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ABERDEEN CITY REGION DEAL: Powering Tomorrow's World

To: Councillor Ian Yuill, Chairperson; Councillor Anne Stirling, Vice Chairperson; Councillor Christian Allard, Councillor Gillian Owen, Councillor Gwyneth Petrie and Councillor Miranda Radley; and Professor George Boyne, Jennifer Craw MBE and Sir Ian Wood.

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, 15 April 2025

ABERDEEN CITY REGION DEAL JOINT COMMITTEE

The Members of the **ABERDEEN CITY REGION DEAL JOINT COMMITTEE** are requested to meet in **Virtual - Remote Meeting on TUESDAY, 22 APRIL 2025 at 2.30 pm.**

ALAN THOMSON
INTERIM CHIEF OFFICER - GOVERNANCE

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

B U S I N E S S

- 1 Welcome and Apologies
- 2 Declarations of Interest or Transparency Statements
- 3 ACRD Risk Virement for External Transportation Links to Aberdeen South Harbour (Pages 3 - 14)

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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: Powering Tomorrow's World

COMMITTEE	Aberdeen City Region Deal Joint Committee
DATE	22 April 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	ACRD Risk Virement for External Transportation Links to Aberdeen South Harbour
LEAD OFFICERS	John Wilson
REPORT AUTHORS	Aigul Gray/Ross Stevenson
REPORT DATE	10/04/2025

1:	Purpose of the Report
i. To inform and seek approval from the Aberdeen City Region Deal (ACRD) Joint Committee for External Transportation Links to Aberdeen South Harbour (ETLASH) project material change request in line with agreed ACRD governance.	

2:	Recommendations for Action
It is recommended that the Joint Committee: i. Approve the material change request (Appendix A) to finalise the virement of £575,000 from the Aberdeen City Council Strategic Transport Appraisal contribution and a further £575,000 from Aberdeen City Council unallocated Digital contribution to support the ETLASH project. ii. Note that the Governments have conditionally approved the updated Outline Business Case for the ETLASH project. iii. Note that Aberdeen City Council has agreed to the funding in i) above and accepts responsibility for managing that funding and any associated risk. iv. Note that if any funding shortfall is identified during the development of the Full Business Case, Aberdeen City Council will present options to address it to the Aberdeen City Region Deal Joint Committee through the existing monitoring process.	

3:	Summary of Key Information
Material Change Request i. ETLASH is an important project for the regional economy; with the increased capacity and anticipated demand for Aberdeen South Harbour, there is a desire to maximise the impact of the harbour expansion on the wider regional and national economy. ii. The recommendation of the material change request (Appendix A) is to proceed with Option 2 to increase the ETLASH project budget, to cover the medium to high-risk provision associated with the project. The project will deliver improvements to existing and develop new road and active travel infrastructure. Updated Outline Business Case i. 26 February 2025, both Governments confirmed conditional approval for the updated Outline Business Case (OBC) of the External Transportation links to Aberdeen South Harbour project. This approval is contingent upon the submission of a Full Business Case (FBC) that addresses specific points. These points include clarifications on sunk costs, management of whole life costs, rationale for phasing expenditure, acceptance of funding shortfall responsibilities by regional partners, and updated assessments. Additionally, they emphasised the urgency of reporting any risks related to funding slippage by 2025-26 and requested written confirmation of details by March 31, 2025. Governance i. On 9 February 2024, the ACRD Joint Committee agreed that the updated Strategic Transport Appraisal (STA) Financial profile included an addition of £1.150 million from STA to ETLASH to cover the medium to high-risk provision associated with the project. ii. On 15 November 2024, the ACRD Joint Committee agreed to receive a report (1) detailing the impact of the STA £1,150 million allocated funds from Local Authorities for the External Transportation links to Aberdeen South Harbour project; (2) outlining the process by which approval would be sought from both the Councils and the Scottish Government; (3) seeking approval for this process to be followed. iii. On 14 February 2025, this report was presented to the ACRD Joint Committee and agreed to (1) note the process to be followed; (2) instruct officers to seek approval from Aberdeen City Council and Aberdeenshire Councils for the virement of £575,000 each; (3) agree to reconvene a special one-item ACRD Joint Committee meeting at the earliest available	

