

Local Government and Communities Committee

City Region Deals

Submission from Aberdeen City Council

Aberdeen city is the third largest city in Scotland measured by both population and economy. In response to a jointly agreed economic strategy for the North East of Scotland, Aberdeen City Council, Aberdeenshire Council and Opportunity North East have formally signed a City Region Deal with the UK Government and the Scottish Government in November 2016 at an estimated programme value of over £800m over the ten-year life of the programme, and the UK Government and the Scottish Government committed £250m, on a 50: 50 basis towards the deal.

The investments include: an Oil & Gas Technology Centre, digital infrastructure, supporting infrastructure for the Aberdeen Harbour expansion, appraisal of strategic infrastructure investments, and support to a Bio-Therapeutic Innovation Hub and an Agri-Food and Nutrition Innovation Hub.

The Aberdeen City Region Deal agreement was developed intensively over two years as a partnership between the UK Government, Scottish Government, Aberdeen City Council, Aberdeenshire Council, Opportunity North East, Scottish Enterprise and other local partners. It is governed by a Joint Committee of representatives from Aberdeen City Council, Aberdeenshire Council and Opportunity North East. For further information visit www.abzdeal.com.

1. What is your understanding of the purpose of City Region Deals?

‘City Deal’ policy aimed to provide local areas in the UK with powers to support economic growth. These have developed over the first wave of deals in the UK, to a greater commitment to give greater power and incentives to cities and their regions. For Scotland, these would need to be set in the context of existing devolution arrangements.

By definition they are focused on devolution of powers (decision making) and resources to invest in city and regional interventions that maximise Scottish, regional and local economic impact.

Depending on the nature of the ‘deal’, they can provide greater autonomy and fiscal incentives to the region. The Aberdeen City Region directly supported specific projects in the Regional Economic Strategy, and in this sense it is essentially a mechanism to fund regional infrastructure priorities, that, in turn, will support regional economic growth. They also contribute to the Scottish Economic Strategy priority areas of innovation, internationalisation, infrastructure investment and inclusive economic growth. It builds on existing competitive strengths in key sectors of oil and gas and food and drink particularly, higher education (two universities located in the city), and a proven track record of attracting global investment.

The Aberdeen City Region Deal therefore prioritised delivery of these investments in the context of a fall in the unit cost per barrel of oil to a low of c\$26 in January 2016, the resulting direct and indirect jobs losses, at the Scottish and UK levels, and to ensure that as oil prices increased, the deal was supporting diversification within the energy sector, and across the wider economy. Conventional funding would not have delivered the support as quickly as the collaboration between the two governments, the local governments, industry, and the education sector.

2. Are City Region Deals on track to deliver local growth, innovation and infrastructure schemes which would not have otherwise been delivered?

Implementation of the Aberdeen City Region is at an early stage, and this needs to be acknowledged in terms of evaluating success to date. However, the interventions supported in the Aberdeen deal have gone through an intensive business case approval process. Before the formal agreement, SE was engaged to provide support at Strategic and Outline Business Case stages. And since a Programme Management Office was established, full business cases have been provided, working collaboratively with officials from the two governments. All business cases are:

- Peer reviewed by relevant experts in the sector;
- Recommended for approval by the Programme Board; and
- Approved by the Joint Committee.

The PMO is working with both governments to ensure that a consistent monitoring and evaluation framework is in place to track the impacts of the projects at the city, regional and national levels. However, already we have seen additionality in relation to delivering these projects sooner than they otherwise would have happened without the City Region Deal.

As a long term programme, there will be a lag between the development of and investment in projects, and economic impact. However, already we have seen the Oil and Gas Technology Centre open for business, and the construction of the Aberdeen Harbour expansion is underway. There has also been good progress in the development of a regional solution to the digital connectivity issues in an urban/ rural economic area, characterised by close working between the regional leads in the digital working group and both governments. In this sense, the city deal mechanism is offering new ways of approaching and delivering solutions in response to the needs of the Aberdeen region.

3. What is your understanding of the governance arrangements for City Region Deals, and how well are these arrangements working in practice?

The Aberdeen City Region Deal is characterised by a unique governance arrangement whereby three elected members from each of the two Councils sit on a formal committee with three industry leaders from Opportunity North East. As the deal was being developed and negotiated, both Councils agreed to establish a Joint Committee to monitor the implementation of the programme. It

was constituted under the Local Government (Scotland) Act 1973 and deals with the specific delivery of the deal itself.

