sits as an “observer”. This board is made up of private and public sector professionals which have a duty to monitor the financial reporting of the organisation. Part of the annual financial compliance of private organisations includes an external auditor’s examination of their accounts prior to reporting via Companies house which is accessible to the public. Annual Accounts are signed off by their own board and updated to ACRD Programme Board.

The CRD model was designed to be lighter touch supporting effective delivery. It is acknowledged that we are responding to an increasing level of scrutiny by Government(s) who have increased the resource in their Deal teams. We have responded to this changing approach to Government scrutiny and now have weekly meetings, as well as monthly, quarterly, and annual meetings. Individual projects have reviews, and checkpoints as well. The interaction between PMO and SG/UKG is significant and requires a lot of time to meet this demand. In general, we are compliant with UK/SG requirements, including reporting and change controls, and this has been confirmed through our regular reporting and meetings. There is no funding within the Deal for the Programme Management Office (PMO) to administer the Deal and therefore existing resources have been utilised which has been satisfactory to both Governments throughout the Deal period. There needs to be a balance between the resource we have, and the expectations we/others have from that resource – including the extent to which internal audit recommendations can be met.

We will undertake an annual review of funding agreements’ terms and conditions to ensure Deal programmes remain aligned with terms specified in the annual grant offer letter and will seek further documentary evidence in support of claims where this is required.

In February 2024, Aberdeen City Region Deal Joint Committee approved a governance framework document which further clarifies processes, definitions (e.g. material changes and material financial variances), delegations, and will promote even greater transparency in decision making.

Performance data is being obtained, however there remain challenges over ‘sensitive’ data, which will need to be obtained to demonstrate delivery of outcomes in line with the Benefits Realisation Plan. The Programme Board will be asked to identify mutually acceptable options for delivering assurance over these areas, to take forward to the Joint Committee for approval.

Revisions to the Quarterly reporting template, and project closure report template, are underway. A proposal will be taken to the Programme Board in respect of developing a dashboard style approach which will better set out progress against plan, in the context of expenditure against budgets. This would further improve the level of assurance provided to the Joint Committee and support further scrutiny of project delivery where required.

In summary, the financial management and scrutiny of all ACRD resources have been reported through ACRD Joint Committee and to both Governments on a regular basis as set out by Government. Improvements can be made and will be actioned in line with and adding to the current approach.

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Moderate
1.1	<p>Funding Agreements – Aberdeenshire Council, as Accountable Body, is responsible for ensuring appropriate stewardship and accountability over use of the City Region Deal’s funding. For two out of three workstreams reviewed, funding agreements were in place with the delivery partners: setting out terms and conditions for payment including e.g. what constitutes eligible expenditure, and the level of supporting information required before a grant claim will be paid.</p> <p>However, not all arrangements have signed agreements in place, and changes (including names, timing of payments, and requirements for supporting documentation) have not all been formally documented. In the absence of complete and up to date agreements covering every workstream there is a risk to progress and continued receipt of Deal funding in the event of any dispute over terms, or unanticipated variations in practice.</p> <p>The UK / Scottish Governments issue grant offer letters annually, which have included changes to previously agreed terms and conditions. There is currently limited flexibility in existing funding agreements (where these are in place) to incorporate such changes, though in practice partners are working together to address requirements for e.g. additional documentation, scrutiny, and changes to payment schedules. Without explicit commitment in writing there may be risks to the application of any further new requirements.</p> <p>Whilst the Governments can ultimately withhold payment until conditions are met, and this is reflected in existing agreements, there are risks to partners and project delivery if there is not mutual agreement. There needs to be both clarity over the need to fulfil funders’ expectations, and flexibility to adapt to future requirements.</p>		
IA Recommended Mitigating Actions			
The City Region Deal partners should ensure up to date agreements are in place with all delivery partners, and are maintained up to date to provide assurance over continued compliance with changes to UK/SG requirements.			
Management Actions to Address Issues/Risks			
<i>We recognise that the legal agreements created in 2016/17 are high level and that grant offer letters are agreed at Programme Board each year. We will undertake an annual review of agreements’ terms and conditions to ensure Deal programmes remain aligned with terms specified in the annual grant offer letter.</i>			
<i>We note that this will involve additional resource, and as such will require agreement by Joint Committee.</i>			
Risk Agreed		Person(s)	Due Date
Yes		Interim City Region Deal Programme Manager	July 2024 (and annually)

