

Local Government and Communities Committee

City Region Deals

Submission from Aberdeenshire Council

Aberdeenshire Council with Aberdeen City Council and Opportunity North East have signed a City Region Deal with the UK Government and the Scottish Government in November 2016. The Aberdeen City Region Deal is valued to be worth £826.2 million over a ten year period. Significant investment is being provided by UK Government (£125m), Scottish Government (£125m), Aberdeenshire Council (£10m), Aberdeen City Council (£10m), the two Universities in Aberdeen (£23,500), Private Sector and other local economic partners (£532.7m).

The Aberdeen City Region Deal encompasses a number of projects. It will support the Oil & Gas Technology Centre, a digital infrastructure fund and the proposed expansion of Aberdeen Harbour, along with a Bio-Therapeutic Hub for Innovation, Agri-Food and Nutrition Hub for Innovation and a Strategic Transport Appraisal. These projects are collectively estimated by the deal partners to be capable of delivering annual Gross Value Added (GVA) increases of £260m across the Aberdeen City Region, £222m in Scotland and £190m in the UK.

The partners also estimate the deal has the potential to create an average of 330 new jobs per year in the region, aggregating to 3,300 new net jobs over its 10-year lifespan. It could also generate additional annual tax revenues to the Government of £113m from income tax, national insurance, VAT and oil tax revenues.

The Aberdeen City Region Deal agreement was developed intensively over two years as a partnership between the UK Government, the 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. A Governance Project Team sits below the Joint Committee to manage delivery. For further information visit www.abzdeal.com.

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

City Region Deals are relatively new initiatives that aim to devolve the necessary powers (decision making) and resources to local economic partnerships, enabling them to address local needs that will unlock the full economic potential of their region in key projects and infrastructure, using a public-private partnership. Overall they should aim nationally to increase the prosperity of regions and therefore the country overall, increasing tax revenue to an extent which compensates for the initial public investment.

The Aberdeen City Region Deal presents a shared vision, backed by both Aberdeen City and Aberdeenshire Councils, as well as the Scottish and UK Government, to ensure that Aberdeen remains economically vibrant, contributing to local, regional, national and UK economies. It also seeks to enable future growth, through

investment in technology, innovation and research and infrastructure, and releasing blockages to housing development.

In the Aberdeen City Region's case, the City Region Deal was founded on a Regional Economic Strategy which provided the strategic oversight and direction. The Strategy was developed in partnership with the private sector who helped develop both its themes but also the specific areas where economic development and intervention were required.

CRDs are an acknowledgement that:

- (a) Conventional public funding models do not allow for innovative regional economic growth above the norm, nor do they accommodate specific circumstances such as the impacts, as in Aberdeen and Aberdeenshire of a sustained lower oil price;
- (b) Devolved responsibility for specific areas (public transportation or enabling infrastructure for example) can deliver solutions tailored to regional needs and which are enablers for enhanced economic growth in support of the CRD;
- (c) Delivery of CRDs is mainly led by the local authorities or other public bodies who have responsibility for the area and who have the knowledge to spend the funding effectively, rather than try and fit projects within a one size fits all approach;
- (d) CRDs aren't a carte blanche situation – the strategy, projects and business plans all have to withstand scrutiny by internal and external (to the Council) stakeholders peer groups and Government;
- (e) The CRD can accommodate changes as circumstances dictate;
- (f) The CRD allows long term planning to achieve sustainable economic success.

Furthermore, CRDs aim to:

- (a) Use regional partnerships to deliver strategic goals – with particular emphasis on economic development. The partners (UK, Scottish Government plus Councils and private sector) will provide investment for initiatives that are unlikely to be progressed through other development programmes or funding arrangements that will deliver measurable and tangible economic benefit for the region;
- (b) Create prosperity through investment in projects with positive economic outcomes for the Cities and Regions involved;
- (c) Generate business growth through spending on local infrastructure projects;
- (d) Give more power to Cities and Regions as part of a Decentralisation policy;
- (e) Recognise, stimulate and sustain economic development in an area.

