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COMMITTEE	Finance, Policy and Resources
DATE	1 December 2016
DIRECTOR	Pete Leonard
TITLE OF REPORT	Memorandum of Understanding for Additional £254m Investment
REPORT NUMBER	CHI/16/275
CHECKLIST COMPLETED	Yes

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1. PURPOSE OF REPORT

The purpose of this report is to present the Memorandum of Understanding for the £254 million additional investment from the Scottish Government, which was announced in addition to the joint UK Government and Scottish Government funding of the Aberdeen City Region Deal.

2. RECOMMENDATION(S)

It is recommended that Committee:

- i. Approve the Memorandum of Understanding (MOU) for the Aberdeen City Region Deal Additional Investment (Appendix 1), subject to:
  - a. approval of the MOU by Aberdeenshire Council;
  - b. approval of the MOU by the Scottish Government;
- ii. Delegate authority to the Chief Executive following consultation with the Head of Legal & Democratic Services and the Head of Finance to agree non-material amendments as required due to any changes requested by other parties to the agreement or any amendments which would improve or further safeguard the Council's position, all prior to its signature by a proper officer;

3. FINANCIAL IMPLICATIONS

Alongside the Heads of Terms agreement signed by Scottish Government, UK Government, Aberdeen City, Aberdeenshire Council and Opportunity North East (ONE) in January 2016, the Scottish

Government made a commitment to invest a further £254 million in the North East over the same 10 year period as the City Region Deal. The Scottish Government have proposed a Memorandum of Understanding with Aberdeenshire Council and Aberdeen City Council which is appended in Appendix 1.

The investment comprises:

- An initial £200 million additional funding to help improve journey times and increase capacity on key rail links between Aberdeen and the Central Belt.
- £24 million of funding for the trunk roads' programme to support improvements to the key A9/A937 south junction at Laurencekirk.
- £10 million for extension of digital infrastructure in the Aberdeen and Aberdeenshire area in addition to the commitment through the City Region Deal.
- £20 million in infrastructure funding to unlock housing sites that are of strategic importance to the local authorities.
- 5 year certainty on £130 million of affordable housing grant.

#### 4. OTHER IMPLICATIONS

None.

#### 5. BACKGROUND/MAIN ISSUES

This funding from the Scottish Government is additional to the £250 million UK Government and Scottish Government support to the City Region Deal. The City Region Deal is an agreement between Scottish Government, UK Government, Aberdeen and Aberdeenshire Councils and ONE. Its management and governance structure includes a joint committee to oversee delivery of the City Region Deal comprising three representatives each from the administrations of Aberdeen City Council, Aberdeenshire Council and the Board of ONE.

The Joint Committee will have sight of progress with the additional Scottish Government package of investment. This proposed memorandum of understanding provides a means to manage communications between those undertaking the City Region Deal measures and those undertaking the additional investment. The objective is to ensure the City Region Deal Joint Committee has an overview of the prioritisation, scope of the work and aggregate investment package in order to identify any local challenges and/or deliver additional local opportunities.

The Scottish Government's Region and City Partnerships Team holds the lead Scottish Government responsibility for the City Region Deal. Updates will be provided at least twice a year.

Currently the City Region Deal Joint Committee has a remit to cover the City Region Deal. The additional investment by the Scottish Government is separate to the powers and remit of the Joint Board however, the information provided in relation to the work of the Scottish Government will aid the Joint Committee to exercise their powers to best utilise the aggregate investment package in order to identify any local challenges and/or deliver additional local opportunities.

### **£200 million Rail Link Funding**

NESTRANS are in dialogue with Transport Scotland over the options to deliver the journey time savings on the Aberdeen to Central Belt route.

NESTRANS provided the following update from their meeting on 7<sup>th</sup> November with Transport Scotland and Network Rail:

Network Rail advised that they are now developing options for providing benefits following their timetabling study. It is anticipated that the options will be generated by Spring 2017 following which decision could be made on the works to be included in CP6 (2019-2024).

## 6. IMPACT

### **Improving Customer Experience –**

The existing City Region Deal governance will be extended to cover the programme of work covered under the Memorandum of Understanding, ensuring that all the stakeholders and partners continue to work closely with the private sector and other stakeholders to support delivery of the business cases and implementation plans of projects to secure the long-term economic wellbeing and prosperity of the Aberdeen City Region.

### **Improving Staff Experience –**

This agreement will contribute to the existing collaboration and leadership, across the Council's services, and collaborating across the two government and Councils, other public and private sectors, to support delivery of the commitments in the Aberdeen City Region Deal.

### **Improving our use of Resources –**

This agreement will help ensure the most effective and efficient use of resources that align to the overall economic priorities of the Council and the wider region, and provides the opportunity for other public and private sector investment and a regional approach to delivery.

### **Corporate -**

The Council's role on the Joint Committee will ensure it provides a key leadership role in monitoring the programme of work under the Memorandum of Understanding and maximises opportunities to contribute to the long term economic growth of the City and the Region.

