

Local Government and Communities Committee

City Region Deals

Submission from Opportunity North East

Introduction

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.

Aberdeen City Council, Aberdeenshire Council and Opportunity North East formally signed the Aberdeen City Region Deal with the UK Government and the Scottish Government in November 2016. The UK Government and the Scottish Government committed £250m, on a 50:50 basis towards the Deal, which has an estimated total programme value of more than £800m over its 10-year life.

The projects within the Deal place a strong emphasis on innovation with £180m for The Oil & Gas Technology Centre (OGTC) and £20m for the Bio-Therapeutic Hub for Innovation and £10m for the Agri, Food & Nutrition Hub for Innovation to support growth in the region's life sciences and food, drink and agriculture industries.

Opportunity North East (ONE) is the private sector's initiative to tackle the long-term economic challenges facing North East Scotland. ONE is industry-led, privately funded, region-specific and focuses on action to achieve growth and safeguard or create employment, which gives it a unique ability to add value to economic development activity in North East Scotland. With an initial investment commitment of £25m over five years from The Wood Foundation, ONE catalyses partnership working and co-investment with the aim of leveraging match funding from the private and public sectors to deliver transformational projects.

ONE's goals:

- Working with others, to lead the development and delivery of the region's economic Renaissance strategy
- Grow the region's food, drink and agriculture sector
- Build the region's life sciences sector
- Maximise the oil and gas opportunity for the region
- Evolve tourism in the region to exploit new business and leisure opportunities

- Develop the region's digital economy

These have been developed in conjunction with industry and stakeholders to reflect the real opportunities within the region and its key industries and are aligned with sector-specific, regional, Scottish and UK economic development priorities and strategies. ONE is the private sector member of the Aberdeen City Region Deal Joint Committee and leads on the development of the innovation business cases for The Oil and Gas Technology Centre (approved), the Bio-Therapeutic Hub for Innovation (in the funding approval process) and the Agri Food & Nutrition Hub for Innovation (in development).

Our Submission

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

The purpose of the CRDs is to stimulate and support regional economies to identify opportunities and barriers to economic growth within a geographical economic region and to develop investment plans to stimulate and accelerate growth at a regional and national level.

The CRD provides a direct funding mechanism with Government to attract significant public sector investment to support economic growth.

The process catalyses the public and private sector to work together to develop a coherent approach to economic development, including the identification, development and delivery of strategic infrastructure to support an economic growth. Regional economic challenges and growth opportunities are identified and key regional stakeholders must identify and prioritise solutions, which helps to build capacity within the region.

The CRDs encourage public/private sector collaboration within the city region.

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

Yes, the Aberdeen CRD is doing this.

Regarding The Oil & Gas Technology Centre, engagement, resource and budget from the private sector (ONE) and from Scottish Enterprise was crucial to shaping and delivering the Business Case. The Centre involves £180m of Government funding over 10 years with match funding from the private sector and others. This will have a huge impact on the economy of the North-East of Scotland and on the recovery of oil and gas reserves for the UK. The project is moving ahead very quickly and is now fully up and running, with something like a £30m budget for its second

year. It's working very closely with the oil and gas industry, both the operators and the supply chain, and with the Universities and Catapults across the UK. It will undoubtedly increase the economic recovery of oil and gas reserves in the UKCS, and it will also contribute significantly to the economy of the North-East of Scotland and provide real opportunity for oil and gas activities beyond the life of the North Sea.

Regarding the planned £40m Bio-Therapeutic Hub for Innovation, this type of investment would not be available without the Aberdeen CRD, which is projected to contribute £20m towards the capital cost of the Hub. No organisation in the public sector would have funded this type of project within Aberdeen even though market failure exists and there is a strong case for intervention. Engagement with the private sector, universities and public sector was required to shape and deliver the business case. Close working, collaboration resource and budget was also required from Scottish Enterprise to build a robust business case.

The Agri, Food & Nutrition Hub for Innovation is currently under development by ONE. Engagement with Universities and the private and public sectors is ongoing through the ONE Food, Drink & Agriculture Board to ensure collaboration, buy-in and sharing of expertise and knowledge.

These three projects could not have been developed without the significant private sector involvement that has been catalysed by ONE. ONE and its sector boards – comprising industry leaders – have developed challenging, complex and aspirational projects through extensive dialogue and market testing activity. The ongoing engagement from the relevant private and public sector stakeholders is actively contributing to the pace of delivery of these projects.

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

Good public/private sector collaboration is essential to the governance arrangements for CRDs, to ensure that projects deliver their intended outcomes. The Aberdeen CRD has a Programme Board and a Joint Committee, both of which include public and private sector representation. To date, this arrangement has worked effectively and significant pace has been achieved in developing the projects and securing business case approval.

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

We believe the answer is yes with regard to the Aberdeen CRD. ONE has engaged with the business community on different levels, including detailed industry engagement with the oil and gas, life sciences, and food, drink and agriculture

communities to demonstrate industry demand for the Innovation projects, and continues to do so. There is also an ongoing programme of corporate communication by the Deal partners with stakeholders across the region, via direct communications and the media.

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

We are not aware of a comparable alternative mechanism for non-CRD areas to access this type of funding.

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

Yes, it is inherent to the CRD structure that the local partners, public and private sectors identify the challenges and opportunities in their area, agree solutions and prioritise these for investment. This absolutely places the onus on the local partners to agree the investment projects of most significance to the future of their regional economy.

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

Further collaboration from national public sector organisations is required.

Whilst leadership in the local authorities is crucial, early engagement and buy in from national organisations such as Scottish Enterprise, Skills Development Scotland and the relevant Industry Leadership Groups is also essential to the successful development of investment propositions. This is to ensure collaboration, buy-in and the sharing of critical expertise and knowledge to add value to the proposition/business cases and highlight resource and budget implications to the national organisations, who may be critical partners to the successful delivery of a project.