Ref	Description	Risk Rating	Major
1.2	<p>Delegated Powers – Some project changes (e.g. carry forward of £337k underspend against £1,361k budget (25%) on a project) are being approved by the Aberdeen City Chief Officer - City Growth, in consultation with the Joint Programme Board, on the basis of authority</p>		

Ref	Description	Risk Rating	Major
	<p>delegated by Aberdeen City Council in 2019. Such changes are being subsequently reported in appendices to quarterly progress updates provided to the City Region Deal Joint Committee. The Committee is asked to note the progress update document, and not the exercise of delegated powers. More substantial changes are being put to the Committee for a decision (e.g. a change of scope to extend another project utilising an underspend of £2,671k (53%)), but there is currently no guidance on the level or type of change requiring Joint Committee approval.</p> <p>There are no requests for approval or ratification of these decisions, and the Joint Programme Board (which is being consulted as part of this delegation) does not have delegated powers from the Committee to approve changes. The Joint Committee is not directly controlled by a single partner - therefore whilst Aberdeen City Council has the power to delegate a part of the Committee's powers to one of its officers, it would require formal agreement from the partners or the Joint Committee itself. There is no record of Aberdeenshire Council having agreed this delegation. The Councils' legal teams are working on proposals to confirm delegation from the Joint Committee.</p>		
	IA Recommended Mitigating Actions		
	Delegations should be reviewed and where appropriate confirmed by the Joint Committee and/or all partners. The scope of such delegations should be documented.		
	Management Actions to Address Issues/Risks		
	<p><i>The issue of delegation of power is now fully resolved.</i></p> <p><i>At February 2024 Joint Committee a report was unanimously approved that outlined the long-standing Change Request process and clarified delegated powers. While there was no minute of this delegation being explicitly agreed by Joint Committee previously, the change process was documented and in practice by projects with government, since inception, and reported to Joint Committee via the quarterly progress update. The Joint Committee are aware of the secondary control in place, which includes both governments agreeing change requests as part of the monthly reporting to government and follow-up meetings. The application of major risk rating appears to ignore all of the controls that were already in place.</i></p> <p><i>The recommended actions within the audit report have been concluded in full, and were underway at the time of the audit. During follow up conversations during the audit officers had informed of all other controls that were in place, whilst acknowledging that there was no evidence of a specific delegation of power from the Joint Committee to cover the approvals of variances and non material changes. The written procedure agreed by the Joint Committee largely formalises what was existing process relating to primarily operational matters. The major risk rating is accepted with some hesitation as evidence was provided of all other controls in place at the time of audit and a moderate risk rating had been expected on that basis.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Interim City Region Deal Programme Manager	Implemented ³

³ Management provided evidence to confirm implementation of the action during the finalisation of the report after the risk had been highlighted by Internal Audit.

