
COMMITTEE: **Council**

DATE: **6 March 2013**

DIRECTOR: **Director of Enterprise Planning and
Infrastructure
Director of Corporate Governance**

TITLE OF REPORT: **Strategic Infrastructure Plan**

REPORT NUMBER: **EPI/13/054**

1. PURPOSE OF REPORT

- 1.1 To obtain the council's approval for the actions required to deliver the council's Strategic Infrastructure Plan ("SIP") by Autumn 2013.

2. RECOMMENDATION(S)

- 2.1 It is recommended that the Council
- a. Agree that a citywide SIP should be prepared.
 - b. Approve expenditure of up to £200,000 from the Business Planning budget to provide support to prepare the plan.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications at this stage. However, the preparation of the plan will have financial implications and these will be considered a part of the work to prepare the plan as well as the council's budget and planning cycle.

4. OTHER IMPLICATIONS

There are no direct implications at this stage. The completed SIP will inform the rolling Five- Year Business Plan and future budgets.

Moreover, the SIP will be subject to an Equality and Human Rights Impact Assessment.

5. BACKGROUND / MAIN ISSUES

- 5.1 Aberdeen finds itself in an enviable position in that a vibrant economy centred on the oil and gas industry has led to it being recognised as one of the few places in the UK where real opportunity for growth exists. Our EP&I team is currently dealing with applications for major developments which total conservatively a minimum of 15,000 jobs and optimistically up to 25,000 jobs to be delivered over the next few years.
- 5.2 There are a series of plans in place which aim to capitalise on the window of opportunity that exists to turn Aberdeen from a successful city into a really great place with a secure future for the next 50 years this includes the following:
- a. Community Plan
 - b. Strategic Development Plan
 - c. Local Development Plan
 - d. Aberdeen - a Smarter City
 - e. City of Culture Bid / Cultural Strategy
- 5.3 The opportunity to build on the positive economic position through the delivery of the aspirations contained in the above plans has never been greater. There are two critical factors. The first is to identify and prioritise those infrastructure projects which will support the delivery of these plans. The second is the need to fund these major infrastructure projects. A combination of factors including the sheer scale of the number of projects that need to be funded to deliver the plans together with fundamental structural changes in the banking industry has meant that new forms and sources of finance and funding need to be brought into play.
- 5.4 The Western Peripheral route announcement has accelerated the interest in Aberdeen as an investment opportunity and the Council's decision to approve the construction of the link road between the Airport and the A96 will lead to further early investment. Where "blue-chip", cash-rich international companies are involved, there is a positive position and investment can proceed but for smaller companies and projects such as those relating to housing, business parks, cultural assets, roads and bridges and digital communications as well as non oil and gas industries investment is more difficult to secure.
- 5.5 Members of the Corporate Management Team have been actively working both by themselves and with ACSEF to investigate innovative but secure ways of funding these important projects including city council projects. Discussions have taken place with amongst others the UK Treasury (Infrastructure UK), the Scottish Futures Trust, The European Investment Bank, private sector (oil and gas), banks, pension funds, insurance companies and the North Hub partners as well as international accounting firms and legal advisers, who are looking at this issue on a wider basis.

5.6 PROPOSAL

We have then a series of strategies and plans either in place or under development which puts us in a good place to take Aberdeen forward as a successful city.

5.7 We now need to do two main things:

- a. Develop a single detailed SIP to deliver the infrastructure opportunities that the city finds in front of itself.
- b. As part of the development of this plan to undertake a visualisation of what Aberdeen can look like once the plan is fully implemented.

This visualisation will focus on pulling together the aspirations set out in the Community Plan, the Structure and Local Development Plan, Smarter Aberdeen and the Cultural Strategy and will include key areas such as the city centre, the airport, harbour, major housing developments and proposed business parks including Energetica. It will seek to identify the areas where there are deficiencies in relation to the city's needs and will ultimately help define the city's infrastructure goals for the next 20 years.

5.8 An important aspect to ensuring a successful outcome will be to involve all those interested in the future of Aberdeen. It is therefore proposed that two one-day Aberdeen Futures summits are organised as part of this process.

5.9 Central to all of this will be the SIP, which will be driven by the Chief Executive and the Corporate Management Team and led by the Director of Corporate Governance

The SIP will set out to identify those projects or portfolios of projects which will address the gaps in our infrastructure currently and in the future.

Benefits of the SIP

The benefits of taking this approach are:

- A prioritised approach to strategic infrastructure projects similar in principle to the priority-based approach to budgeting;
- Goals-based approach rather than a funding-based approach to prioritisation;
- Clarity for and engagement with all stakeholders on the future infrastructure requirements of the city and how these can be addressed;
- A holistic and cohesive approach to financing and funding infrastructure for the city;
- Flexibility in the process, acknowledging and building on the many projects which are currently underway;

The process to deliver the SIP, which is based on the World Economic Forum’s *Steps to Prioritise and Deliver Infrastructure Efficiently and Effectively*, is:

Stage 1 – Understanding the current situation

The approach to understanding the current situation is twofold, namely evidence and perception based.

