

Written evidence submitted by Aberdeen City Region Deal (CRG0014)

This response is submitted on behalf of Aberdeen City Council, Aberdeenshire Council and Opportunity North East as Members of the Aberdeen City Region Deal Joint Committee.

1) What contribution have City Region Deals and Regional Growth Deals made to the development of Scottish Cities and regional economies?

The Regional Economic Strategy for Aberdeen and Aberdeenshire sets out a vision for a diversified and resilient economy for a post oil and gas future, which will be achieved through investment in the growth of key sectors of the economy in north east Scotland.

This strategy informed the identification of a number of catalytic industry innovation projects for the energy, food and drink, and life sciences sectors in the region.

The Aberdeen City Region Deal provided the capital funding to enable the delivery of these projects – The Net Zero Technology Centre, ONE SeedPod and ONE BioHub – and other transformational investments in the region, including in transport and digital infrastructure. Without the Deal it is unclear what alternative sources of funding might have enabled these projects to be delivered.

The Aberdeen City Region Deal has therefore provided the necessary means to support implementation of regional economic growth priorities and to lever in significant private sector investment. The Deal approach means that it has been possible to accelerate projects which give confidence to further investment and support a long term vision for the region's economy.. The Aberdeen City Region Deal has seen an initial £250 million from UK and Scottish Governments leading to a direct investment of just over £1 billion. This leverage is an example of public-private partnership in action to deliver regional growth benefits and impacts in the short, medium and long term.

2) What are the key opportunities and challenges for City Region Deals and Regional Growth Deals in the coming years?

The Aberdeen City Region Deal has given us a fantastic platform upon which to continue to focus on the diversification and growth of the key regional priority sectors. There are now opportunities to continue to develop the regional economy going forward with a refreshed Regional Economic Strategy in place developed by the public and private sector.

As the current Deal has demonstrated, the region could deliver significant impact and measurable benefits with further public funding investment. It is important that the Government recognise the momentum in place in the region at present and engage as early as possible about any future Deals to avoid a loss of momentum or delays in implementing the Regional Economic Strategy.

Deals also present some challenges due to their being a new type of vehicle to enable delivery. There is some degree of uncertainty relating to asset ownership and around the future of Deals and their setup as we approach the end of the Aberdeen City Region Deal.

Uncertainty also exists around the Government's fiscal position. As a Deal, we make commitments to multi-year projects, yet rely upon an annual grant offer letter with the understanding that it may not always be possible for the Government to allow the carry forward of any underspend. Genuine consideration of a multi-year commitment to funding would help to give confidence to projects that the funding is not at risk of being lost should a project incur an unforeseen delay.

3) How have City Region Deals and Regional Growth Deals progressed since the Committee last examined them in 2021?

The Aberdeen City Region Deal has continued at pace, and a number of digital and industry innovation projects have been completed since 2021, including ONE BioHub an innovative home for life sciences in Aberdeen.

We have developed and had the approval of a benefits realisation plan and are working on our interim programme evaluation to help quantify the impact of the programme to date at a level of detail which was not initially expected. This will enable the reporting of far greater levels of detail on impacts to Government,

As projects continue their delivery, there has been an increase in the expectations of Government around the reporting and management of the projects. For example, the Subsidy Control legislation means that there are now new requirements to be considered when awarding public subsidy to projects. The introduction of Fair Work First guidance, expected to be added to the annual grant offer letter will also require Programme Management to undertake additional checks on grant recipient bodies to ensure their compliance. Those projects which run a challenge fund (or similar) will also need to then ensure that anybody to whom they may offer a grant is tested against both Subsidy Control and Fair Work First conditions. The introduction of such measures mid way through a programme (while noting they are not specific to City Deal) creates some resource challenges to ensure compliance whilst continuing to manage project delivery in line with the expected timescales in the business case.

4) What steps have different City Region Deals and Regional Growth Deals taken to implement the recommendations of the 2020 Audit Scotland report?

The Councils have provided resource to manage the City Region Deal. However, additional reporting asks from Governments since the deal was established have put pressure on existing resource.

Clear monthly Project Status Reports are received from partners to ensure that effective monitoring of progress and spend can be achieved and recorded.

Through thematic working groups and the programme board, various partners are engaged in developing ideas and proposals.

The Aberdeen City Region Deal now has an approved Benefits Realisation Plan in place and is working on our Interim Evaluation.

5) How do the provision and effectiveness of City Region Deals and Regional Growth Deals compare with similar schemes in England and Wales (such as Investment Zones)?

The Aberdeen City Region has been awarded Investment Zone status and is in the process of developing the detailed Investment Zone proposals for the Investment Zone for approval by the Government. It is therefore not currently possible to comment upon the provision or effectiveness of a Deal in comparison to an Investment Zone.

However, based on the work done to date in seeking to establish an Investment Zone, we very much welcome the availability of financial resources for the Programme Management Office within the Investment Zone, which the Deal does not currently provide.

It is noted also that the reporting requirements for an Investment Zone appear to be less than those for the Deal. While this is generally welcomed to avoid any unnecessary bureaucracy, the same was said of the Deal back in 2016. The reporting requirements have gradually increased since then. Fully

recognising that there is a need to demonstrate accountability and value for public money, the key ask from a Deal perspective would be to ensure that adequate and proportionate reporting is in place from the outset to avoid later having to increase the reporting to seek additional information.

6) How do City Region Deals and Regional Growth Deals align with other 'Levelling-Up' funding available to Scotland?

Levelling up fund was by application and a fund that was expected to last for three rounds. The timing of the fund was in the middle of the Aberdeen City Region Deal delivery and so it was not likely to be something that would be directly related to the deal. In future, such funding could form part of Deals to remove that resource intensity of developing applications within such a short and prescribed application window.

The UK Shared Prosperity Fund also sits within the levelling up agenda, and the delayed announcement of the prospectus caused a number of challenges in the development and submission of the required investment plans to release these funds. From a City Deal perspective it was not possible to engage fully due to the timescales and the need for Local Authority submissions of Investment Plans with political support. Again, these programmes were for up to three years, and whilst we welcome the inclusion of revenue within these, they are for a relatively short period of time and the priorities were set at a national level with very limited scope for regional focus unless they happened to be the same by chance rather than design.

Going forward it would be good to see future pots of funding with a longer term, and with greater scope for input at a regional level as to how we would look to utilise such funding. These funds could be in addition to Deals but follow the same reporting processes, aiding simplification for recipients as had been the stated intention of Governments for some time.

7) To what degree do City Region Deals and Regional Growth Deals address the right priorities for Scotland? Is there sufficient flexibility in the schemes to tailor the offer to regional needs?

The City Region Deal has been an enabler and accelerator for advancing a number of regional priorities. The economic and policy landscapes globally, nationally, and regionally have changed significantly since 2016, and the City Region Deal has offered sufficient flexibility to adapt to those changes efficiently. We welcome this flexibility and encourage it to continue in schemes going forward.

8) What policies should the UK Government adopt to foster the success of City Region Deals and Regional Growth Deals in the coming years?

Areas where we consider there is scope to improve the effectiveness of City Region Deals include:

- Financial assistance to develop Regional Investment Plans
- Simplification of funding landscape. Seek to incorporate new funds within existing Deal mechanisms. The reporting becomes streamlined and more efficient.

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