

ABERDEEN CITY COUNCIL

COMMITTEE	Council
DATE	11 October 2023
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	North East of Scotland Investment Zone Proposal
REPORT NUMBER	COM/23/316
DIRECTOR	Gale Beattie
CHIEF OFFICER	Julie Wood
REPORT AUTHOR	Julie Wood
TERMS OF REFERENCE	12 and 20

1. PURPOSE OF REPORT

- 1.1 To update Council on the UK and Scottish Government's allocation of Investment Zone status to the North East of Scotland (Aberdeen City Council and Aberdeenshire Council administrative areas) and to seek approval for the Council to participate in a short-life Steering and Working Groups with regional partners to design and establish the Investment Zone.

2. RECOMMENDATIONS

That Council

- 2.1 Approve the Council's participation in the North East of Scotland Investment Zone Steering Group until the Regional Economic Partnership is formed.
- 2.2 Agrees to appoint Cllr Allard, Co-Leader, to be the Council's representative on the North East of Scotland Investment Zone Steering Group; and,
- 2.3 Instruct the Chief Officer - City Growth to report back to Council on the developed proposal.

3. BACKGROUND

- 3.1 On 17 May 2023 Aberdeen City Council ([Item 11](#)) approved the North East of Scotland Regional Economic Strategy for the period to 2035, Aberdeenshire Council approved the Strategy on 29 June 2023. In approving the new Regional Economic Strategy, both Councils also approved the creation of a Regional Economic Partnership. The Regional Economic Forum (created in 2015 at the same time as Opportunity North East and comprising ONE Board members) will cease to exist. Its role will transition to the Regional Economic Partnership (REP) with extended membership to deliver the vision and Strategic Objectives of the Regional Economic Strategy. At the time of the Investment Zone announcement, the ONE Board had not met to approve the

Regional Economic Partnership, however this was approved on 3 October 2023. The timeline for establishing the Regional Economic Partnership will now align with the timeline for concluding Stage 3 of the Investment Zone Gateway Process. (See Appendix B)

- 3.2 A meeting between Opportunity North East and the Leaders of both Councils and their respective Chief Executives took place on 17 August 2023. The purpose of the meeting was to discuss the Investment Zone proposal. The Regional Economic Partners agreed that a short-term Steering Group and Working Group should be set up to oversee the development of the North East of Scotland's Investment Zone proposal in compliance with the Gateway Process and its submission to the UK and Scottish Governments.
- 3.3 Notwithstanding the governance procedures of the respective Regional Economic Partners agreed at the Finance & Resource Committee in May 2023, meetings of the Steering and Working Groups are continuing to ensure that the timeline for submission of Stages 1 and 2 of the Gateway Process is maintained.

4. TIMELINE

- 4.1 The UK Government's Investment Zone [Policy Prospectus](#) was published on 15 March 2023. Following this, eight Investment Zones in England were announced as part of the UK Government's Spring Budget. Shortly after Investment Zones were announced Aberdeen City Council Aberdeenshire Council Aberdeen University and RGU met to discuss how best to position the North East of Scotland for such an opportunity.
- 4.2 The group met twice with the focus being on how to approach the government to lay the foundation for what was expected to be a competitive bidding process for the allocation of an Investment Zone in the North East of Scotland.
- 4.3 This work was superseded by the UK and Scottish Governments' allocation of Investment Zone status in the North East of Scotland and Glasgow on 29 June 2023.
- 4.4 The UK and Scottish Governments invited representatives from both Councils ONE and Energy Transition Zone Ltd to an Investment Zone initiation meeting on 3 August 2023. Representatives of the Glasgow Regional Economic Partnership also attended the meeting. The purpose of the meeting was to outline the Investment Zone policy offering for Scotland, the 5-stage gateway process to establish an Investment Zone (see Appendix B) and to understand the key sectors underpinning both the North East of Scotland and Glasgow Regional Economies.
- 4.5 As noted above, a meeting between Opportunity North East, the Leaders of both Councils and their respective Chief Executives took place on 17 August 2023 where it was agreed a short-term Steering Group and Working Group should be formed to progress the Investment Proposal until such time the Regional Economic Partnership model had been agreed by all partners respective governance routes.