The overarching ambition of the CRD is to facilitate the growth of the City Region economy. In the context of transport in the North East, this will be achieved through the following:

- (a) Enabling strategically-important development areas to accommodate the growth anticipated by the CRD, and their specific transport requirements;
- (b) Enhancing wider connectivity across the region to provide sustainable worker access to these growth areas, and addressing current and future bottlenecks which contribute to inefficiency;

- (c) Encouraging sustainable modes of travel and ensuring that the infrastructure is in place to accommodate them;
- (d) Increasing connectivity to the central belt and beyond;
- (e) Managing the direct transport impacts of the CRD. In particular this will be anticipating the outcomes engendered by digital investment, the housing fund and the expansion of Aberdeen Harbour.

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

Yes, although it is the fact of the investment and the sense of tackling multiple issues at once which are the fundamental drivers here. However City Region Deals are only at an early stage in their delivery. This needs to be taken into account when evaluating their success to date as they are designed as long-term investment programmes, not short term 'fixes' which deliver quick results. In the case of the Aberdeen City Region Deal it is too early to be able to calculate or judge however the process has pushed forward projects that lacked finance.

By way of an example of an early achievement, the Deal in the Aberdeen City Region is already investing in the Oil and Gas Technology Centre (OGTC) which will help to diversify our economy - and in particular, our over-reliance on oil and gas production - to energy solutions which can be exported across the globe through skills and knowledge.

From a transportation perspective, the undertaking of a strategic transport appraisal is on track, but this output does not in itself deliver short term outcomes related to local growth, innovation and infrastructure schemes. It is anticipated that the process of completing the strategic transport appraisal, alongside work on the national transport strategy, regional transport strategy, and strategic transport projects review (STPR), will deliver the correct identification and appraisal of schemes, launching them on an appropriate delivery pathway.

Work will shortly begin on the appraisal of options for external road links to Aberdeen Harbour. This is on track to deliver infrastructure, facilitating wider local growth opportunities. Related work on Laurencekirk Grade Separated Junction and Aberdeen to Central Belt Rail improvements have arguably been given higher profile and impetuous than if they had not been associated with the CRD, despite them not being fully part of the CRD. However, it is important that this profile is translated into speedier delivery of related projects such as rail improvements, rather than merely rebranding them, given the role of the CRD approach to move forward key initiatives which are stuck at the development stage.

Take up for the Housing Infrastructure Fund has been slower, but has to be considered within the context of longer-term housing development that is led by the local market which is currently in flux.

In order to monitor the long term effectiveness of the CRD approach, we have in place an economic model that we will use to calculate the effect of the Deal for the region.

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

Governance of City Region Deals are something that is devolved to the relevant City Regions so are developed locally with sign off by both Governments. Early in the process we considered the governance arrangements required to ensure and assure the UK Government, Scottish Government, Aberdeen City Council, Aberdeenshire Council and the wider Aberdeen regional partners that there is open and transparent decision making and project delivery.

Aberdeen City Region Deal has created a Joint Committee between Aberdeenshire Council, Aberdeen City Council and Opportunity North East. This has proved effective and has strong links to the Scottish Government and all partner organisations. A Governance Project Team sits below the Joint Committee to manage delivery. The terms of reference and details of minutes and agendas are on the following link:

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

In addition, this is underpinned by day-to-day activity managed through a Programme Board and supported by a Programme Manager. The principle of partnership working is sound and long-established in Aberdeen and Aberdeenshire, and despite private/public sector tensions around working methods and pace of change, generally relations are positive and work continues without delay.

The CRD Transportation working group is a good model for collaboration between the two local authorities, NESTRANS, Transport Scotland, and the Aberdeen City and Shire Strategic Development Planning Authority. However, it is important that the governance links between this group and the wider CRD process is seamless, in terms of approvals for business cases and funding support.

Aberdeenshire Council is the lead financial controller for the various projects. A Memorandum of Agreement to cover financial control is in place with the Oil and Gas Technology Centre and will be used with other projects not led directly by either local authority.

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

Aberdeenshire Council's opinion is that the above processes are good and comprehensive.

