

ABERDEEN CITY REGION DEAL:

Powering Tomorrow's World

Progress Report	Aberdeen City Region Deal – Programme Update
Lead Officer	Head of Economic Development (Aberdeen City Council & Aberdeenshire Council)
Report Author	John-Paul Cleary
Date of Report	10 June 2016
Governance	Joint Committee

1: Purpose of the Report

- i. To provide an update on the Programme to develop the specific projects under the City Region Deal Heads of Terms (£250m).

2: Recommendations for Action

- i. That the Joint Committee notes the progress on the Aberdeen City Region Deal Programme.

3: Background

- i. Following the signing of the Heads of Terms, the lead officers have been in discussion with the UK and Scottish Government officials on the next steps and stages to finalise the City Region Deal.
- ii. The requirement is to develop a final City Region Deal Agreement and Implementation Plan. A draft is being discussed by both Governments and it is expected that this will be finalised in the coming months.
- iii. Meanwhile both Governments have advised that work on the business cases for each of the agreed City Region Deal projects should continue. This report provides detail on the progress of this work.

4: Programme Update

- i. A revised Deal Document addressing comments from UKG and SG and

providing other requested information was issued to civil servants of both governments on 20th May. Initial feedback will be discussed on 8th June to agree next steps and timescales, and in the context of reporting to the respective Councils.

- ii. Work is also ongoing to agree a single appraisal and approval process with both governments for individual business cases, distribution of funds and progress reporting. Following the first meeting of the Programme Board, the Programme Manager has raised a list of outstanding issues for civil servants from both governments to clarify. We anticipate that there is no existing blueprint for a 'Scottish City Deal' that can be used and later Scottish Deals are likely to use the model developed for Aberdeen.
- iii. The Programme Manager will be attending a Business Case Workshop on 6th June at the Home Office in London, to help ensure business case development adheres to the expected standards.

5: Project Updates

i. Oil and Gas Technology Centre

COMMITMENT from the Heads of Terms

Both Governments support the vision of developing a world-leading Oil and Gas Technology Centre. Both Governments invite the Aberdeen City Region to submit a fully developed business case and future technology road map.

COMMITMENT from the Heads of Terms

As a first step in a phased approach to delivering the Oil and Gas Technology Centre, both Governments support regional partners' plans to implement new Solutions Centres, which will bring together innovation funders and providers, academia and test facilities to address specific industry challenges. Subject to final business cases, these will come on line progressively during 2016 and will provide engineering and applied research solutions for current industry challenges.

Progress to Date

Opportunity North East and Scottish Enterprise have been working closely with the OGA, Technology Leadership Board, Oil and Gas UK, University of Aberdeen and Robert Gordon University to progress the next phase of work for the Oil and Gas Technology Centre.

- The company has been set up and the first Board meeting took place on 14 April 2016.
- £500k start up development funding secured from ONE and SE.
- CEO and Solution Centre Manager (SCM) roles scoped and

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recruitment firms appointed.

- OGTC Business Plan and Business Case development underway.

Key Next Steps

- Interim project team in place.
- Further preparation for OGTC Solution Centre work definition statements.
- Integrate the strategic business case for Big Data into OGTC plan.
- CEO and key staff to be secured by September.
- Establish Memorandum of Understanding between OGTC and Robert Gordon University and University of Aberdeen.
- Secure formal ACRD funding agreement with funding bodies by August 2016; agree draw down tranches and matching funding interlocks.
- First drawdown from ACRD funding by latest September 2016.

Issues for attention of the Joint Committee

None

ii. Agri-Food and Nutrition Innovation Hub

COMMITMENT from the Heads of Terms

Both Governments recognise the importance of the Aberdeen City Region's continued economic diversity and support innovation in the biopharmaceutical and food and drink sectors. This Deal will provide funding for new Innovation Hubs subject to Aberdeen submitting fully developed business cases for these investments.

Progress to Date

The strategic business case has been reviewed and further developed and the concept broadened in scope in the last two months in discussion with the ONE Food Drink and Agriculture Board.

The centre would be a flagship project for innovation development for the sector at a regional and national level. It will provide a mix of bespoke development laboratory, test kitchen and pilot production space with demonstration equipment including novel food processing capability, a sensory suite and start-up company space alongside the researchers, nutritionists and food technologists. The centre would be a resource for both start-up businesses and existing growth companies.

The Innovation Centre will include:

- A research translation capability to broker projects between industry and research teams.
- A development team including food technologists to manage the product innovation development process from concept through to pilot

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production for new and novel products. This team would have a strong direct link to the Scotland Food and Drink market research team and will access existing capacity and capabilities at a national level.

- Development laboratory space, test kitchen, pilot production plant and sensory suite.
- An accelerator and incubator space for spin-out companies and high growth start-up businesses.
- A hub for the development and training to advanced level of food industry specific skills including food technology.

Key next steps

- Interim project team to be set up including the ONE Food and Drink Director, plus RGU, University of Aberdeen and Rowett Research Institute, ONE Board members and SE.
- Further testing of the concept - to be undertaken with industry at a regional and national level.
- Outline business case to be developed by August 2016.

Issues for attention of the Joint Committee

None

iii. Bio-Therapeutic Innovation Centre

COMMITMENT from the Heads of Terms

Both Governments recognise the importance of the Aberdeen City Region's continued economic diversity and support innovation in the biopharmaceutical and food and drink sectors. This Deal will provide funding for new Innovation Hubs subject to Aberdeen submitting fully developed business cases for these investments.

Progress to Date

Significant progress has been made in refinement of the strategic business case with more clarity on the physical space requirements and preferred location. Dr Magnus Nicolson, ONE Life Science Director is now in post and supporting the development of the Centre with the ONE Life Sciences Board members from University of Aberdeen, Robert Gordon University, NHS Grampian, James Hutton Ltd, SE and the industry.