- 4.6 The [Investment Zones place selection in Scotland - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/investment-zones-place-selection-in-scotland) was published on 18th August.
- 4.7 The Steering and Working groups met in late August and early September. The membership and terms of reference are in Appendix A.
- 4.7 On 28th September Aberdeenshire Council approved the following recommendations:
- Approve the Council's participation in the North East of Scotland Investment Zone Steering Group and Working Group.
 - Appoint an Elected Member to be the Council's representative on the North East of Scotland Investment Zone Steering Group.
 - Approve Aberdeenshire Council undertaking the role of accountable body for the North East of Scotland Investment Zone; and
 - Instruct the Head of Planning & Economy to report to Full Council on the proposed governance structure and assurance processes for the design, approval, and delivery of the Investment Zone.

5. PROPOSED GOVERNANCE ARRANGEMENTS

- 5.1 The terms of reference of the Steering and Working Groups (Appendix A) are explicit that both Councils' governance procedures would be mapped into the timelines for Steering Group decision-making. This will ensure that the Steering Group does not undertake decisions that cannot be supported by the Councils. Further, the scheduling of meetings, setting of agendas and hosting meetings will, as far as possible be undertaken on a tripartite basis.
- 5.2 The Scottish and UK Governments have committed to providing support to Investment Zones in the development of their proposals to ensure they are robust, evidence-based and achieve the objectives of the programme. As such, both Governments will attend Steering and Working Group meetings.
- 5.3 The remit of the Steering and Working Groups is limited to the development of the North East of Scotland's Investment Zone proposal in compliance with the Gateway Process and its submission to the UK and Scottish Governments. Following submission to the UK and Scottish Governments a formal governance structure to oversee the delivery and operation of the Investment Zone will be formed. The architecture for this governance structure will be designed at Stage 3 of the Gateway Process and require further approvals.
- 5.4 The Investment Zone Technical Document requires a Local Authority to undertake the role of Accountable Body for a proposed Investment Zone. The requirements of the Investment Zone Accountable Body are similar to those of the Aberdeen City Region Deal Accountable Body. As such, it is proposed that Aberdeenshire Council also undertake the role of Accountable Body for the North East of Scotland Investment Zone.
- 5.5 There are significant similarities between the governance, scrutiny, and fiscal requirements of the Scottish and UK Governments' Growth Deal and

Investment Zone policies. These duties are discharged by the Joint Committee for the Aberdeen City Region Deal. Therefore, it is proposed to expand the remit of the Aberdeen City Region Deal Joint Committee to discharge the fiscal duties of the North East of Scotland Investment Zone. This approach is resource-efficient and builds upon the knowledge and expertise in managing UK and Scottish Government funds by both Councils and their respective Elected Members.

- 5.6 The decision-making authority of each individual regional partner (Aberdeen City Council, Aberdeenshire Council and Opportunity North East) will continue to have primacy over any decisions made by the REP with the decisions undertaken by the REP requiring unanimous tripartite agreement.
- 5.7 Further approvals from the Council will be sought prior to the submission of Stages 3 and 4 of the Gateway Process to the UK and Scottish Governments. The Council's approval will be required for the governance structure and assurance processes for the design, approval, and delivery of the Investment Zone. This will include the detailed design and remit of an expanded Joint Committee.

6. FINANCIAL IMPLICATIONS

- 6.1 Subject to final Scottish Investment Zone guidance there will be an expectation for all proposals to include a degree of match funding. Based on similar programmes, the expectation is for this to be in the region of at least 60%.
- 6.2 A report will be presented to the Finance and Resource Committee outlining any future financial implications for Aberdeen City Council.
- 6.3 Any contribution towards development costs of the proposal will be met from existing service budgets and in line with Following the Public Pound guidance and existing delegations.