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

Throughout the development phase of the Aberdeen City Region a number of communication channels were used. These included workshops with industry, press releases, on line brochures, email bulletins and a website. After the City Region Deal was announced the details of the deal were published and are available on the dedicated website and both Council's websites. There was significant communications activity whilst the Deal was being secured and a permanent communications working group has been established to support the Programme Board and ensure CRD activity is promoted and awareness is high. There is a website, regular bulletins and a Twitter hashtag supporting all activity, and plans are being developed for a business awareness campaign.

The process of negotiating a City Region Deal does not allow for the details of the projects being discussed to be made public as this may compromise the negotiations. What is clear is that those close to the City Region Deal understand the process and how the deal will work. However, understanding of the concept and processes by the public or wider business community has taken time to embed. Therefore there remain some misconceptions on what the funding is for, such as a perception of funding being available for new or potential projects.

By way of an illustrative example, the housing aspect of the City Region Deal bid was developed with representatives from the private sector through the Grampian Housebuilders Committee. Since details of the Housing Infrastructure Fund were confirmed by the Scottish Government, the whole housing and development sector has been contacted to highlight the availability of the fund and an invite issued to attend an awareness-raising session in December.

The work of the transportation element has to date been focussed on establishing our work programme, and model development. The next stages of work, particularly including the appraisal of options for Aberdeen Harbour will, if to be successful, require active participation with businesses and residents. The ongoing Strategic Transport appraisal will also require successful engagement with businesses and stakeholder groups.

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

City Region Funding is additional to other existing schemes, and is complimentary to general public sector investment programmes and European Structural Funds. Other regions not covered by deals will have the potential for individual case-by-case funding approach, but are likely to struggle to secure the level of funding set against clear strategic outcomes. For example, while there are ring-fenced monies available through the Housing Infrastructure Fund for the North East, there is a national fund which allows all areas to bid for investment.

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

It is in Aberdeen City Region's case, a mixture and is dependent on the projects. 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.

From a transportation perspective, major investment will virtually always involve input from Transport Scotland. Accordingly, sitting down on the working group regularly together, and jointly contributing to the strategic appraisal – which feeds both upwards to national strategy, and across the regional and local strategies – helps to better understand each other concerns issues and priorities, as well as target specific opportunities. So – in transportation terms – there hasn't necessarily been a shift of decision making power – but CRD has provided regionally a better joint process for strategy development.

The CRD approach supports a shift to partnership working at a local level and therefore provides a collective voice and message about the key interventions required in the region that will make a tangible difference. However, the business cases and subsequent funding allocations are not determined locally as everything has to be sanctioned by central Government. The CRD approach can also conversely regionalise, rather than localise decision making if matters previously the remit of local authority committees are now decided by the City Region Deal Joint Committee.

The positives to a localised approach are a strengthening of local democracy and better alignment of spend with local citizen demands.

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

Individual public funders are responsible for assessing and ensuring compliance with European State Aid rules. This requires co-ordination and could be made more efficient by a single public organisation (such as the Scottish Government which has a dedicated State Aid Unit) taking responsibility for the assessment of State Aid for City Region Deals in consultation with other public funders.

Careful consideration needs to be given to how the CRD process fits alongside previously established frameworks for city-regional economic development, city-region strategic planning, and city-region transport / infrastructure planning. If they are to become a permanent fixture then incorporating them into revisions into the planning system, transport governance etc. makes some sense. However, if they are to be viewed as a transient one-off, then clearly this is less important. Regional planning works differently in different parts of Scotland, and so it is not surprising that different areas and different and overlapping geographies are evolving. However artificial constructs designed to leverage out funding support from central government, and unequal treatment will undermine any early positive progress that is arising from the Scottish CRD process.

In terms of funding, there is a need to ensure that investment is actually new money and not rebranded funds from existing schemes. There are also significant differences in the scale of funding awarded to different areas, with £1billion of UK/Scottish Government funding awarded to Glasgow but less than half that to Aberdeen when oil and gas has contributed so significantly to taxes over many decades and is now in decline.

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