Additional testing of the concept has is being undertaken with key stakeholders at a national level.

There is consensus that the Centre should contain both space for existing companies as well as Incubator space for new life science companies. Several companies have expressed an interest in locating into the centre when constructed – estimate of 2019-20.

The centre will be 60- 80,000 sq. ft. will be a mix of shared and dedicated lab

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space with the option of bespoke fit out for new and existing companies.

The key bioscience competencies have been agreed by the ONE Life Science Board. This model enables historic and present competencies like Peptide and Antibody Engineering to be seen in association with growing competencies like Cell and Gene Therapy. There is a high degree of synergy within the competencies and significant and growing demand for their biopharmaceutical and biological products.

Key next steps

- Location of Centre on preferred site to be investigated
- Outline business case for review and approval by end May 2016.
- Full Business case and Business Plan to be developed by the project team by October 2016.

Issues for attention of the Joint Committee

None

iv. Digital Infrastructure

COMMITMENT from Heads of Terms

Local partners will perform a gap analysis, and then explore with both Governments the digital needs for the region. This is with a view to creating a digital infrastructure fund which will address the digital challenges of both Aberdeen City and Aberdeenshire and underpin enhanced service delivery across private and public sectors. With the additional Scottish Government funding to fund an extension of digital infrastructure in the Aberdeen and Aberdeenshire area above and beyond the commitment through the City Deal.

Progress to date

During a meeting between the two Councils, Scottish Futures Trust (SFT) SG Digital Directorate, DCMS and Digital Scotland it was agreed that a gap analysis should be undertaken to determine infrastructure shortfalls as a means of evidencing financing requests.

Cube Ultra was subsequently appointed to undertake this work and also help identify ways in which public funding could be used to stimulate investment or directly provide enabling infrastructure to close some of the gaps to address commercial demand requirements in particular without invoking State Aid challenges.

Key Next Steps

Aberdeen City Council is currently rolling out the Swan contract and is

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<p>assessing the feasibility to use this to attract private sector investment across the city and beyond.</p> <p>Meetings continue with SFT and SG to ensure an integrated approach.</p> <p><u>Issues for attention of the Joint Committee</u></p> <p>None</p> <p>v. Strategic Transport Appraisal</p> <p><u>Commitment from Heads of Terms</u></p> <p>A transport appraisal, supported by both Governments and local partners, will take a long-term strategic view of the transport implications of the investment unlocked by this deal across modes including road and rail. This work will commence in 2016 and will be based on Scottish transport appraisal guidance and will recognise the priorities of local, regional and national transport plans and programmes. Transport Scotland will work with NESTRANS and the two local authorities and scope out requirements for the next 20 years, building on the completion of the AWPR and other planned investments.</p> <p><u>Progress to date</u></p> <p>Initial discussions have taken place between the two Councils, Nestrans and Transport Scotland on the potential scope, extent and timescales of this project, as well governance and decision making arrangements. Discussions have taken place as recently as 01 June, considering membership of the transport working group, finance arrangements and further regular meetings planned.</p> <p><u>Key Next Steps</u></p> <p>Key to the appraisal process will be a robust evidence base and development of an updated regional transport model. The current model requires significant upgrading to reflect the existing and future transport network, development pressures and travel patterns. It is proposed that this upgrading takes place in two stages.</p> <ul style="list-style-type: none">- Stage 1, a relatively small scale upgrading of the existing model and data. This will provide information to support the development of the Strategic Development Plan which is being progressed to a timetable set out by statute. A tender has been issued for this initial model update, with responses due back late June 2016.- Stage 2, a full upgrade to a modern transport modelling tool with new base data including post AWPR surveys. This will then be used to inform the full appraisal process. <p>Bearing in mind that the first stages of the area wide appraisal will be some</p>	

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months away and involve data collection and model upgrading, there may be a need to continue assessment work on projects which are already underway. These potentially include:

- City Centre Masterplan works (Including redefinition of the roads hierarchy)
- Locking in the benefits of the AWPR (Including radial route assessment)
- Cross City connections.
- Aberdeen to Peterhead/ Fraserburgh corridor study.
- Other strategic transport corridors such as A944, and A947.

Issues for attention of the Joint Committee

None

vi. Harbour Expansion Project

Commitment from Heads of Terms

Both Governments are supportive of the expansion of Aberdeen Harbour and are committed to working with private sector partners to deliver this project. It is ultimately a decision for the private sector on whether to invest in the harbour expansion, but both Governments commit to working with Scottish Futures Trust and others to explore all financial mechanisms to deliver this project. Should the expansion go ahead, both Governments commit to finding a route to fund the supporting infrastructure that maximises the impact of the harbour project on the wider regional economy.

Progress to date

The scope of the works has yet to be decided and will be subject to confirmation of the new Harbour project being approved. It is thought that decisions on the Harbour approvals are likely in Autumn of this year.

Key Next Steps

The intention of this project is to overcome some of the strategic access issues to the new harbour and the surrounding area which is highlighted in the published Development Framework for the area. A scoping exercise should be carried out for this project which will require the approval of the CRD Programme Board in order to identify the appropriate funding sources through the Governments.

Issues for attention of the Joint Committee

None.

6:	Finance and Risk
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6:	Finance and Risk
i.	The full financial plan for the City Region Deal Programme is currently being worked on and will require the approval of a number of partners involved.
ii.	The Risks associated with the City Region Deal are considered and varied. Risk Assessments will be carried out as part of each of the workstream Business Plans and will form part of the Programme Risk Register.