7. LEGAL IMPLICATIONS

- 7.1 Short-term governance has been proposed in Appendix A, including the Co-Leader representing Aberdeen City Council. Investment Zone Governance will be agreed by Councils, ONE and Governments at Gateway 3 and formally approved on submission of the bid. Regional partners are agreed that future governance should build where possible on the ACRD model, such as a local authority as accountable body and align with the Regional Economic Partnership once formalised.

8. ENVIRONMENTAL IMPLICATIONS

- 8.1 There are no direct environmental implications arising from the recommendations of this report.

9. RISK

Category	Risks	Primary Controls/Control Actions to achieve. Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	Proposal does not meet Council priorities	Proposal will align to the Regional Economic Strategy and inward investment plans for the city region	Low	Yes
Compliance	The proposal does not meet statutory or regulatory processes	As part of the development of the proposal, legal implications relating to subsidy control, trade, tax, and planning will be considered.	Low	Yes
Operational	N/A	N/A	N/A	Yes
Financial	The Council is unable to match fund noting that no provision has been made in the capital plan.	Funding plans will be developed as part of the proposal and include Finance colleagues from both Councils. Opportunity to build on existing plans as part of the Regional Economic Strategy.	Low	Yes
Reputational	There is a risk that not securing an investment zone will miss an opportunity to accelerate	By working with governments partners will develop a proposal collaboratively to ensure economic	Low	Yes

	economic growth in key clusters	growth in key clusters is maximised.		
Environment / Climate	The Council is not supporting its Net Zero Vision, route map or energy transition priorities	The proposal is likely to create new investment opportunities in key sectors and will support our Net Zero Vision, route map and energy transition plans	Low	Yes

10. OUTCOMES

<u>COUNCIL DELIVERY PLAN 2023-2024</u>	
	Impact of Report
Aberdeen City Council Policy Statement <u>Working in Partnership for Aberdeen</u>	<p><u>A City of Opportunity</u></p> <ul style="list-style-type: none"> - The focus on priority sectors such as Green Industries, Digital and Technology, Advanced Manufacturing, Creative Industries and Life Sciences will have the potential to ensure everyone has the best potential start in life, creating opportunities for employment, innovation, and economic growth. <p><u>Building a Greener and Sustainable City</u></p> <ul style="list-style-type: none"> - The likely emphasis on Green Industries as a priority sector aligns with the goal of promoting sustainability and environmental responsibility. - The proposal will seek to attract investment that contributes to a sustainable and low-carbon future. <p><u>A Prosperous City</u></p> <ul style="list-style-type: none"> - The proposal aims to stimulate economic growth by supporting existing and emerging clusters, creating new jobs, and attracting new investment. - The proposal will encourage collaboration between industries, research institutions, and local partners to drive prosperity in the region. <p><u>Supporting People with the Cost of Living</u></p> <ul style="list-style-type: none"> - While the direct impact on this aspect may be limited, the creation of new job opportunities and the economic growth attributed to Green Industries, could indirectly contribute to supporting people by increasing job creation and supporting the just transition away from the predominant oil and gas sector. <p><u>Empowering Aberdeen's Communities</u></p>

