

ABERDEEN

CITY REGION DEAL:

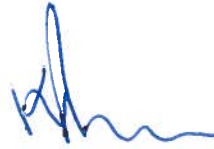
Powering Tomorrow's World



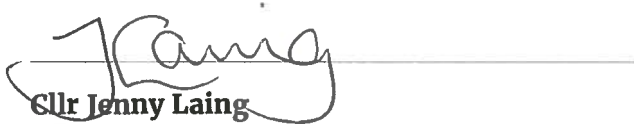
Our signing of this document confirms our joint commitment to achieve full implementation of the Aberdeen City Region Deal proposed by Aberdeen City Council and Aberdeenshire Council.



David Mundell MP
Secretary of State for Scotland
UK Government



Keith Brown MSP
Cabinet Secretary for Infrastructure,
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Scottish Government



Cllr Jenny Laing
Leader of Aberdeen City Council



Cllr Martin Kitts-Hayes
Co-Leader of Aberdeenshire Council



Sir Ian Wood
Chair Opportunity North East



Executive Summary

1. The Aberdeen City Region (Aberdeen and Aberdeenshire) is one of the most prosperous regions in the UK. It is recognised world-wide as a centre of the oil and gas industry. It enjoys a beautiful location in North East Scotland and is a great place for all sectors to invest in. It has also consistently experienced above average rates of population growth, business growth and enterprise growth compared to most major UK city regions, and the rest of Scotland.
2. The success of the area means that there are now a number of supply-side issues constraining Aberdeen's competitiveness: improving the region's connectivity (transport and digital), boosting innovation, developing a better functioning housing market and expanding the harbour. Infrastructure is critical to the place making of Aberdeen City and Aberdeenshire - securing its long term economic wellbeing and an internationally competitive business environment.
3. The recent downturn in the global oil and gas sector highlights the challenges which the region faces, but also offers opportunities for the future.
4. Recognising these challenges and opportunities local leaders, the Scottish Government and UK Government are working together to capitalise on the underlying opportunities in the Aberdeen City Region. This City Region Deal represents a step change in Government engagement.
5. This City Region Deal is a tripartite agreement between the UK Government, the Scottish Government and regional partners, including both Aberdeen and Aberdeenshire Councils and Opportunity North East. Both Governments will work together now on how to implement the commitments in this Deal and make them a reality.
6. Both Governments and the councils particularly welcome the involvement of Opportunity North East as a key partner in this City Region Deal.
7. This City Region Deal demonstrates our strong support to the Aberdeen City Region. The commitments in this City Region Deal fall under a range of categories: innovation, digital connectivity, the expansion of Aberdeen harbour and transport. **Both Governments are committed to jointly investing up to £250m over the next 10 years subject to detailed business cases and implementation plans and support bringing these projects forward as quickly as possible. The commitments set out below together form part of an overarching Aberdeen City Region Deal Funding Package.**
8. This document represents a "Heads of Terms" agreement building on the already significant investment in the region. Both governments are committed to continuing their support for the region. Further detail on the implementation of specific interventions of the deal will follow. This document has been produced for the purposes of outlining the principles of this broad agreement and does not form a legally binding contract.



The Commitments

Innovation

9. Innovation is a vital driver of long-term sustainable economic growth. This Deal proposes investment in a series of innovation hubs that will attract and retain key skills and expertise in the region. This will build on existing innovation systems and research and development institutions and companies based in Aberdeen and the network of expertise across the UK.
 10. This Deal will help to consolidate the region's global reputation as a hub for the oil and gas industry. It will ensure that Aberdeen can make an effective transition from an operations base to a centre for technology and R&D investment. This will ensure that the oil and gas industry will continue to be a major success story for the Scottish and UK economies.
 11. The North Sea industries have a successful track record of technology deployment. However, as the basin matures a step change is required in the development and integration of new solutions and technologies. Complementing the work of the Technology Leadership Board, this Deal will catalyse a new innovation landscape for the oil and gas industry.
 12. A new investment in an Oil and Gas Technology Centre will help to forge new collaborations between universities and industry to increase R&D investment. It will cement the place of Aberdeen businesses, and their extended supply chains, as world leaders in mature basin exploitation, to enhance export opportunities. This will help to extend the life of the North Sea basin as well as increase the international reach of the sector.
 13. Oil and Gas is not the only success story in the Aberdeen City Region. The region is home to highly innovative companies and a strong research base in biopharmaceuticals and in food science. It is the second largest cluster in the UK for biologics and has the highest concentration of agri-food research in the UK. This investment aims to draw on the region's research strengths in food science, nutrition and other life sciences to help translate that research into knowledge, products and processes that the food and drink sector across Scotland can use to achieve a sustainable competitive advantage.
 14. This Deal will serve to increase incubator space, broaden research opportunities and increase the volume of start-ups in the biopharmaceuticals and food science and drink sectors. This will build on the existing expertise currently in the Aberdeen City Region and beyond. Both Governments appreciate the importance of Big Data for all sectors and would anticipate this being embedded in each of the innovation hubs.
 15. **COMMITMENT** - Both Governments support the vision of developing a world-leading Oil and Gas Technology Centre. Both Governments invite the Aberdeen City Region to submit a fully developed business case and future technology road map.
 16. **COMMITMENT** - As a first step in a phased approach to delivering the Oil and Gas Technology Centre, both Governments support regional partners' plans to implement new Solutions Centres, which will bring together innovation funders and providers, academia and test facilities to address specific industry challenges. Subject to final business cases, these will come on line progressively during 2016 and will provide engineering and applied research solutions for current industry challenges.
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17. **COMMITMENT - Both Governments recognise the importance of the Aberdeen City Region's continued economic diversity and support innovation in the biopharmaceutical and food and drink sectors. This Deal will provide funding for new Innovation Hubs subject to Aberdeen submitting fully developed business cases for these investments.**