Ref	Description	Risk Rating	Moderate
1.3	<p>Progress Reporting – Project progress is updated regularly by project leads, using Project Status Reports (PSR's). These are in a standardised format, and updates are supported and consolidated centrally by the Aberdeen City Project Management Office (PMO).</p> <p>There is variation in the level of detail, and the future extent of milestones detailed in PSR's. Some projects are only tracking current year milestones. Milestones are detailed insufficiently to gauge progress or potential delays in project delivery. Whilst there is generally supporting narrative to explain progress, without SMART measures or additional milestones the degree of progress made, and the impact of any risks, may be difficult to interpret. There is also no status indicator (e.g. Red Amber Green (RAG)) included on the PSR's for tasks or projects to aid interpretation⁴.</p> <p>It is evident from board minutes (where provided) that some projects are reporting more detailed progress, risks, and issues to their own boards, but there is a risk this may not always be translated and escalated as necessary to provide assurance over progress or anticipated impacts. Project boards/working groups vary in the level of detail minuted. It was not possible to obtain assurance over some project board activity, as minutes were not all provided to Internal Audit for review. If delivery partners are not comfortable sharing information, this limits the level of assurance that can be taken and drives up the level of risk. Whilst partners are free to develop their own governance and reporting arrangements, it is important that there is overall assurance that progress, risks and issues, costs, and anticipated requirements for change, are being reviewed and escalated appropriately. Strong and consistent governance at project level would help provide this assurance, and needs to be evidenced.</p> <p>Whilst projects are reporting risks, the impact is not clearly measured. Timescale changes are not clearly attributed to crystallisation of risks. Similarly, although projects may include proposed mitigations, whether or not these are being applied is not recorded - limiting assurance that actions are being taken to avoid or reduce risks impacting on time or budget.</p> <p>Quarterly Joint Committee reports focus on current year spend and milestones without providing context and narrative demonstrating progress, commitment, and utilisation of funding against each project's full plan and for the Deal overall. This could limit opportunities for the Committee to effectively scrutinise progress and activity.</p> <p>IA Recommended Mitigating Actions</p> <p>Milestones should be sufficiently detailed and separated out for each project to gauge progress with delivery of project deliverables and outcomes, through to final delivery.</p> <p>Assurance should be obtained and reported on risks, their impact on delivery, finance and outcomes, and progress with actions to mitigate them.</p> <p>Progress on delivery of projects against plans, commitment, and utilisation of funding, should be reported to the Joint Committee regularly.</p> <p>Management Actions to Address Issues/Risks</p> <p><i>Revisions to the Quarterly reporting template are underway as this was a request made by Joint Committee in 2023 A proposal will be taken to the Programme Board in respect of developing a dashboard style approach which will set out progress against plan, in the context of expenditure against budgets. This level of assurance will complement the level of scrutiny currently being received at Joint Committee and support further scrutiny of project delivery if required.</i></p>		
	Risk Agreed	Person(s)	Due Date

⁴ A RAG status is recorded for projects and associated risks in quarterly returns to the governments, and an indicator for overall project level status by exception is included in Joint Committee updates.

Ref	Description		Risk Rating	Moderate
	Yes	Interim City Region Deal Programme Manager	May 2024	

Ref	Description	Risk Rating	Major
1.4	<p>Performance and Benefits Reporting – A Benefits Realisation Plan was agreed in February 2023, for the 2016-2026 programme, though performance and benefits reporting has been conducted annually with highlights and case studies presented in the annual report. To date there has been no formal reporting of a detailed comparison of actual compared with planned benefits.</p> <p>The majority of identified benefits do not have clear targets – there are measures of project level outputs, activities, or indicators used as proxies for the impact of project activity on the overall Deal outcomes, but only a small number of measures were set in project business cases (an average of 20% of measures across three workstreams reviewed by Internal Audit had specific targets).</p> <p>Benefits are tracked in a benefits tracker spreadsheet, which is updated annually and used to support reporting to the Joint Committee and governments. Elements of the tracker varied from the originally agreed targets set out in project business cases. Satisfactory explanations were provided, however improved tracking of revisions would provide greater assurance that outcomes are being compared and reported against agreed targets.</p> <p>Processes for data collection and reporting are still developing. Whilst some data is produced nationally, or by the PMO applying standardised calculations, generally delivery partners submit their own data into the tracker, and data is not typically subject to challenge or independent verification.</p> <p>Some of the data is not currently available, particularly where it is retrospective and baselines were not established, relates to 'personal data', or is considered 'commercially sensitive' by delivery partners. Selective presentation of data presents a risk in terms of completeness. It may be difficult to ensure this data is obtained, given requirements had not been determined and agreed in advance, and flexibility has not been incorporated into existing agreements (see 1.1 above). In the absence of this data, it may not be possible to fully determine the successful delivery of the intended Deal outcomes and benefits.</p> <p>IA Recommended Mitigating Actions</p> <p>All agreed measures should be reflected in the benefits tracker promptly following project approval, with variations (e.g. following approved changes) clearly recorded.</p> <p>Performance and benefits data should be made available to the PMO in full, on a regular basis, to provide assurance over progress with delivery of the Deal outcomes. Decisions on sensitivity should be determined at the reporting stage rather than by individual delivery partners.</p> <p>Data provided by delivery partners should be reviewed, and challenged or independently verified where appropriate. The basis and level of assurance over figures included in returns should be clearly disclosed.</p> <p>Progress on delivery of benefits against those planned should be reported to the Joint Committee regularly.</p> <p>Management Actions to Address Issues/Risks</p> <p><i>It was always recognised that many of the Benefits would not be fully realised until after the completion of major projects, some of these projects are still being constructed. Benefits have been reported annually through the published Aberdeen City Region Deal Annual</i></p>		

