

# ABERDEEN CITY REGION DEAL:

Powering Tomorrow's World

<b>Report Name</b>	Progress Report & COVID 19 Assessment
<b>Lead Officer</b>	Richard Sweetnam, Chief Officer, ACC
<b>Report Author</b>	Julie Richards-Wood, CRD Programme Manager ACC
<b>Date of Meeting</b>	24 <sup>th</sup> July 2020
<b>Governance</b>	City Region Deal Joint Committee

<b>1:</b>	<b>Purpose of the Report</b>
<p>At February's Joint Committee it was agreed that a special meeting for the Joint Committee be arranged in July 2020 to consider a COVID19 report on the specific challenges, mitigations and additional support for each of the City Region Deal projects, including how each project could be progressed.</p>	

<b>2:</b>	<b>Recommendations for Action</b>
<p>It is recommended that the Joint Committee:</p> <ul style="list-style-type: none"><li>i. Agrees with the option in 3.4. that the BioHub Board continue to seek additional funding from other sources and until such time, a Project Fund is made available in 2021/22 from the ACRD envelope and others funding. The partners agree that this should be treated as a temporary arrangement and there are risks and implications to projects should additional funds not be found.</li><li>ii. Agrees that as the long-term impact of COVID-19 remains unclear, projects should continue to plan, monitor, and report the impact on projects, especially in relation to procurement and construction plans and expected private sector and other funding within the Deal Budget Profile. This should be discussed at Annual Review with UK/SG.</li></ul>	

<b>3:</b>	<b>Summary of Key Information</b>
<p>3.1.i. This report sets out the main findings from the COVID-19 assessment and focuses on potential changes to spend profile and milestones. Appendix A includes further details of the impact for each project.</p> <p>3.1.ii Feedback indicates a likely impact on construction. As lockdown has only recently been lifted, it is not yet clear when the sector will return to normal, and what the impact of social distancing requirements will mean for construction projects. It is anticipated that</p>	

3:	Summary of Key Information
<p>this will include cost increases, delayed procurement, and disruption to the supply chain. This will be monitored, to understand the impact on project spend profiles.</p> <p><b>3.2. Financial Profile 2020/21</b>  This is covered in previous paper 'Funding Update with UK/SG' and appendix Schedule2. The forecast for 2020/21 has increased by £246,000 or 0.7% for the year.</p> <p>3.2.i Private Sector and Other funding remains as set out in the Deal documents, with no indication that this is at risk at this stage. This will be monitored, to understand any impact on project spend profiles.</p> <p><b>3.3. Project Updates</b></p> <p>3.3.i The <b>OGTC</b> are planning to spend as profiled this financial year and £0.5m advance was paid in Q1, from Q3&amp;4 allocation. There is a risk due to uncertainty around offshore trials towards the end of the year that projects won't be executed as planned and this will be monitored as further COVID19 restrictions are lifted. The National Subsea Centre will delay their opening due to COVID19 but it is still planned to open this financial year. The OGTC have continued through lock down to host seminars, support Tech companies, and develop plans for supporting our Net Zero Vision. Funding from Universities, Private Sector and Others, outlined within the Deal Programme Funding remains as planned. In addition to the City Region Deal, the OGTC are submitting a business case for a share of the £62M Energy Transition Fund.</p> <p>3.3.ii <b>Seed Pod</b> (FoodHub) remains on track to spend as profiled this financial year with planning and design work continuing as planned. There is a risk that the if Procurement timelines are impacted, and Construction costs rise then this may cause issues for the project next year. This will be closely monitored. Funding allocations from the Private Sector and Others, outlined within the Deal Funding remain as planned. With the recovery and growth of the Food and Drink Industry being a key economic priority for the region additional funding is expected for this sector. SeedPod may be in a strong position to apply for any new funding for the delivery of its activities.</p> <p>3.3.iii <b>Digital</b></p> <p><u>City Network Extension</u> As the UK went into lockdown with no works apart from essential permitted, the project was put on temporary hold which has subsequently impacted on the milestone dates. At the time of writing this report 31 sites of the 57 sites have been connected however it is unlikely the 40 sites will be connected as per the milestone date of July 2020. This date has been moved to September 2020, with the remainder of the sites anticipated to be completed by March 2021. Aberdeen City Council is working closely with CityFibre, the sub-contractor of Capita, and works have resumed following government guidelines.</p> <p><u>Duct Network</u> The tender for the west route, A944, was extended due to covid-19 and will close mid-July. Providing a supplier is appointed within the new deadline date works should start approximately two months thereafter, this would therefore have an impact on the milestones with a delay of two months as a result.</p>	