Digital Connectivity

18. Improving the region's digital infrastructure is key to the long term future of the local economy. It will drive innovation through the better use of our physical and digital assets to enhance public and private service delivery, to tackle inequality and to improve social outcomes.
19. **COMMITMENT - Local partners will perform a gap analysis, and then explore with both Governments the digital needs for the region. This is with a view to creating a digital infrastructure fund which will address the digital challenges of both Aberdeen City and Aberdeenshire and underpin enhanced service delivery across private and public sectors.**

Harbour Expansion

20. Expanding Aberdeen Harbour is key to the oil and gas sector and growing tourism in the region. It has become increasingly apparent that its capacity constraints are limiting the Trust Port's commercial growth and the penetration of the City Region into new markets.
 21. The Nigg Bay proposal is a key part of supporting the future of the Oil and Gas sector in the North East. The expansion of harbour facilities and the increased capacity in vessel size at Aberdeen Harbour would also enable the berthing of large international cruise ships, and easy access to culture, tourism and adventure attractions in the North East of Scotland, key in delivering the region's tourism targets.
 22. **COMMITMENT - Both Governments are supportive of the expansion of Aberdeen Harbour and are committed to working with private sector partners to deliver this project. It is ultimately a decision for the private sector on whether to invest in the harbour expansion, but both Governments commit to working with Scottish Futures Trust and others to explore all financial mechanisms to deliver this project. Should the expansion go ahead, both Governments commit to finding a route to fund the supporting infrastructure that maximises the impact of the harbour project on the wider regional economy.**
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Transport

23. The Scottish Government has invested significantly to improve transport infrastructure in and around the city of Aberdeen. This includes the Aberdeen Western Peripheral Road which is currently under construction and the commitments made to improvements on the national rail network, the Haudagain roundabout and dualling the A96 from Aberdeen to Inverness. In order to realise the full potential of the area, both Governments recognise that further investment will be required to support the ambitions of this city deal.

24. This Deal is a mechanism to contribute to the delivery of the economic priorities of the City region. Both councils have major financial investment in the region committed and planned, indicative of the level of commitment by Aberdeen City Council and Aberdeenshire Council to delivery of transport infrastructure, including: the AWPR, Airport Link Road, the Third Don Crossing and the Inverurie Interchange.

25. Subject to the recommendations of the appraisal and feasibility work, both Governments will work with the local authorities to explore how the strategic transport investments will be prioritised. All of the City Region Deal partners are committed to exploring the most appropriate financial models to deliver these additional transport projects.

26. **COMMITMENT** - A transport appraisal, supported by both Governments and local partners, will take a long-term strategic view of the transport implications of the investment unlocked by this deal across modes including road and rail. This work will commence in 2016 and will be based on Scottish transport appraisal guidance and will recognise the priorities of local, regional and national transport plans and programmes. Transport Scotland will work with NESTRANS and the two local authorities and scope out requirements for the next 20 years, building on the completion of the AWPR and other planned investments.

Leadership and Governance

27. Strong and effective leadership from the Aberdeen region has been a feature of the development of the proposals. A new Joint Committee has been created that will consist of representatives of Aberdeen City Council, Aberdeenshire Council and a new private sector led economic leadership board, Opportunity North East (ONE). This Joint Committee will work with both Governments to ensure delivery of this deal.

Next Steps

28. Both Governments look forward to working with the Aberdeen City Region to implement the proposals in this document and agree a detailed implementation plan. The value for money case will need to be made before funding is available, and both Governments will work with the region to develop an evaluation framework.
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