Ref	Description	Risk Rating	Major
	<p><i>Report and include a mix of data and case studies outlining the benefits agreed at Business Case and additional social benefits.</i></p> <p><i>Since the inception of the Deal, governments have asked Deal projects to consider collation of additional data, including a breakdown of protected characteristics. Collation of this data is challenging across all Deals and doing so retrospectively in most cases will not be possible. The audit report cites “personal data” or “commercially sensitive”, we are still working through GDPR clauses, with legal colleagues on what can be shared. The ACRD PMO is part of a national Growth Deal Benefits sub group to share best practice and learn from each other as we develop processes for this.</i></p> <p><i>Projects are not due to report on the Benefits Realisation Plan until August 2024. The Programme Board has, for a number of years, planned an interim evaluation of the Deal which would be taken once most projects were complete and benefits still were to be realised. A Scope for this work is currently underway, with a view that this work would start in line with the 2024 Benefits Realisation Report.</i></p> <p><i>Independent verification of reported performance and benefits may not be possible or proportionate to the associated risk, however explanations will be sought for variations, and the source of data will be confirmed and subject to sample review.</i></p> <p><i>On the basis that the Benefits Realisation Plan is in place and was endorsed by both Governments, the risk rating of Major is not accepted by management. The ongoing reporting outlined elsewhere in the report at 2.4 provides a level of assurance that there are controls in place as required by Government which significantly mitigate any risk in this area.</i></p>		
	Risk Agreed	Person(s)	Due Date
	No	N/A	N/A

Ref	Description	Risk Rating	Major
1.5	<p>Expenditure Records – Whilst there are records provided to Aberdeenshire Council Finance to support grant drawdowns by partners, there is currently insufficient detail to demonstrate that only grant eligible spend is included in each claim.</p> <p>Reliance is being placed on delivery partners’ project leads to provide accurate figures on current spend and forecasts for use of funding. Aberdeenshire Council Finance collates this information from Project Status Reports and puts it into the relevant formats for reporting to the Joint Committee and UK/Scottish governments.</p> <p>Whilst Aberdeenshire Council Finance will challenge material variations and request explanations, which are then included within grant returns to the governments, they are not receiving or reviewing detailed supporting records of spend, or forecast calculations and assumptions, from each partner to obtain assurance they have a reasonable basis.</p> <p>Aberdeenshire Council Finance officers have confirmed they are able to request further information/review accounts on an 'open book' basis, and they have received satisfactory explanations, including viewing additional evidence on calls. However, they are not recording that they have done so, and there is limited documentary evidence held by the Council to support the claims (e.g. one project provides information covering only up to 50% of each claim, and certification required under the funding agreement is not on file). As discussed at 1.1 arrangements for obtaining further supporting evidence have not been formally documented – therefore it is not clear if this is a conscious decision to restrict the level of review based on e.g. other sources of assurance.</p>		

