

ABERDEEN CITY COUNCIL

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COMMITTEE	Finance, Policy & Resources
DATE	20 <sup>th</sup> February 2014
DIRECTOR	Gordon McIntosh
TITLE OF REPORT	Request for Approval of Expenditure for External Support relating to the City Deal Fund
REPORT NUMBER:	CG14/020

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**1. PURPOSE OF REPORT**

- 1.1 This report advises Committee of the intention to go to tender, through a mini-competition exercise between those on a national Government procurement framework, for external support to assist in the bidding process for the City Deal Fund.

**2. RECOMMENDATION(S)**

- 2.1 It is recommended that the Committee approves the estimated expenditure of up to £250,000, in accordance with SO1 (3) of the Council's Standing Orders relating to Contracts and Procurement.
- 2.2 That members receive a further report, once a successful bidder has been appointed on the project plan which will be followed to process the submission of a bid for City Deal funding.

**3. FINANCIAL IMPLICATIONS**

- 3.1 A budget of up to £250,000 is being requested to cover the cost of securing external support to prepare a bid to the UK Government to secure a City Deal for Aberdeen and the North East.

**4. OTHER IMPLICATIONS**

- 4.1 Aberdeen, one of only two regions in the UK who can claim to have a truly global economy, has to increasingly compete with much larger international cities such as Houston, Perth Western Australia and Doha to retain multi-national companies and the skills base that is required to service the energy industry going forward.
- 4.2 To compete with the aforementioned cities and other areas throughout the globe Aberdeen must provide better access to and from the city,

ease of movement within the city as well as modern office accommodation with bespoke business parks and world class digital connectivity supported by modern housing.

4.3 In recognition of this, members have approved the Strategic Infrastructure Plan which represents £300m of development for the city.

4.4 The successful delivery of the Strategic Infrastructure Plan will require a package of funding options from a variety of sources. A successful bid to HM Treasury for a City Deal for Aberdeen is one source of funding that is being considered.

## **5. BACKGROUND/MAIN ISSUES**

5.1. Many cities in the UK are now looking into the options available for developing an economically-focused infrastructure programme based on the 'Fund' approach that is being used by the English Core Cities. Typically these form part of a wider City Deal arrangement, agreements between government and a city that give the city powers to:

- take charge and responsibility of decisions that affect their area
- do what they think is best to help businesses grow
- create economic growth
- decide how public money should be spent

5.2 The Infrastructure Fund approach pools a number of financial resources across a defined geographical area in the most efficient way to deliver an infrastructure programme that has been appraised and prioritised through a robust analytical framework focused on "real economy" impacts

## **6. IMPACT**

6.1 City Deals seeks to empower local areas to drive economic growth by putting greater resources and financial freedoms in the hands of local leaders.

6.2 Key features of City Deals include:-

- A fund approach for delivering infrastructure, which consolidates available central funding sources, with a significant degree of self-help
- Prioritisation of fund investments based on jobs and productivity (GVA)
- Payment by results. City Deals provide the opportunity to cities to make a local claim on net increases in the national tax that they generate through "self-help" investment
- Robust local governance and delivery arrangements

## **7. MANAGEMENT OF RISK**

- 7.1 Continuing change in the economic structure of the city and the region, together with the inevitable decline in oil and gas production challenge us to focus our economic development efforts on projects and programmes which will add value and see growth continue.
- 7.2 To date, city deals have been with the 8 English core cities (the largest English cities outside London) which includes a £2 billion investment by Greater Manchester which provides £30 million per year being offered to Manchester for the next 30 years from UK Treasury.
- 7.3 A further 20 second tier English cities are now competing for their own deal over the course of the next 12 months, whilst the core cities are also looking to make the scope of their original deals “wider and deeper”.
- 7.4 Glasgow City Council is currently preparing the submission of a bid to HM Treasury for a City Deal for Glasgow Region which includes Lanarkshire and Renfrewshire. Additionally, Glasgow City Council is leading on a project with the Scottish Cities Alliance to carry out an a parallel exercise to develop City Deals for each of Scotland’s cities but this will primarily focus on agreements with the Scottish Government.
- 7.5 The £2billion investment by Greater Manchester and the significant investment anticipated by the other City Regions (with both Leeds and Sheffield developing their own programme linked to an “earn back” deal) puts Aberdeen and the North East at risk of falling behind other UK cities.
- 7.6 It should be noted that the majority of the deals approved to date by UK Treasury are at city region level. Members will need to consider if they wish to initiate discussions with Aberdeenshire Council.
- 7.7 In order to attract new companies and investors to Aberdeen and the North East, Aberdeen City Council must explore the potential opportunities offered by a City Deal in an effort to deliver transformational infrastructure investment and generate the resulting local economic benefits.

## **8. BACKGROUND PAPERS**

HM Government “Unlocking Growth in Cities: City Deals- Wave 1”

## **9. REPORT AUTHOR DETAILS**

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