<b>3:</b>	Summary of Key Information
<p><u>Full Fibre Network</u> has reported a slight delay and the Digital forecast has been reduced by £1.2m to reflect payments for Full Fibre that were originally thought to be payable this financial year but will more likely fall due in 2021/22.</p> <p>It is not anticipated the benefits associated to the City Network Extension, Full Fibre Network and Duct Network projects will change, however there will be increased emphasis on their importance to ensuring excellent digital connectivity within the city which will continue to enable businesses to operate and encourage innovation.</p> <p>The funding still to be allocated will build upon previous initiatives and develop a plan for continued investment and intervention.</p> <p>To achieve this, a paper is underway and is due at Joint Committee in September to maximise the Digital Resource in response to the current pandemic.</p> <p><b>3.3.iv Strategic Transport Appraisal (STA)</b></p> <p>The Preliminary Options appraisal has been completed. A draft was finalised in June 2020 and provides the evidence base for the draft Regional Transport Strategy. Both documents are due to be subject to consultation from early August until early Autumn. Feedback from the consultation exercise, alongside the continued accumulation of evidence on the impacts of Covid19, will be used to refine and finalise this work at the end of the calendar year. Meanwhile, work continues with the development of the strategic transport and land use model, ASAM19, which will be used as a tool to test potential interventions. The initial disruption caused by lockdown instigated a minor programme and expenditure delay in both projects.</p> <p>It is noted that Transport Scotland have paused the progression of the Strategic Transport Projects review, whilst they focus on the immediate challenges to the transport network arising from Covid19, and their plans for future recovery. Work on the Strategic Transport Appraisal had been programmed to complement this national project.</p> <p>An update of the outline business case for the Strategic Transport Appraisal had been anticipated to be undertaken in Autumn 2020. Given the work that has now been substantially undertaken on this phase of the project, it is proposed that an initial draft is brought to the Joint Committee in September, taking into account the emerging key transport priorities identified in the appraisal work and RTS.</p> <p>There are four activities (responding to Covid19), which were approved at Programme Board and nest within the scope of existing work to be accelerated</p> <ul style="list-style-type: none"> <li>a) £200k this Financial Year for investment in monitoring equipment to be deployed in city centre and on a select number of principal routes in Aberdeenshire.</li> <li>b) Additional £50k this Financial Year for scenario testing using existing transport models –Consideration of short to medium term alternative scenarios so that there can be more intelligence around alternative behavioural and transport system responses.</li> </ul>	