Ref	Description	Risk Rating	Major
	<p>Transaction level data was sought by Internal Audit from delivery partners to confirm accuracy. Full supporting records were not provided in every case. For example, one project provided a selection of invoices supporting approximately 73% of a £1.2m claim, and there was not always sufficient information to demonstrate that the costs included related to a specific activity referenced in the business cases or funding agreements. In another case, amounts (£40k out of a £714k claim – 6%) were being claimed that were committed but had not yet been paid out (retentions), contrary to terms in the funding agreement. Recoverable VAT was also being claimed on the basis of an informal agreement that it would be repaid, following its recovery, at a later date. As this level of detail is not typically obtained by the Council, these potential anomalies had not been reviewed and addressed.</p> <p>The Deal utilises in excess of £290m of public funds, leveraging over £530m of private sector contributions. In the absence of appropriate and proportionate checks and challenge where necessary, there is limited assurance that grant funding is only being paid out to cover eligible spend. As noted at 1.1 conditions and requirements of the UK / Scottish Governments have varied over the life of the Deal. Partners and delivery of the programme and project outcomes may be at risk if the required information cannot be obtained to satisfy changing funders' requirements.</p>		
IA Recommended Mitigating Actions			
Partners should provide, and Aberdeenshire Council Finance should review, detailed spend records to demonstrate that expenditure and forecast figures have a sound basis, and that only grant eligible spend is being drawn down.			
Management Actions to Address Issues/Risks			
<p><i>The financial arrangements supporting the Aberdeenshire City Region deal have evolved throughout its duration. Since the inception of the deal, UKG and SG have cultivated a robust working relationship with private partners, reflecting the trust and confidence in the arrangement, with certain partners even receiving upfront funding. As the deal has advanced, UKG and SG have seen significant changes in staff and a number of new deals being developed, with valuable insights retroactively applied to enhance the ongoing Aberdeen City Region deal. One such change, is a reset with the financial arrangements, with both governments agreeing that all discussions around finance to be held between Partners and Aberdeenshire Council, and for Aberdeenshire Council to discuss with UKG and SG.</i></p> <p><i>In advance of the above reset, we are actively reviewing supporting evidence and taking steps to ensure assurance, although we recognise that reporting consistency has not always been maintained. To address this, a revised template has been crafted to meticulously document Aberdeenshire Council's review and scrutiny of evidence from partner bodies. This ensures that claims are strictly for eligible expenditures and align with the funding agreement. There is unanimous agreement among partner bodies to guarantee the provision of all necessary evidence to support deal submission claims. This refined process has been successfully implemented for the last two claims, with all supporting evidence meeting grant requirements.</i></p>			
Risk Agreed		Person(s)	Due Date
Yes		Head of Finance (Aberdeenshire Council)	September 2024

Ref	Description	Risk Rating	Moderate
1.6	Mitigation of Variances – There are some substantial variances in forecast outturn for the financial year, e.g.:		

Ref	Description	Risk Rating	Moderate
	<ul style="list-style-type: none"> • One project - £5.6m (20%) underspend for 2023/24 projected at September 2023, moving to £9.1m (34%) in November 2023 • Another project - £2.2m (40%) underspend for 2023/24 projected at September 2023, moving to £3.1m (56%) in November 2023 • A final project - £337k (25%) underspend for 2023/24 <p>The extent of explanations provided in variance notes, included in monthly returns to the governments, varies. Material movements in forecast outturns may arise through unanticipated events, but these should be the exception. There is a risk that increasing forecast variances towards the end of the financial year might indicate issues with forecast accuracy or over-optimistic figures provided by project leads. As noted at 1.5 above, forecasting is not subject to detailed review, though comments from Aberdeenshire Council Finance are included in the monthly returns.</p> <p>Reported action to mitigate anticipated variances (including the above) is generally limited to 're-phasing' of expenditure to future years. Assurance was only provided in one of the three above projects' PSR's that a formal change request had been submitted and approved to move budget (and therefore grant drawdown requests) into future years (however, see 1.2 above).</p> <p>The governments have stated in the grant offer letters that although the totality of funds remains available, requests to move funding between specific years may not be possible (because they effectively operate on a cash basis with a limited budget for distribution). It cannot therefore be assumed that all requests to re-phase budgets will be agreed. If change requests are not being prepared and approved sufficiently in advance, at the right level, there is a greater risk that funds may not be available in the future years when they are required.</p>		
IA Recommended Mitigating Actions			
<p>Variations and action taken to address them should be clearly explained. Forecast accuracy should be reviewed and the risk of over-optimism factored into future forecasting.</p> <p>Where material financial variances are anticipated, and action is not otherwise being taken to mitigate them in-year, change requests should be prepared and agreement sought in advance.</p>			
Management Actions to Address Issues/Risks			
<p><i>In general Aberdeenshire Council Finance, and the UK / Scottish Governments, are satisfied with the reasons provided by delivery partners for forecast in-year financial variances. Such variations are typical of capital projects where moderate changes to scheduling, availability of alternative finance streams, and other unforeseen circumstances, can result in apparently significant changes to cashflow within any given financial year, without a material impact on the overall project cost and timeline. Whilst financial spend is an important factor, and can be a proxy for progress to an extent, the focus needs to be on delivery of the project outputs, and realisation of the intended benefits, within the available resource and timeframe. We therefore support the proposals in response to earlier risks identified in this audit report, to develop progress reporting to facilitate Joint Board and Committee scrutiny.</i></p> <p><i>The Scottish Government issued change request guidance in 2021 and this is being applied. The Governments are being kept aware of anticipated changes through regular progress updates in addition to the financial monitoring reports.</i></p>			
Risk Agreed		Person(s)	Due Date
Yes		Interim City Region Deal Programme Manager	May 2024

