

# ABERDEEN CITY REGION DEAL:

Powering Tomorrow's World

COMMITTEE	Aberdeen City Region Deal Joint Committee
DATE	14 February 2025
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Risk Allocation for External Transportation Links to Aberdeen South Harbour Project
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<b>1:</b>	<b>Purpose of the Report</b>
<p>At the Aberdeen City Region Deal Joint Committee of 9<sup>th</sup> February 2024 the Committee approved a number of proposals, including the movement of £1,150,000 from the Strategic Transport Appraisal workstream to External Links to Aberdeen South Harbour project risk provision.</p> <p>At the Aberdeen City Region Deal Joint Committee of 15 November 2024, the committee agreed to receive a further report to:-</p> <ul style="list-style-type: none"><li>• <i>Provide detail of the impact of the use of these funds for South Harbour Road on the projects within the original STA business case they were originally intended for;</i></li><li>• <i>Provide detail of the process by which approval is to be sought from both the Councils and the Scottish Government;</i></li><li>• <i>Seek approval to follow that process.</i></li></ul> <p>This report sets out <b>the process</b> by which funding allocated to the Strategic Transport Appraisal (STA) can be viated to cover the risk allocation identified for the External Transportation Links to Aberdeen South Harbour project. It also confirms the <b>key rationale</b> for this. It reaffirms that there is no impact on STA projects of moving the funding to ETLASH since this was previously considered and agreed in February 2024, with the opportunity for this viation principally arising from a lower spend forecast across the Regional Hydrogen refuellers project, and the Mobility Hubs project.</p>	

<b>2:</b>	<b>Recommendations for Action</b>
<p>It is recommended that the Joint Committee:</p> <ol style="list-style-type: none"> <li>1. Notes the process to be followed.</li> <li>2. Instructs the Chief Officer, City Development and Regeneration, Aberdeen City Council, and the Head of Service, Planning and Economy, Aberdeenshire Council, to submit reports to Aberdeen City Council and Aberdeenshire Councils respectively seeking approval from each for the virement of £575,000 from the Strategic Transport Appraisal project to the Aberdeen City Region Deal External Transportation Links to Aberdeen South Harbour project.</li> <li>3. Agree to reconvene a special one-item Aberdeen City Region Deal 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.</li> </ol>	

<b>3:</b>	<b>Summary of Key Information</b>
<p><b>Governance</b></p> <p>For the Strategic Transport Appraisal, the Aberdeen City Region Deal (ACRD) provides an allocation of £7m; £2.5m each from UK Government and the Scottish Government; and £1m each has been allocated by the two Local Authorities.</p> <p>The Deal commitment is to undertake the Strategic Transport Appraisal which is a long-term strategic view of the transport implications unlocked by the Deal investment across modes of transport including road and rail. This work is based on Scottish Transport Appraisal Guidance (STAG) and recognises the priorities of local, regional and national transport plans and programmes. The Strategic Transport Appraisal (STA) Business Case was approved by the ACRD Joint Committee in November 2017.</p> <p>For the External Transportation Links to Aberdeen South Harbour, both the UK Government and the Scottish Government committed to maximising the impact of the Aberdeen South Harbour expansion on the wider regional and national economy by contributing up to £25m (£12.5m from UK Government and £12.5m from Scottish Government) for supporting infrastructure. The latest updated Outline Business Case was approved by the ACRD Joint Committee in at its meeting in February 2024.</p>	

### 3: Summary of Key Information

An ACRD Transport Working Group co-ordinates activities and monitors progress across these two programmes of work.

#### Discussion

The most recent Outline Business Case (OBC) for External Transportation Links to Aberdeen South Harbour (ETLASH) indicated a core funding requirement which was within the funding envelope provided by the ACRD allocation. However, it also identified a risk element that exceeded the £25m funding envelope. This provided funding to cover potential cost increases or currently unforeseen future costs. This was reported to the ACRD Joint Committee on 9 February 2024.

Additionally, progress on the Strategic Transport Appraisal was reported to the Joint Committee on 9 February 2024. Given the outcomes of a number of feasibility studies, this recognised the potential availability of Council funding in the STA allocation, which could in principle be used to support the risk allocation for the ETLASH project. The ACRD Joint Committee agreed to approve the reallocation of £1.150m of funding from STA, from the two Local Authority contributions, to cover the medium to high-risk provision associated with the External Links to Aberdeen South Harbour project. This decision requires further approval from each Local Authority as the funding is sourced from the Local Authority contributions rather than funding from the two Governments.