	<p>- The proposals seek to ensure collaboration with local partners, research institutions and involve any regional stakeholder, this proposal development process aligns with the concept of empowering communities and engaging with them in shaping the economic future of the region.</p>
<p>Aberdeen City Local Outcome Improvement Plan 2016-26</p>	
<p>Prosperous Economy Stretch Outcomes</p>	<p><u>No one will suffer due to poverty by 2026:</u> The focus on developing priority sectors such as Green Industries, Digital and Technology, Advanced Manufacturing, Creative Industries and Life Sciences can lead to increased economic opportunities, potentially reducing poverty by creating more jobs and boosting regional income levels for residents. The focus on potential tax sites and business rates retention zones being in underdeveloped areas will aid in this.</p> <p><u>Four hundred unemployed Aberdeen City residents supported into Fair Work by 2026:</u> The proposal's emphasis on job creation, supporting business and economic growth through targeted interventions in the priority sectors align with the goal of supporting unemployed residents into Fair Work. The focus on upskilling and reskilling could enhance employability and create pathways for fair work opportunities.</p> <p><u>Five hundred Aberdeen City residents upskilled/ reskilled to enable them to move into, within and between economic opportunities as they arise by 2026:</u> The proposal's commitment to upskilling and reskilling by investing in skills development, will equip residents with the necessary competencies to access and transition within various economic opportunities that may arise in the coming years.</p>
<p>Prosperous People Stretch Outcomes</p>	<p><u>90% of children and young people report they feel listened to all of the time by 2026:</u> The proposal's emphasis on community engagement and collaboration, especially with educational institutions, can contribute to a more inclusive and participatory environment, where children and young people feel their voices are being heard.</p> <p><u>95% of children living in our priority neighbourhoods (Quintiles 1 & 2) will sustain a positive destination upon leaving school by 2026:</u></p>

	<p>The focus on creating economic growth and attracting investment, can potentially lead to increased opportunities and positive destinations for children in priority neighbourhoods, especially in the potential tax sites and business rates retention zones as these are to be in underdeveloped areas. Whilst the focus on collaborating with research institutions will support children reaching positive destinations.</p> <p><u>83.5% fewer young people (under 18) charged with an offence by 2026:</u></p> <p>The proposal's emphasis on economic growth, job creation, and skills development can contribute to reduced youth unemployment and potentially lead to lower rates of youth offending.</p> <p><u>25% fewer people receiving a first-ever Court conviction and 2% fewer people reconvicted within one year by 2026:</u></p> <p>The proposal's focus on creating economic opportunities and improving overall well-being can potentially lead to reduced social issues and, indirectly, contribute to lower rates of convictions and reconvictions. The focus on local collaboration should ensure the proposals are to the communities benefit.</p> <p><u>Healthy life expectancy (time lived in good health) is five years longer by 2026:</u></p> <p>While the proposal's primary focus is on economic growth, the potential increase in job opportunities and improved overall well-being can have positive impacts on healthy life expectancy.</p>
Prosperous Place Stretch Outcomes	<p><u>Addressing climate change by reducing Aberdeen's carbon emissions by at least 61% by 2026 and adapting to the impacts of our changing climate:</u></p> <p>The proposal will align with the Regional Economic Strategy with efforts to reduce carbon emissions, promote climate adaptation measures, and support the regions transition away from the predominant oil and gas sector.</p>
Regional and City Strategies	<p>The proposals are not developed enough to determine the impact these will directly have on regional city strategies. However, proposals will support the key sectors as identified in the refreshed Regional Economic Strategy. The proposal clearly states that places are expected to build on their existing local strategies for the area to develop the Investment Zone. Proposals should evidence what strategies, funding, and</p>

	infrastructure, is already in place and focus on how interventions will build on this to attract new investment and additional growth.
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11. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	Not Required at this stage
Data Protection Impact Assessment	Not Required
Other	Not Required

12. BACKGROUND PAPERS

- 12.1 Investment Zones: Policy Prospectus, Department for Levelling Up, Housing & Communities, 15th March 2023
- 12.2 Investment Zone: Technical Document, Department for Levelling Up, Housing & Communities, 11th July 2023
- 12.3 Investment Zones Place Selection in Scotland

13. APPENDICES

- 13.1 Appendix A: Steering Group and Working Group Terms of Reference
- 13.2 Appendix B: Investment Zone Policy Guidance

12. REPORT AUTHOR CONTACT DETAILS

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