**Public –**

The programme of work covered under the Memorandum of Understanding will have an impact on Aberdeen's citizens as it will contribute to key areas of investment and development over the next 10 years.

7. MANAGEMENT OF RISK

The additional investment funding will be administered directly by the Scottish Government and will not expose the Council to financial risk.

8. BACKGROUND PAPERS

9. REPORT AUTHOR DETAILS

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**MEMORANDUM OF UNDERSTANDING FOR THE ADDITIONAL  
INVESTMENT FOR THE ABERDEEN CITY REGION**

**between**

**Aberdeen City Council**

**and**

**Aberdeenshire Council**

**and**

**Scottish Government**

## **1. Background**

Alongside the Heads of Terms agreement signed by Scottish Government, UK Government, Aberdeen and Aberdeenshire Councils and Opportunity North East (ONE) in January 2016, Scottish Government made a commitment to invest a further £254million in the North East over the same 10 year period as the City Region Deal. The investment comprises:

- An initial £200 million additional funding to help improve journey times and increase capacity on key rail links between Aberdeen and the Central Belt.
- £24 million of funding for the trunk roads' programme to support improvements to the key A9/A937 south junction at Laurencekirk.
- £10 million for extension of digital infrastructure in the Aberdeen and Aberdeenshire area above and beyond the commitment through the City Region Deal.
- £20 million in infrastructure funding to unlock housing sites that are of strategic importance to the local authorities.
- 5 year certainty on £130 million of affordable housing grant.

This paper sets out how these additional commitments will be delivered and the mechanisms to ensure that the Aberdeen City Region Joint Committee is kept informed so as to be able to maximise synergies with the City Region Deal investments.

## **2. Protocol Arrangements/considerations**

This funding from the Scottish Government is additional to the £250 million UK Government and Scottish Government support to the City Region Deal. The City Region Deal is an agreement between Scottish Government, UK Government, Aberdeen and Aberdeenshire Councils and ONE. Its management and governance structure includes a joint committee to oversee delivery of the City Region Deal comprising three representatives each from the administrations of Aberdeen City Council, Aberdeenshire Council and the Board of ONE.

The Joint Committee seeks sight of progress with the additional Scottish Government package of investment, and in particular the investment in housing, digital connectivity and the Laurencekirk Junction, so that it better identify opportunities to maximise the impact of the City Region Deal and vice versa. This memorandum of understanding provides a means to manage communications between those undertaking the City Region Deal measures and those undertaking the additional investment. The objective is to ensure the City Region Deal Joint Committee has an overview of the prioritisation, scope of the work and aggregate investment package in order to identify any local challenges and/or deliver additional local opportunities.

The Scottish Government's Region and City Partnerships Team holds the lead Scottish Government responsibility for the City Region Deal and is the conduit for the information exchange. Alongside a series of bilateral engagements on individual aspects of the additional investment package, the Region and City Partnerships Team commit to providing updates to the Aberdeen City Region Deal Joint Committee on progress with delivering the additional investment. Updates will be provided at least twice a year, and more frequently if warranted. In addition, the Region and City Partnerships Team provides a conduit back into the wider Scottish Government for any opportunities and/or issues of concern that the joint committee have been unable to resolve by other means.

The Scottish Government will provide regular updates on the additional investment to the Head of Economic Development at Aberdeen City Council and the Head of Economic Development & Protective Services at Aberdeenshire Council ("the Heads of Service").

The Heads of Service will report to the Joint Committee with the updates provided by the Scottish Government in terms of the Aberdeen City Region Deal.

The Heads of Service will act as the point of contact between the Scottish Government's Region and City Partnerships Team and the Joint Committee.

In addition, details of each individual element of the additional investment package and the relevant relationships are set out in the attached annexes.

- Annex 1 – Housing
- Annex 2 – Transport
- Annex 3 – Digital

**Signed for Aberdeen City Council**

Name  
Position  
Date

**Signed for Aberdeenshire Council**

Name  
Position  
Date

**Signed for Scottish Government**

Name  
Position  
Date

**Housing**

The housing commitment that forms part of the package of additional Scottish Government investment alongside the City Region Deal equates to £130m over the 5 year period 2016/17 – 2020/21. The key advantages associated with this arrangement will be:

- Facilitation of a joint approach towards planning for meeting housing needs across the City Region
- Certainty of resource availability over the 5 year period will allow for more definite forward planning within and across the two LA areas and encourage innovation and efficiencies in utilisation of the subsidy available
- Budgetary flexibility within each financial year across the two LA areas will facilitate a joint approach to delivery of affordable housing and ensure, as much as possible, that resources are invested and retained across the area.
- Additional resources through the Infrastructure Fund to facilitate a joint approach to support acceleration of new development sites within the wider Aberdeen Housing Market Area. Acceleration of the programme to deliver affordable housing and the associated links to economic growth and competitiveness in the City Region area.