3:	Summary of Key Information
	opportunity following the 26 March Aberdeen City Council Finance and Resources Committee to approve a material change request. iv. On 20 February 2025, Aberdeenshire Council officers recommended approval for the virement to the Aberdeenshire Full Council. The decision of Aberdeenshire Council was to reject the recommendation and offer to work with Aberdeen City council colleagues to seek alternative funding sources. v. On 26 March 2025, the Aberdeen City Council Finance and Resources Committee (1) approved reallocation of £575,000 of Aberdeen City Council funding from the STA to ETLASH which is being delivered by Aberdeen City Council as Roads Authority; (2) delegate the authority to the Chief Officer - City Development and Regeneration in consultation with Chief Officer Capital to reallocate any uncommitted Aberdeen City Council Contribution to the Aberdeen City Region Deal to the ETLASH project where the ACRD Joint Committee agree to do so through the existing ACRD change control process.

4:	Finance and Risk
	i. If this material change request is not approved, ETLASH project may not be able to deliver the project in its entirety and meet strategic objectives under the ACRD. ii. The Scottish Government has confirmed that the digital MOU funds will be available post-deal to allow for them to be fully utilised. Aberdeenshire Council's capital contribution towards the digital workstream remains fully available for commitment. As such, Officers believe that the proposed change will not impact on the delivery of the ACRD Digital Workstream with sufficient funding available to deliver the remaining pipeline of projects within the programme. Further, the Governments are now rolling out Project Gigabit across the UK as well as finalising delivery of the R100 scheme. In this context there is a commitment from both Governments to enhance digital connectivity across the region and close the gaps that currently exist.

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Project Change Request			
Project Name	External Transportation Links to ASH	Date	27/03/2025
Project Manager	Ross Stevenson	Version	03

1. Change Request Information			
Change Request Name	ACRD risk virement for External Transportation Links to ASH.		
Indicate the nature of the change	☒ Material change	☐ Non-material change	
Project Manager/PMO review date	31 March 2025		
Date decision is required by	22 April 2025		

2. Change Description
The External Transportation Links to Aberdeen South Harbour (ETLASH) has committed Aberdeen City Region Deal (ACRD) funding of £25 million in order to maximise the impact of the Aberdeen South Harbour expansion on the wider regional and national economy. This funding comprises £12.5 million from both the UK and Scottish Governments for supporting infrastructure. On 9 February 2024, the ACRD Joint Committee reviewed a report (item 09 Strategic Transport Appraisal) seeking approval for updated proposals for future business case development and associated funding allocations for the remaining three years of the Aberdeen City Region Deal. The report noted that the current programme had been reviewed, reflecting outcomes of Hydrogen Refueller study, which indicated a reduced scope and funding requirement, alongside other pressures and opportunities. ACRD Joint Committee agreed that the updated Strategic Transport Appraisal (STA) Financial profile included an addition of £1.150 million from STA to ETLASH to cover the medium to high-risk provision associated with the project. The updated Outline Business Case (private item 13) for ETLASH was also included in a report to the ACRD Joint Committee on 9 February 2024. The report indicated a risk element that exceeded the £25 million funding envelope to cover potential cost increases or unforeseen future costs. Both the report and the updated OBC identified that they were prepared on the basis that the shortfall of funding could be met by funds within the Aberdeen City Region Deal, specifically from funds reallocated from the Strategic Transport Appraisal element. The ACRD Joint Committee agreed to approve the reallocation of £1.150 million of funding from STA, from the two Local Authority contributions. This decision required further approval from each Local Authority as the funding is sourced from the Local Authority contributions rather than funding from the two Governments. On 15 November 2024, the ACRD Joint Committee during discussion (item 09 Strategic Transport Appraisal), agreed to receive a report (1) detailing the impact of the STA £1,150 million allocated funds from Local Authorities for the External Transportation links to Aberdeen South Harbour project; (2) outlining the process by which approval would be sought from both the Councils and the Scottish Government; (3) seeking approval for this process to be followed. On 14 February 2025, this report (item 07 Risk Allocation for External Transportation Links to Aberdeen South Harbour Project) was presented to the ACRD Joint Committee as requested. The ACRD Joint Committee agreed to (1) note the process to be followed; (2) instruct officers to seek approval from Aberdeen City Council and Aberdeenshire Councils for the virement of £575,000 each; (3) agree to reconvene a special one-item ACRD Joint Committee meeting at the earliest available opportunity following the 26 March Aberdeen City Council Finance and Resources Committee to approve a material change