Ref	Description	Risk Rating	Moderate
1.7	<p>Project Closure Reports – Project closure reports are being presented to the Programme Board and thereafter the Joint Committee for concluded projects. These follow a template, which includes highlights and benefits arising from the project.</p> <p>Whilst closure reports in respect of two recently concluded projects reviewed included relevant information, and commitments to continue to work with partners and capture subsequent benefits in the annual report, neither compared the benefits realised to date against those included in the original business case to provide an indication of progress at the date of conclusion. One of the projects did indicate that two benefits still remained to be achieved, but did not reflect on progress to date or a timescale for full realisation.</p> <p>Only one of the two included a comparison of actual cost with budget, and in this case it was stated the underspend would be carried forward to fund future projects. No request or approval to do so was documented - though a later business case consolidated multiple project underspends within the same workstream and proposed a new project to be delivered from these (£7m), which was agreed by the Joint Committee in November 2022. Lessons learned do not feature in the reports.</p> <p>In the absence of detailed comparisons of planned and actual costs and benefits, limited assurance can be gleaned from project closure reports other than confirmation that work has been completed, and a selection of outcomes delivered.</p>		
IA Recommended Mitigating Actions			
Project closure reports should include a comparison of planned and actual costs and benefits, with a reflection on lessons learned and how these are being applied to ongoing / future projects.			
Management Actions to Address Issues/Risks			
<i>A revised template has been drafted and takes into consideration all of the points made. All projects will make use of the revised template. This action is now considered complete.</i>			
Risk Agreed		Person(s)	Due Date
Yes		Interim City Region Deal Programme Manager	Implemented ⁵

⁵ Management provided evidence to confirm implementation of the action during the finalisation of the report after the risk had been highlighted by Internal Audit.

4 Appendix 1 – Assurance Terms and Rating Scales

4.1 Overall report level and net risk rating definitions

The following levels and ratings will be used to assess the risk in this report:

Risk Level	Definition
Strategic	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Directorate	This issue / risk level has implications at the directorate level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given directorate.
Service	This issue / risk level impacts at the Business Plan level (i.e. individual services or departments as a whole). Mitigating actions should be implemented by the responsible Head of Service.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual Issue / Risk Rating	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, which could result in, for example, a material financial loss. Action should be taken within three months.
Severe	This is an issue / risk that could significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

5 Appendix 2 – Assurance Scope and Terms of Reference

5.1 Area subject to review

The Aberdeen City Region Deal (the Deal), agreed in November 2016, is a three-way, ten-year agreement between the UK Government, the Scottish Government and regional partners including Aberdeen City and Aberdeenshire councils, and other organisations including universities and Opportunity North East (ONE) - the private sector partner which leads on innovation projects within the Deal. The total allocations of funding for the capital projects is £826.2 million.

The Deal's aim is to significantly advance economic and infrastructure development in the area, addressing the challenges which business and industry face in the North East of Scotland whilst grasping opportunities through projects which can enable Aberdeenshire and Aberdeen City to continue to be an attractive and productive area for organisations to locate and develop. Key projects include the Net Zero Technology Centre (formerly Oil and Gas Technology Centre), Food and Drink and Life Science Innovation Hubs, a Digital Infrastructure Fund, expansion of Aberdeen Harbour, and development of a Strategic Transport Appraisal (STAG).