The screenshot from the Table 3.1 of the STA report approved by Joint Committee in February 2024 is included below for reference.

### 3: Summary of Key Information

	Proposed Allocations for FYs 24/25, 25/26, 26/27 £k	Change from Previous Assumption £k
A90/A952 (Ellon/Peterhead/Fraserburgh)	650	+470
A956 Wellington Road Junctions	650	+650
Rail Freight Terminals	50	0
ASAM 19 Testing	55	+55
Regional H2 Refuellers	500	-2,800
Mobility Hubs	250	-1,150
Project Management	14	-115
Aberdeen Rapid Transit/Bus Corridors	1,740	+1,740
External Links to Aberdeen South Harbour	1,150	+1,150
Total	5,060	0

### 3: Summary of Key Information

This confirms that the anticipated underspend against Regional Hydrogen Refuellers project and Mobility Hubs project would be used to support A90/A952 Business Case and Design, A956 Wellington Road Business Case and Design, Aberdeen Rapid Transit, and the risk provision for External Transport Links to Aberdeen South Harbour.

Discussions have been undertaken to determine the governance process by which this virement of Council funding can be achieved within the Deal Governance:

**Process** - Both Councils to consider the virement of £575,000 from both Local Authorities out of STA allocations to the ETLASH project.

- a. Essentially, this requires a variation to the previously agreed STA Business Case. Under individual Council standing orders, this would require to be reported to and approved by Aberdeenshire Council's Infrastructure Services Committee, and Aberdeen City Council's Finance and Resources Committee.
- b. The timeline of the upcoming Council committee meetings is listed below:
  - Aberdeenshire Council's Infrastructure Services Committee is on 13 March 2025.
  - Aberdeen City Council Finance and Resources Committee is on 26 March 2025.
- c. Following the respective Council approval for the reallocation, the material change request will come for approval to the ACRD Programme Board and Joint Committee. Both Governments have confirmed that further approval will not be required by them since this is a reallocation of Local Authority funds within the same Deal theme.

#### **Impact**

The inclusion of risk allocation from the Strategic Transport Appraisal for External Transportation Links to Aberdeen South Harbour has no impact on STA, as the STA business case projects continue to progress within the overall financial allocations set for this phase of work as indicated in February 2024. The work programme delivers the STA key objectives as originally intended within the original STA business case and can accommodate this virement.

To ensure that the ACRD Joint Committee receives an update on the Councils' decision at the earliest opportunity and the project can progress to the next stage as soon as possible, a special one-item ACRD Joint Committee meeting

<b>3:</b>	<b>Summary of Key Information</b>
<p>could be reconvened to consider and approve the material change request before the next scheduled meeting on May 9, 2025.</p> <p><b>Rationale for Virement</b></p> <p>Aberdeen South Harbour is the principal commercial port serving the North East of Scotland and one of Europe’s leading marine support centres for offshore energy. With the increased capacity and anticipated demand for Aberdeen Harbour South, there is a desire to maximise the impact of the harbour expansion on the wider regional and national economy.</p> <p>The External Transportation Links to Aberdeen South Harbour 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.</p> <p>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, many of which are located within Aberdeenshire.</p> <p>The re-allocation of funding to the ETLASH project will provide the financial confidence to enable the sign-off of the updated OBC, which then allows funding to be agreed for the next stage of the project, including procurement and helps ensure the timely completion of the harbour road to meet the Deal objectives.</p>	
<b>4:</b>	<b>Financial and Legal</b>
<ol style="list-style-type: none"> <li>1. There is no financial risk if both Councils consider and agree the virement of £575,000 from their existing STA allocations to the ETLASH risk provision, as was previously agreed by ACRD Joint Committee on February 9<sup>th</sup>, 2024.</li> <li>2. There is a potential financial risk in a scenario that either (or both) Councils may not agree to move their STA contribution of £575,000 to ETLASH. There would be two implications from such a decision. Firstly, there would be £575,000 (or £1,150,000) of funding in STA unallocated since the Joint Committee agreed to allocate it to ETLASH in February 2024. Secondly, the risk provision for ETLASH would not be fully met, and further funding may require to be sourced at short notice, in order to proceed to OBC sign off and procurement.</li> </ol>	