Using four key categories – Infrastructure Readiness; Government (Central and Local) Readiness; Market Readiness and Societal Readiness and 16 different parameters as outlined in Figure 1, the evidence based approach is to capture as much quantitative and qualitative information to determine the condition and suitability of infrastructure.

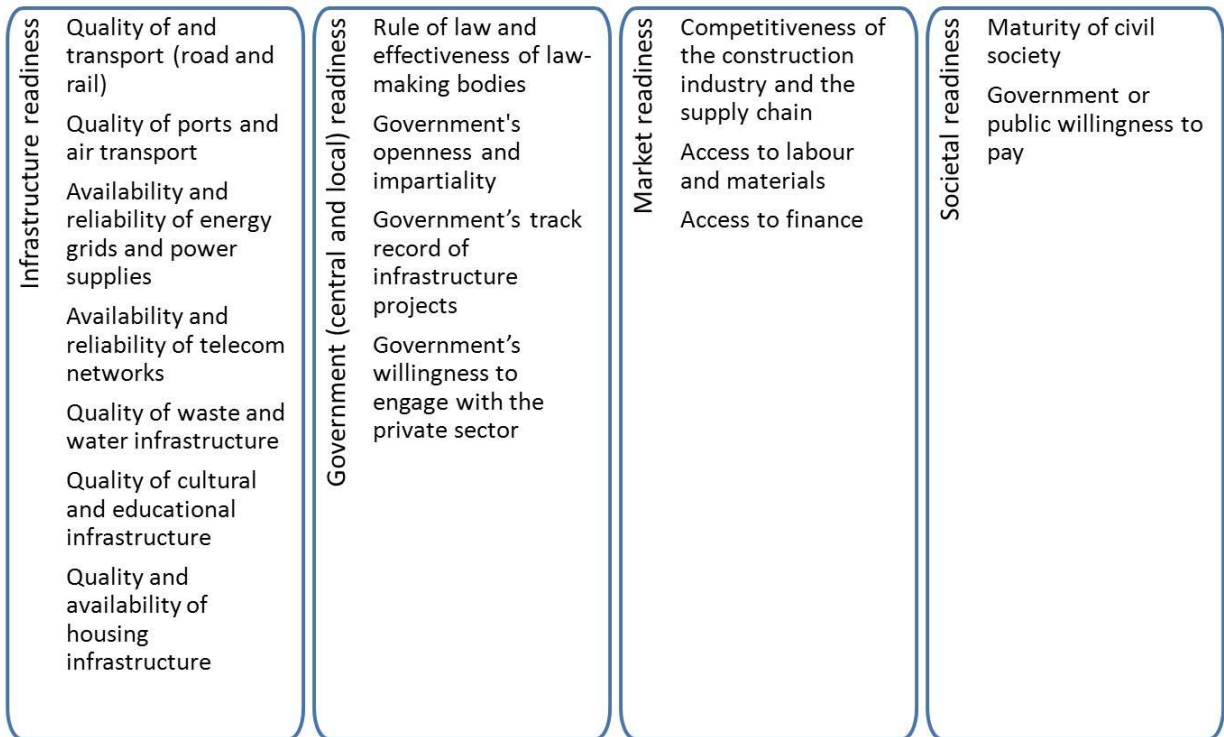


Figure 1

To complete the picture, the perception-based approach will be obtained by consulting stakeholders from the public, private sector, civil society, higher and further education, financiers and others in the first of the one-day Aberdeen Futures summits.

The key output using the evidence and views from stakeholders will be a current view of the city captured by a radial diagram capturing the views and metrics for each of the 16 parameters.

Stage 2 – Infrastructure goals for the future of the city

Building on stage 1, a second one-day Aberdeen Futures Summit will be held to enable stakeholders to give their views on their perceptions of the long-term outcome goals of the city for 20 years. A second radial diagram will capture these views against the 16 parameters and the city's long term goals for different sectors developed using the output from both stage 1 and stage 2.

Stage 3 – Using the infrastructure goals to identify possible projects

By stage 2, infrastructure goals will have been developed for each of the sectors.

The implications of doing nothing will then be considered for each of these sectors and this will provide the risk assessed and costed baseline position against which different projects will be compared to address key deficiencies. It is possible that there may be a number of different options for projects and these will need to be evaluated to identify preferred options. Any interconnections will be identified for the preferred options, which will effectively result in the shortlist of projects.

Stage 4 – Finalising the best solutions for the key infrastructure deficiencies

In order to finalise the best portfolio of projects, a cost benefit analysis will be undertaken to enable a further comparison against the baseline case. This will also provide a strong evidence base when discussing the portfolios of projects with possible funders.

Stage 5 – Who should pay for the infrastructure?

There are a number of different possibilities as to who should pay for the infrastructure and these range from charging users to open market competition. At this point, the funding and financing of the portfolio of projects will be considered on a cohesive and whole city approach. This will include all options for financing and funding including loans, private sector funding, bonds and tax incremental financing. In some cases, it may be necessary to utilise different vehicles such as joint ventures, local asset backed vehicles, trading company or limited liability partnership models of delivery.

