

ABERDEEN CITY COUNCIL

COMMITTEE	Full Council
DATE	16 December 2015
DIRECTOR	Angela Scott
TITLE OF REPORT	Regional Economic Strategy & City Region Deal Update
REPORT NUMBER	CHI/15/340
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The purpose of this report is to seek approval from Members of the new Regional Economic Strategy; and provide an update on progress on the Aberdeen City Region Deal

2. RECOMMENDATION(S)

It is recommended that the Council:

- (i) approves the Regional Economic Strategy for the North East of Scotland, subject to:
 - a. approval of the Strategy by Aberdeenshire Council; and
 - b. a full Strategic Environmental Assessment (SEA) or Habitat Regulations Assessment (HRA) not being required.

and

- (ii) notes the update on progress on the Aberdeen City Region Deal.

3. BACKGROUND

Aberdeen City and Aberdeenshire Council areas operate as a single and integrated economic geography. The relationship between the two administrative areas is well established as a result of strong economic linkages – across travel to work and learn areas; across business supply chains and key sectors of the region's economy.

It is one of the most prosperous regions in the UK. As a result it has attracted significant investment over many decades by business, workers, and students as people migrate to the area. It has consistently experienced above average rates of population growth,

business growth and enterprise growth compared to most major UK city regions, and the rest of Scotland.

However the region faces a number of challenges. The recent downturn in the global oil and gas sector and the effects of that in the wider regional, Scottish and UK economies, and the backdrop of severe cuts in public sector expenditure provide the context for the future development of the regional economy.

4. MAIN ISSUES

In response to these challenges, a new Regional Economic Strategy (RES) “**A 20-year vision for the Well-being of the Place and Our People**” has been drafted (Appendix 1 to this report). It provides a longer term plan for the economic development of the North East of Scotland to 2035.

Based on an analysis of economic data on the performance of the regional economy, and the challenges and opportunities the city region will face, two scenarios were reviewed:

- i. A ‘**Museum Scenario**’ – where there is a faster run down in the oil and gas sector that is exacerbated by a lack of investment in infrastructure, and retaining skills and expertise in the North East of Scotland. As a result, the region would see significantly higher unemployment and out-migration of people and business, and a physical deterioration of the city and towns; and
- ii. A ‘**Renaissance Scenario**’ – where economic recovery of the UK oil and gas resource is maximised and Aberdeen’s long term international position is secured. Based on this, the region has broadened its economy into other sectors including energy (renewables), tourism, food, drink and agriculture, life sciences and the creative sector and significantly improved employment and income levels in our more deprived places, improved our city centre environment, and regenerated towns, ensuring the sustained economic performance is more evenly distributed.

As a result, a longer term vision for Aberdeen and Aberdeenshire has been developed up to 2035:

- Aberdeen City and Aberdeenshire will be known globally as a having a strategic advantage from oil and gas and related industries in the UK, Scotland and the region.
- In the short-term, we will have maximised economic recovery and stimulate exploration activity from the UKCS, underpinned by world-class innovation and technology development and improvements to our infrastructure.
- We will capitalise on our natural heritage and quality of life, and broaden our economic base by growing and developing our food

and drink, agriculture and fishing, tourism, life sciences, business, financial and professional services and creative industries.

- So that in the longer term, we will have sustained and secured the well-being of the city, region and its people, delivering a more balanced and resilient economy and achieved inclusive economic growth that will benefit all.

The Strategy provides a framework to deliver the overall vision. Four Programme Areas are proposed that reflect both the needs of the city region economy and the overall Economic Strategy for Scotland:

- i. Investment in Infrastructure
- ii. Innovation
- iii. Inclusive Economic Growth
- iv. Internationalisation

The Strategy proposes a 'sectoral approach' around four priority sectors that reflect the city region's competitive advantage in these sectors but also the consistently high performance and contribution to the Scottish and UK economies:

- Oil and Gas
- Food, drink and primary industries
- Tourism
- Life sciences

5. LEADERSHIP

The Strategy provides a framework for the new regional public-private sector economic partnership, Opportunity North East (ONE). The Council Leader represents the Council on this private sector-led economic leadership initiative.

A new Coordination Group comprising of representatives of ONE, the Council, Aberdeenshire Council, Scottish Enterprise, Skills Development Scotland, VisitScotland and other public agencies as appropriate will coordinate their contribution in support of the delivery of the Strategy, monitoring performance, as well as inputting to the respective Community Planning Partnerships in both Council areas.

The Strategy is also a key document in support of the development of a City Region Deal being led by the Council and Aberdeenshire Council.