request.

On 20 February 2025, Aberdeenshire Council officers recommended approval for the virement to the Aberdeenshire Full Council ([item 6A Reallocation of Aberdeenshire Council Funding for City Region Deal Strategic Transport Appraisal Workstream to the External Links to Aberdeen South Harbour Project \(Pages 2 – 7\)](#)). The decision of Aberdeenshire Council was to “reject the reallocation of £575,000 of capital funding and offer to work with Aberdeen City council colleagues to seek alternative funding sources.”

On 26 March, Aberdeen City Council officers recommended that the Finance and Resources Committee approve reallocation of £575,000 of Aberdeen City Council (the Council) funding from the Aberdeen City Region Deal (ACRD) project Strategic Transport Appraisal to External Transportation Links to Aberdeen South Harbour which is being delivered by Aberdeen City Council as Roads Authority ([Item 9.3 Aberdeen City Region Deal - Transport Theme - CR&E/25/067](#))

The decision of the Aberdeen City Council Finance and Resources Committee was to approve the virement and delegate the authority to the Chief Officer - City Development and Regeneration in consultation with Chief Officer Capital to reallocate any uncommitted Aberdeen City Council Contribution to the Aberdeen City Region Deal to the ETLASH project where the ACRD Joint Committee agree to do so through the existing ACRD change control process.

This material change request is created to seek approval to conclude the virement of funding to the ETLASH project, which will help to provide the financial confidence to progress for the next stage of the project and ensure the timely completion of this crucial harbour road to meet the ACRD objectives.

3. Available Options and their Impact

Option 1	Do nothing.
Cost	The DMRB Stage 3 Financial Case Capital Outturn Cost estimate, including Inflation and Risk, is £23.05 million, £0.45 million over the available funding when removing the £2.4 million sunk costs from the £25 million budget. The risk profiling is based on a Quantified Risk Assessment which includes a risk range from low/ most likely/ high this varies between £1.20 million/ £1.88 million/ £2.55million. It should be noted that the overrun is currently projected as a result of the risk profiling of the most likely risk scenario and not based on the capital works estimate.
Spend	The External Transportation Links to Aberdeen South Harbour expenditure is going to exceed available funding from the original ACRD allocation. Therefore, the project doesn't have financial confidence to progress through detailed design towards the Full Business Case, procurement and contract award.
Time	The project will have to revisit the Outline Business Case, and as a result, project milestones will be delayed until the financial implications can be addressed.
Scope	The scope of the project will be revisited, and the Outline Business Case will be reconsidered.
Benefits	Project benefits could be reduced as part of the Outline Business Case revision. The construction employment and the GVA it generates will be reported later than anticipated.
Legal Implications	There may be reputational implications if the Aberdeen City Region Deal is unable to deliver the project in its entirety or with the significant delay of the 10 year term of the Deal.
Other	Any delay of the project has a direct impact on the dependant projects - Aberdeen