<b>3:</b>	Summary of Key Information
<p>c) Next Financial Year – As part of work improving the utility and attractiveness of strategic transport hubs, feasibility, and planning work on the roll out of <b>electric charging points</b>.</p> <p>d) Also, additional work on roll-out of <b>specific bike / ebike / scooter hubs</b>. (both to be informed by work just to be launched by nestrans on travel attitudes post covid 19). Estimate for c) and d) £320k. Would complement current work on City Centre bike hire.</p> <p>If c and d produce positive business case, then there would be an ask to use funding assigned to “appraisal and business cases” for specific implementation of elements of these projects.</p> <p><b>3.3.v The Transport Links to the New South Harbour</b>  The Transport Links to the New South Harbour will include the implications of the recently approved Energy Transition Zone on Public Transport, and quantification of benefits, and will provide a full cost estimate giving an accurate level of total cost for the study. To do this the report will come to February 2021 rather than November 2020 Committee. The profile has been reduced as it is unlikely that the design works will commence this financial year.</p> <p>There are no reported delays due to COVID19 to the programme.</p> <p><b>3.3.vi Aberdeen Harbour Expansion</b> The Councils contribution of £11m for supporting Infrastructure Works was allocated and spent 2016-2020. There is no requirement to report this project within Schedule 2 for UK/SG as there is no profiled spend against UK/SG or Councils budget lines. Funding for the remaining project will come from the Private Sector funding line and the Harbour will continue to update the Deal on spend to date and milestones.</p> <p>Significant delays have been reported and the Harbour have been invited to a future Committee to outline the new milestones.</p> <p><b>3.3.vii The BioHub</b> is reporting significant risks if construction work does not start this year as planned. As well as a delay, there could be potential increase in overall project costs and a detrimental impact on benefits, including providing a much-needed space for the region’s life science businesses.</p> <p>In order to start works the BioAberdeen Board require the following reassurances from project partners before they will be able to undertake further works:</p> <ol style="list-style-type: none"> <li>1. BioAberdeen is seeking the support of partners to investigate and secure additional funding sources to meet the costs of the project as returned through the tender process. Until such a time that additional funding is confirmed, that the ACRD Partners provide a guarantee against the Deal envelope to mitigate any risk to BioAberdeen Ltd and allow the construction contract to be agreed.</li> <li>2. BioAberdeen requires certainty around funding being available in future years when required to meet construction payments.</li> </ol> <p><b>3.4 Options Appraisal</b>  Appendix B (Exempt) provides further detail on Bio Hub progress and options. It has been marked exempt under the Act- Information relating to the financial or business affairs of any particular person (other than the authority).</p>	

<b>3:</b>	<b>Summary of Key Information</b>
-----------	-----------------------------------

OPTION	DESCRIPTION
1	Do Nothing
2	Seek additional funding from other sources
3	Use Funding within the City Region Deal Envelope
4	ACRD Partners guarantee the risk
5	Continue to seek additional funding from other sources and a Project Fund is made available from the ACRD envelope and other funding.

**3.4.i Recommended Option 5:**

Agrees that the BioAberdeen Board continue to seek additional funding from other sources and until such time, a Project Fund is made available in 2021/22 from the ACRD envelope and others funding. The partners agree that this should be treated as a temporary arrangement and there are risks and implications to the projects should additional funds not be found.

**3.5. City Region Deal envelope**

OGTC, Seedpod, BioBoard and Aberdeen Harbour have funding agreements in place that commit their allocation of the Deal. The SG have indicated that MOU funding is not part of the ACRD funding pot so should not be included.

The Digital Theme and Transport Theme led by the two Councils have unallocated funding although it is expected that all funding will be fully spent by 2026 to deliver the Benefits and commitments set out in the Deal.

**3.5.1 Digital**

The table below reflects the committed funding for Digital. The Digital Theme has already brought in excess of £40m Private Sector Investment for fibre connectivity, which is £35m more than profiled. The funding still to be allocated will build upon previous initiatives and develop a plan for continued investment and intervention. In September, a paper will be presented to Joint Committee with recommended projects to maximise the Digital Resource in response to the current pandemic. It will:

- assess commercial infrastructure currently installed and planned in the priority area
- review public sector infrastructure and requirements
- assess implications for future Aberdeen City Region Deal programmes to address gaps in the market and the implications for funding a procurement approach.

It is expected that proposals, subject to Business Case will utilise the remainder of the Digital funds for the benefit of the economy and the region.