**Protocol Arrangements/considerations**

Protocol for the housing element commits partners to the following:

- Collaboration between both Local Authority housing and planning departments around future allocation of land for housing (as set out in the Strategic Development Plan) and the potential to streamline the planning approval process.
- Early identification of infrastructure projects which will facilitate future housing delivery within the 5 year period of the agreement
- Collaboration between both Local Authorities on SHIP (Strategic Housing Investment Plan) development – this is particularly important to identify potential pinch points in forward programmes and in planning for slippage mitigation
- Resource Planning Assumptions will be allocated on an annual basis to each individual Local Authority - these combined will make up the City Region housing allocation.
- Strategic Local programmes will be issued to each Local Authority based upon Strategic Housing Investment Plan and programme discussions
- Agreement of process and timeline to discuss budgets jointly with Scottish Government and Local Authorities on a regular basis within each financial year. This will focus on identifying issues and trigger



points for spend flexibility between the Local Authorities ( 4 x per year – April, June, September, December)

- Any potential spend slippage to be notified to SG immediately
- Where possible, slippage in spend within one LA area will be re-allocated to the other LA where it can assure spend will be achieved within the same financial year
- Should slippage within one financial year be re-allocated to the partner City Region LA, then agreement should be reached between the two LAs, and with Scottish Government, on the timeline for any agreed repayment to the originating LA.

### Contact Points

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Housing and Social Justice Directorate  
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**Transport**

The transport commitment that forms part of the package of additional Scottish Government investment alongside the City Region Deal is:

- An initial £200 million additional funding to help improve journey times and increase capacity on key rail links between Aberdeen and the Central Belt; and
- £24 million of funding for the trunk roads programme to support improvements to the key A9/A937 south junction at Laurencekirk.

There is value in ensuring that the Aberdeen City Region Joint Committee is kept informed of progress with these projects so that it can maximise synergies with the City Region Deal investments.

**Protocol Arrangements/considerations**

This annex proposes a protocol for the transport investments that would be agreed by all of the partners involved. The transport protocol:

- Commits Transport Scotland to providing progress updates on these projects through the City Region Deal Transport Working Group as and when the project specific Partnership Group or Key Stakeholders are updated. Given the nature of the projects there is no fixed reporting timescales or format but these will be based around relevant milestones, decision points and/or opportunities for synergies.
- Commits the Aberdeen City Region Joint Committee to early and on-going engagement with Transport Scotland where plans or projects might have a bearing on the strategic transport network and to the provision of updates on emerging projects based around relevant milestones, decision points and/or opportunities for synergies.

**Contact Points**

The key contacts within Transport Scotland for liaison on Aberdeen City Region Deal and related projects are:

Alison Irvine, Head of Strategic Transport Planning, Transport Scotland  
[alison.irvine@transport.scot.gov](mailto:alison.irvine@transport.scot.gov)  
0141 222 7590

David Torrance, Major Transport Infrastructure Projects, Transport Scotland  
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**Digital**

The digital commitment that forms part of the package of additional Scottish Government investment alongside the City Region Deal is:

- £10 million for extension of digital infrastructure in the Aberdeen and Aberdeenshire area above and beyond the commitment through the City Deal.

Within the Heads of Terms Agreement for City Region Deal itself, the digital commitment states:

- 18.** Improving the region's digital infrastructure is key to the long term future of the local economy. It will drive innovation through the better use of our physical and digital assets to enhance public and private service delivery, to tackle inequality and to improve social outcomes.
- 19. COMMITMENT - local partners will perform a gap analysis, and then explore with both Governments the digital needs for the region. This is with view to creating a digital infrastructure fund which will address the digital challenges of both the city and shire and underpin enhanced service delivery across private and public sectors.**

Scottish Government is prepared to use the additional £10m investment to complement the City Region Deal project once the findings from the gap analysis are known and specific digital infrastructure propositions have been developed and agreed.

The Aberdeen City Region Joint Committee will be kept informed of progress with the overall digital project so that it can maximise synergies with the rest of the City Region Deal investments.

### **Protocol Arrangements/considerations**

This annex proposes a protocol for the digital investment that would be agreed by all of the partners involved. The digital protocol:

- Recognises that the additional investment is designed to augment the City Region Deal investment
- Notes that any investments in digital infrastructure as part of the City Region Deal should complement and add value to existing infrastructure and initiatives in a way that reduces the potential for duplication. To that end, partners have agreed that the Scottish Government will work closely with local partners to help shape and design the city deal digital project(s), involving key partner organisations, including Scottish Futures Trust.
- Commits the Scottish Government to sharing the latest information on SG-funded infrastructure deployment and planning and playing a proactive role to help shape City Deal digital projects.
- Commits the Aberdeen City Region Deal partners to initiate and oversee appropriate governance arrangements that ensure all parties

are sighted on key scoping work, such as infrastructure gap analysis, and involved in the design of specific project propositions.

### Contact Points

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