A Programme Board 'sits' below the Joint Committee with an operational remit to ensure the deal is developing and delivering to plan. This is supported by a full-time Programme Manager, who also sits on sectoral teams/ project groups:

- Oil & Gas Technology Centre
- Transport Working Group
- Digital Working Group
- Innovation Working Group
- Communications Group
- Legal Services Group

These working groups are led by individual project leads from each Council or Opportunity North East. The financial management of the programme is through the Section 95 Officer at Aberdeenshire Council. Each Council will provide a regular report to its appropriate Committee on progress. The terms of reference and details of minutes for the Aberdeen City Region Deal Joint Committee are on provided at:

<https://committees.aberdeencity.gov.uk/mgCommitteeDetails.aspx?ID=546>

The partners have also developed a Communications Protocol to ensure all messages to the media and in publications are consistent and clear.

The governance arrangements were developed simultaneously to the negotiation and formalisation of the deal itself. They are operating well, benefitting from the commitment of a full-time programme resource to provide the requisite interface between projects and decision making, throughout the business case process. However, and following its first year of operation, the Terms of Reference of the Committee are being reviewed to ensure any improvements, post-implementation, are being responded to.

4. Have local residents and businesses been kept informed and involved in the development and activities of City Region Deals?

Aberdeen City Council and Aberdeenshire Council have undertaken a significant level of public and business engagement during the development phase of the Deal. As projects were developed, they were subject to a series of development workshops with key sector leads. Working closely with business groups, awareness of the deal was enhanced amongst industry – for example, the Aberdeen & Grampian Chamber of Commerce, Oil and Gas UK and individual companies themselves. A dedicated communications team, from the three partners, have led the dissemination of information through an integrated and collaborative communications plan and the #abzdeal 'brand'. Individually, both Councils promote the programme on their own webpages. Despite this, there is still inevitable confusion over what a 'city deal' is, what it can fund, and that it offers a source of funding to implement existing or planned projects.

Since implementation, engagement with business continues in terms of delivery of the projects, for example demand for the Oil & Gas Technology Centre support, or, for construction, supplier engagement events as part of the Aberdeen Harbour Expansion. There is a commitment in the formal agreement to ensuring that all interventions are assessed to ensure that procurement and community benefit clauses are maximised where appropriate.

5. Are regions not covered by City Region Deals able to access equivalent funding and support for growth, innovation and infrastructure schemes?

Given the overall purpose to support and maximise economic growth, inevitably the 'city deal' mechanism will 'cluster' around the functional economic geography of a city travel-to-work-area. While the Aberdeen City Region Deal includes the administrative areas of Aberdeen City Council and Aberdeenshire Council areas, it supports economic growth at the wider regional level, with its focus on the Aberdeen city travel to work area and supply chains, that operate within both Council areas. However, it will work with other schemes that are focussed on supporting wider regeneration, and particularly in the rural hinterland.

6. Are City Regions Deals supporting a shift towards local decision-making on major investment projects?

The extent to which the deals can support this shift will depend on the specific projects being implemented. For example the Oil and Gas Technology Centre is being developed by the private sector locally, who are engaging with national agencies and governments. With regard to our transport infrastructure, much of this work is led in tandem with Transport Scotland and the two local authorities.

The extent to which a shift occurs will also be driven by what is possible under the wording of the Local Government (Scotland) Act 1973, although the Aberdeen City Region Deal illustrates, through its governance arrangements, there is local decision making on major investment projects.

However, there were a number of fiscal/ non-fiscal 'asks' in the original Statement of Intent for the Aberdeen City Region Deal that did not materialise within the formal agreement, but relate to the broader commitment in the Programme for Government to review the role and responsibilities of local authorities, the subsequent review by the Scottish Government of the enterprise and skills' agencies, and its planning review. Aberdeen City Council's response to these emphasise that the economic growth of the north east of Scotland will require a shift to local decision-making on the timing of investment on major or enabling infrastructure, by agencies such as Scottish Water or Transport Scotland.

7. Any other issues relating to City Region Deals which you wish to bring to the attention of the Committee?

From above, City Region Deals are being developed at a time when the Scottish Government is reviewing the role and responsibilities of its enterprise and skills agencies. As 'regional partnerships' emerge, city region deal governance models could inform how these new collaborations are shaped.

Richard Sweetnam
Head of Economic Development
Aberdeen City Council