	South Harbour & Energy Transition Zone to realise benefits sooner.
Option 2	1. Finalise the virement of £575,000 from the Aberdeen City Region Deal Strategic Transport Appraisal (Aberdeen City Council funding contribution) to the External Transportation Links to Aberdeen South Harbour. The virement of the Strategic Transport Appraisal (STA) contribution to ETLASH has no impact on the STA work, as the STA business case projects continue to progress within the overall financial allocations set for this phase of work. The work programme delivers the STA key objectives as originally intended within the original STA business case and can accommodate this virement to ETLASH. 2. Approve reallocation of uncommitted £575,000 of the Aberdeen City Region Deal Digital Theme (Aberdeen City Council funding contribution) to the External Transportation Links to Aberdeen South Harbour to address the shortfall of funding. The virement of £575,000 of Aberdeen City Council contribution from Digital Theme contribution to ETLASH has no impact on the Digital Connectivity programme as this funding is not currently committed to any projects. Overall Aberdeen City Council committed £3,500 million to the Digital Theme and £0.9 million remain unallocated. The rationale behind this reallocation is to cover the full extent of the risk element and deliver the project in its entirety and meet the ACRD objective.
Cost	Revised total project budget to cover the high level project risk provision is £26,150 million (£25 million from the UK and Scottish Governments, Aberdeen City Council contribution of £575,000 from Transport Theme & £575,000 from Digital Theme).
Spend	Revised project spend table shown in Appendix 1
Time	Revised project milestone table shown in Appendix 2
Scope	Project deliverables remain the same.
Benefits	No change or impact to the agreed benefits, project target dates to be baselined in 2025.
Legal Implications	Reallocation from STA and Digital to the ETLASH to be approved as per existing ACRD change control process.
Other	The External Transportation Links to Aberdeen South Harbour intervention aims to maximise the wider economic benefits of the new Aberdeen South Harbour and would also benefit the proposed adjacent Energy Transition Zone development.

4. Recommendation

External Transportation Links to Aberdeen South Harbour (ETLASH) is an important project to the regional economy; with the increased capacity and anticipated demand for Aberdeen South Harbour, there is a desire to maximise the impact of the harbour expansion on the wider regional and national economy.

Option 2 is recommended to address the project shortfall, increase the ETLASH project budget allowing the project to keep on programme for delivery. The project will enhance the capacity of the South Harbour to help meet existing and future demands from industry. The project will deliver improvements to the existing, and develop new, road and active travel infrastructure. The release of the current constraint imposed by the existing access arrangements enables larger equipment to be shipped through the facility, which is particularly important for onshore renewable projects, located across both Aberdeen City and Aberdeenshire areas.

5. Legal Authority / Change Control Approval Steps

As per [UK/SG Change Control Guidance 2021](#) 'Deal Change' can be described as something that modifies to any degree the terms of the agreements previously struck between Governments and local partners. Such agreements are variously described within the terms of the Heads of Terms, the Full Deal, the terms of approved Business Cases, and the terms of the Grant Offer (the Four Documents). Outwith the agreements described in the Four Documents, Government would still have an interest in any proposed change however for the most part would expect matters to be resolved locally.

Changes to the project's key parameters such as Benefits, Scope, Spend and Time should be escalated as an issue. The Project Lead, Programme Manager and PMO to provide an assessment of likely impact and follow the prescribed escalation process in the Aberdeen City Region Deal Change Control Process document located [here](#).

6. Consultation

Confirm that this proposal has been properly assessed. If reviewers have any comments these should be captured in the space provided. Please add rows below as necessary.