6. THE CITY REGION DEAL

At a Special Council meeting to consider the City Region Deal in March 2015, it agreed to delegate authority to the Chief Executive, in consultation with the Leader of the Council to work in partnership with the Chief Executive of Aberdeenshire Council, to conduct direct negotiations with both the UK Government and the Scottish

Government over the submission and agreement of an Aberdeen City Region Deal.

Since then work has been undertaken by officers in both Councils, Scottish Enterprise and private and public sector partners to develop specific detail on the key City Region Deal themes of **Connectivity (transport and digital)**, **Innovation**, **Internationalisation** and **Housing**, aligning to the Regional Economic Strategy. In August 2015, the Head of Economic Development briefed Members on progress since March 2015, and the process of developing and refining a submission in confidence with stakeholders and advisers.

The development of the City Region Deal is an ongoing process of negotiation with the UK and Scottish Governments that requires a great deal of detailed technical and sensitive commercial and technical information to be submitted on an ongoing basis. Officers from both Councils will continue to provide the information needed to progress the negotiations.

At the same time as development of the proposals, promotion of the case for a City Region Deal has included a Parliamentary reception in Holyrood on 27 October, an Aberdeen and Grampian Chamber of Commerce breakfast on 17 November and the Robert Gordon University Economic Summit on 24-25 November. The Leader of the Council spoke at all these events on the case for a deal.

A website to keep the public and businesses informed on the City Region Deal was developed at www.abzdeal.com/ and a weekly new bulletin is also issued to anyone signing up for updates. www.abzdeal.com.

Officers will provide a further update on progress to Members in early in 2016.

7. NEXT STEPS

For development of the Regional Economic Strategy, officers will work with other partners to develop more detailed actions plans for each of the strategic actions. Following this, the Head of Economic Development will provide a report to the appropriate Committee outlining how the Council will contribute to the Strategy.

8. FINANCIAL IMPLICATIONS

There is no direct staffing or financial implications arising from this report. Staffing and financial implications may arise from subsequent service plans to support implementation of the Strategy.

9. OTHER IMPLICATIONS

As the Strategy is a new policy, under legislation, it may be required to undergo a Strategic Environmental Assessment (SEA) and a Habitats Regulations Assessment (HRA). Following this report, officers will undertake a screening that confirms if these assessments (in the form of scoping reports) are required.

If they are, a draft of the Strategy will enter a period of statutory consultation, for at least an estimated six weeks, following which it will be finalised and have to be brought back to the Council for final approval.

However if the initial screening confirms the scoping report is not needed, the Strategy in Appendix 1 can be finalised.

Aberdeen City Council processes require completion of an equality impact assessment on committee papers. This is provided in Appendix 2.

6. IMPACT

Improving Customer Experience –

The Regional Strategy provides a framework for the Council to continue to work closely and collaborate with private sector and other stakeholders to secure the long-term economic wellbeing and prosperity of the city.

Improving Staff Experience –

The Strategy provides staff with a clear vision of the overall direction for the economy of the city region and the alignment of Council services to that. For the Council's Economic Development Service in particular it provides a strategic direction for delivery and resources.

Improving our use of Resources –

The focus provided by the Strategy will ensure effective and efficient use of resources that align to the overall economic priorities of the city, and help make the case for public funds to be used to lever in other public- and private investment.

Corporate -

The Council's participation in the new Board, collaborating with partners and stakeholders to support delivery of the Strategy, ensures that the Council maintains its key leadership role in the long term economic growth of the city and the region.

Public

The Strategy will have an impact on Aberdeen's citizens as it will focus

the some of the main areas of investment and development over the next 20 years. As such, and EHRIA has been completed and is attached (Appendix 2).

7. MANAGEMENT OF RISK

The Strategy will not expose the council to financial risk. As subsequent action plans are developed upon approval of the RES, officers will consider financial risk. As the City Region Deal negotiations progress, the Head of Finance will represent the Council on a Finance Modelling working group to ensure the Council is informed on the financial impacts on these proposals

The RES poses no risk to customers, citizens or stakeholders.

8. BACKGROUND PAPERS

Report No. CHI/15/131 Aberdeen City Region Deal - Special Council Meeting, 12th March 2015

Report no. OCE/14/030 City Deal Fund – Finance, Policy & Resources Committee, 19th June 2014.

Report no. CG/14/020 Request for Approval of Expenditure for External Support relating to the City Deal Fund, Finance, Policy & Resources Committee, 20th February 2014.

9. REPORT AUTHOR DETAILS

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APPENDIX 1 Regional Strategy