Stage 6 – Finalising the plan

At this stage, the planned shortlist can be sense checked against the goals set out in stage 2. A decision will be made on which project or portfolios of projects will be taken forward, taking into consideration the council's visions and plans, budgeting cycle, as well as any emerging external factors.

The output will be the council's SIP and at this stage the process will move from plan to action which will include publishing and marketing of the plan, organising project management capability and getting projects ready for commissioning.

The timescales for delivering the plan as well as a summary of the six stage process are summarised in Figure 2.

In order to deliver the plan in this timescale, it will be necessary to utilise external support both for reasons of capacity and expertise. This support will be for the period of the development of the plan.

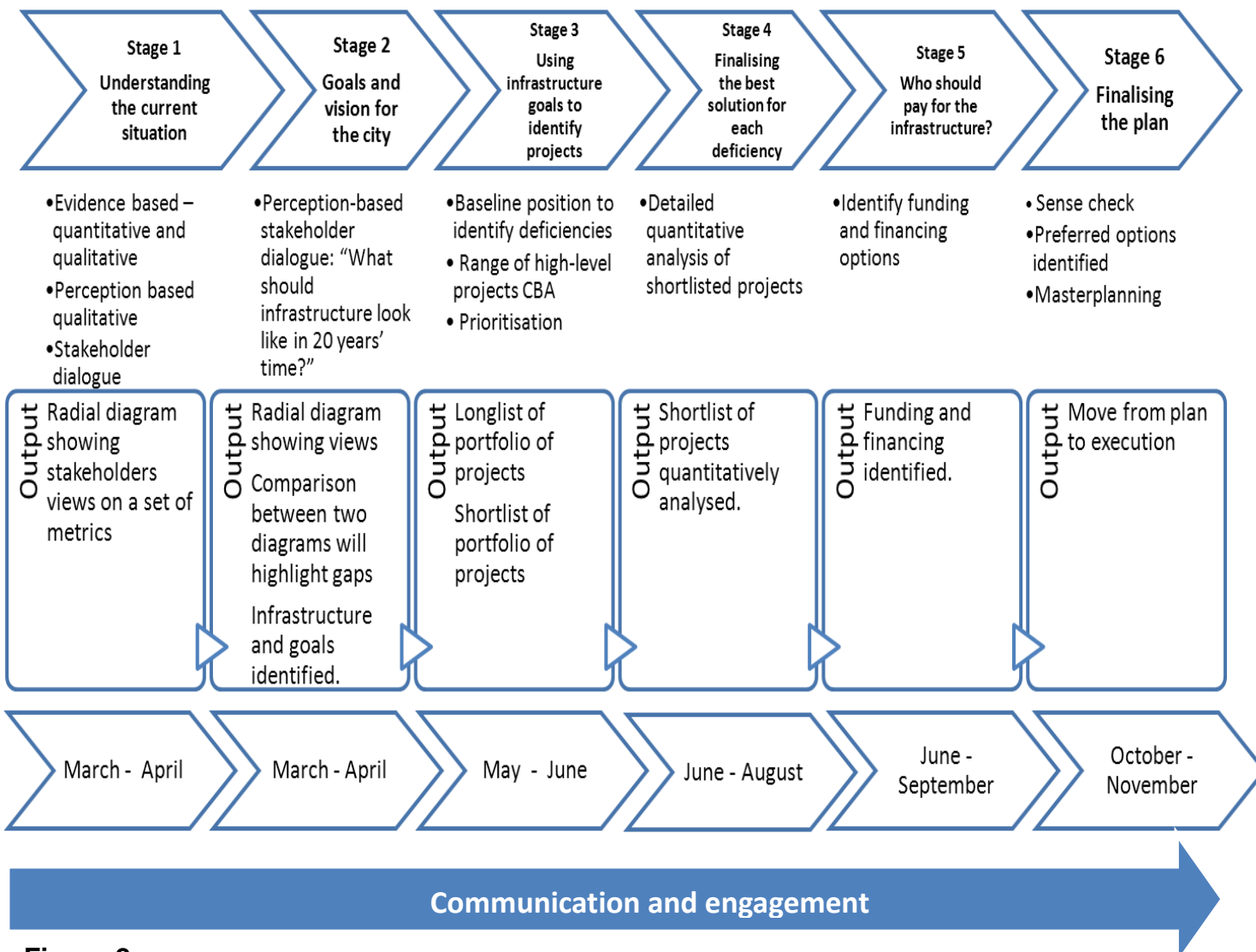


Figure 2

In summary, this is an exciting step forward for the council and in delivering the SIP, the council will be in a position to influence the city's infrastructure needs in terms of project execution, marketing the city to potential investors and influencing Scottish and UK government.

6. IMPACT

The SIP will be an important element in the delivery of the council's Aberdeen - the Smarter City vision and priorities as well as the citywide vision as set out in the Single Outcome Agreement.

7. BACKGROUND PAPERS

None.

8. REPORT AUTHOR DETAILS

Gordon McIntosh
Director of Enterprise, Planning and Infrastructure
gmcintosh@aberdeencity.gov.uk
(01224) 522941

Stewart Carruth
Director of Corporate Governance
scarruth@aberdeencity.gov.uk
(01224) 522550