Who consulted		Date	Comments
Project Sponsor	Programme Board Member & Sub	31/03/2025	Agreed at the Programme Board meeting
The Chief Officer - City Development & Regeneration, Aberdeen City Council	Chair of the ACRD Programme Board	27/03/2025	No comments received by 31/03/2025.
Head of Service Planning & Economy, Aberdeenshire Council	Programme Board Member	31/03/2025	Agreed at the Programme Board meeting
Interim ACRD Programme Manager, Aberdeen City Council	Programme Board Member	31/03/2025	Agreed at the Programme Board meeting
Head of Innovation & Place in NE, Scottish Enterprise	Programme Board Member	31/03/2025	Agreed at the Programme Board meeting
Chief Operations Officer, NZTC	Programme Board Member	27/03/2025	No comments received by 31/03/2025.
Chief Executive, ONE	Programme Board Member	31/03/2025	Agreed at the Programme Board meeting

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Transport Strategy Manager, Nestrans	Programme Board Member	31/03/2025	Agreed at the Programme Board meeting
ACRD Legal, Aberdeen City Council	Programme Board Member	31/03/2025	Agreed at the Programme Board meeting
ACRD Finance - Aberdeenshire Council Section 95 Officers	Programme Board Member	31/03/2025	Agreed at the Programme Board meeting
Director of Infrastructure, Aberdeenshire Council	Programme Board Member	27/03/2025	No comments received by 31/03/2025.
Scottish Government		14/04/2025	We are broadly content with what is proposed in the change request, recognising the importance of the ETLASH project.
UK Government			

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Appendix 1 – Option 2 Revised project profile and spend.

CAPITAL	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Current Year	Forecast	Forecast	Forecast	Total
Project	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	
External Transportation Links to Aberdeen South Harbour	-	28,000	128,000	139,000	106,000	70,000	551,000	956,000	1,576,000	6,800,000	10,700,000	5,096,000	26,150,000

CAPITAL	2025-26	2026-27	2027-28
Prep & Admin (300k moved from FY 2024/25 + 400k)	700,000	-	-
Land/Construction/Supervision/	5,559,000	9,735,000	3,946,000
Risk	564,000	940,000	1,150,000
Total	6,823,000	10,675,000	5,096,000
Adjusted	6,800,000	10,700,000	5,096,000

Following procurement of the construction contracts the financial profile for the project will be updated and the Aberdeen City Region Deal Programme Board and Joint Committee will be updated as part of the regular progress updates.

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Appendix 2 – Option 2 Revised project programme and milestones.

Project Milestones	Planned Date	Revised Date	Reason
Supplier Selection – Complete SPD	11/09/2024	NA	Alternative procurement route being progressed.
Complete Detailed Design	01/11/2024	28/03/2025	The identification of a partially collapsed culvert resulted in the need to alter the drainage strategy and design, this required an update to planning documentation and has delayed the finalisation some design elements.
Post Design Public Exhibition	01/11/2024	15/04/2025	The timing of exhibition to be closer to start of Invitation to Tender which is delayed due to ACRD Governance / STA funding agreement.
Structure – Technical Approval (ACC and Network Rail)	07/11/2024	28/03/2025	Further Ground Investigation (GI) information was needed to finalise the design of the bridge foundation, arranging and undertaking this GI (November/ December) delayed the finalisation of Structural Design Package.
Issue of Invitation to Tender	13/01/2025	02/05/2025	The Governance process for the reallocation of funding from STA to ASHLR and the conclusion of OBC has delayed the issue of the ITT.
Conclusion of statutory processes	20/12/2024	26/08/2025	Planning Permission delayed due to drainage considerations.
Conclusion of CPO/ Entry to land	NEW	26/08/2025	Objections received have delayed land acquisition. Objections have since been resolved and Scottish Ministers have given their decision. New date based on no legal challenge to CPO, and no objection to severance.
Final Business Case	01/04/2025	05/09/2025	Delay to ITT results in later procurement, delaying conclusion and confirmation of FBC.
Roads Infrastructure Construction starts	09/05/2025	20/10/2025	Time scales are based on approval of FBC, ACC governance.
Road Infrastructure Open for use	12/02/2027	03/05/2027	
Construction Completed	NEW	31/05/2027	

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