The councils' jointly fund £20 million of activity relating to the Digital (£7 million), STAG (£2 million) and Harbour Expansion (£11 million) elements of the Programme. The Digital and Transport themes are led by Council based Working Groups whilst the other project themes, Innovation, and Internationalisation, are led by external Project Boards with which the Council has a Funding Agreement. The councils are responsible for ensuring projects are appropriately planned and managed and for monitoring their progress and finances. They also host the Aberdeen City Region Deal Joint Committee, which includes representation from each stakeholder.

Aberdeenshire Council acts as a conduit for Government and Council funding in accordance with the signed Deal Agreement and the terms of the Scottish Government's annual Aberdeen City Region Deal Grant Offer. Drawdowns and grant payments to projects are dependent on the Accountable Body receiving evidence of projects' spend and progress.

5.2 Rationale for review

The objective of this audit is to provide assurance over the governance and financial spend of the City Region Deal. The Deal is managed on behalf of various partners; each stakeholder will have an interest in assurance over the governance arrangements. Aberdeen City Council supports programme management for delivery of the Deal's projects and outcomes. Aberdeenshire Council is the Accountable Body for project funding drawdowns and payments. They therefore have lead responsibility for programme delivery and stewardship of funds.

Since 2022-23 the UK and Scottish Governments' funding letter, setting out the terms of their annual grant offer, includes an expectation for the Deal to be included in the Internal Audit Plan at least every two years.

Governance of the Deal was last reviewed in 2020 (Internal Audit Report 2101). Whilst the main focus of the review was financial governance – over which positive assurance was obtained, areas of improvement were recommended relating to project change management controls, benefits measurement and associated action plans and reporting, and demonstrating project sustainability following the end of the funding period.

5.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the **Strategic** level.
- Individual **net risk** ratings for findings.

5.3.1 Detailed scope areas

As a risk-based review this scope is not limited by the specific areas of activity listed below. Where related and other issues / risks are identified in the undertaking of this review these will be reported, as considered appropriate by IA, within the resulting report.

The specific areas to be covered by this review are:

- Governance arrangements
 - Reporting lines, delegations, and approvals
- Programme management and reporting
 - Business case development, critical appraisal, and approval
 - Monitoring delivery, risks, and issues
 - Change management
 - Performance and benefits realisation
 - Project conclusion, sustainability, and lessons learned
- Expenditure / grant disbursement
- Income / grant drawdown

5.4 Methodology

This review will be undertaken through interviews with key staff involved in the process(es) under review and analysis and review of supporting data, documentation, and paperwork. To support our work, we will review relevant legislation, codes of practice, policies, procedures, and guidance.

Due to hybrid working across the Council, this review will be undertaken primarily remotely.

5.5 IA outputs

The IA outputs from this review will be:

- A risk-based report with the results of the review, to be shared with the following:
 - Council Key Contacts (see 1.7 below)
 - Audit Committee (final only)
 - External Audit (final only)

5.6 IA staff

The IA staff assigned to this review are:

- Colin Harvey, Audit Team Manager (**audit lead**)
- Jamie Dale, Chief Internal Auditor (**oversight only**)

5.7 Council key contacts

The key contacts for this review across Aberdeenshire Council are:

- Rob Simpson, Director of Business Services
- Alan Wood, Director of Infrastructure and Environment
- Paul Macari, Head of Planning and Economy
- Mary Beattie, Head of Finance
- Alison Alexander, Strategic Finance Manager (Capital) (**process owner**)
- John Lovie, Accountant

The key contacts for this review across Aberdeen City Council are:

- Gale Beattie, Director of Commissioning
- Julie Wood, Interim Chief Officer – City Growth
- Stuart Bews, Interim City Region Deal Programme Manager (**process owner**)
- Aigul Gray, Project Support

5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	20-Jul-23
Scope agreed	27-Jul-23
Fieldwork commences	4-Aug-23
Fieldwork completed	1-Dec-23
Draft report issued	15-Dec-23
Process owner response	12-Jan-24
Director response	19-Jan-24
Final report issued	26-Jan-24