PROJECT TITLE	ACC/AC	UK/SG	MOU	TOTAL
ACC DUCT	£1m	£4m		<b>£5m</b>
FULL FIBRE	£2.5m*	£6m	£3m	<b>£11.5m</b>
CITY NETWORK EXTENSION	£1.1m*		£2m	<b>£3.1m</b>
<b>Committed</b>	<b>£4.6m</b>	<b>£10m</b>	<b>£5m</b>	<b>£19.6m</b>
To be allocated	£2.4m		£5m	<b>£7.4m</b>
<b>DEAL TOTAL</b>	<b>£7m</b>	<b>£10m</b>	<b>£10m</b>	<b>£27m</b>

**3:** Summary of Key Information

**\*Savings of £300,000 each are expected to be made against the Full Fibre and City Network Extension Projects**

Recommended Allocation:

It is recommended that £600,000 is vired from Digital Fund in year 2021/22, taken from the proposed underspend within the City Network Extension and Full Fibre projects. This would allow the £7.4 unallocated funding to maximise the Digital response as planned.

Risk: Once funding is sourced and returned it is anticipated that this ‘underspend’ funding will be used for additional high-speed high capacity digital connectivity in the region. This is likely to be 2022/23 when full fibre contract is complete. If funding is not returned this additional investment will not be made.

There is also a low risk that these projects have unforeseen costs and do not underspend.

**3.5.ii Strategic Transport Appraisal**

The table below shows the spend to date by total budget.

	UK/SG	AC/ACC	Total
Total Budget	£5m	£2m	£7m
Spend to 30/03/20	£0.766	£0.180	£0.946

Funding to date has been focussed on strategic option appraisal and ASAM development.

A reduction in funds would likely impact on the further development (appraisal/business case/design work) of the following schemes in future years, which are emerging as priorities for ongoing development from work undertaken to date.

It is recommended that £200,000 is vired and drawn down from Strategic Transport Appraisal in year 2021/22, taken from £2m Council contribution. Once funding is sourced and returned it is anticipated that this funding will be used to develop Business Cases.

Risk

If the funding does not return it will impact on the timeline and outcomes.

Transport Scotland are also a key partner and stakeholder in this project

**3.5.iii Transport Links to Aberdeen South Harbour**

The table below shows the spend against total funding. This project is funded entirely from UK/SG contribution.

Transportation Links to ASH	Spent 30.03.20	Profiled 2020/21	Profiled 2021-28	Committed
Appraisal Work	£0.3m	£0.307		£0.602m
Business Case, Design & Planning and Construction			£24.398*	

\*Indications to date are that this funding will be fully utilised.

There is uncertainty of engineering complexity of the route and potential land acquisition and it is therefore expected that this funding will be fully utilised.

<b>3:</b>	Summary of Key Information
<p>It is recommended that £500,000 is vired and drawn down from Transport Links to Aberdeen South Harbour in year 2021/22, as this funding is not required until 25/26 and gives the optimal amount of time for additional funding to be found. There is also opportunities around the Energy Transition Zone.</p> <p><u>Risk</u> There is a high risk that if this funding is not returned there will be a funding gap.</p> <p><b>3.5.v Other</b> This section has been marked exempt under the Act- Information relating to the financial or business affairs of any particular person (other than the authority).</p> <p><b>3.5.vi Addressing the uncertainty around funding being available in future years</b></p> <p>The Scottish Government wrote to the Chief Officer, City Growth and confirmed that “the total deal funding is a commitment that will not be renegeed on”.</p> <p>If the BioHub works commence as planned this year and spend as profiled, then there is not a risk to the drawdown of funding for this year or next year.</p> <p>However, if there are further delays then there is a risk that this project, along with all other Deal projects may not be able to draw down funding in a year of their choice. To mitigate this risk several proposals on how cash flow can be managed going forward have been made to SG by Section 95 Officer. This is covered in previous paper ‘Funding Update with UK/SG’</p>	

<b>4:</b>	Finance and Risk
<ul style="list-style-type: none"> <li>• There are financial risks to ACRD projects if additional funding is not found.</li> </ul>	