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Dear James,

Thank you for the opportunity to update you, as Convenor of the Local Government and Communities Committee, on recent progress across the Scottish City Region and Regional Growth Deals programme.

## Overview

We have made significant strides forward since the Committee last heard evidence from the then Cabinet Secretary for Economy, Jobs and Fair Work in June 2018. The Scottish Government has fulfilled its commitment to pursuing Deals with all of Scotland's regions, committing over £1.9 billion of investment to a programme worth more than £5 billion to our local economies.

Over £419m of this funding has already been released to regional partners, enabling delivery of multiple projects that will have a long lasting impact on our regional economies. Key successes include:

- The Oil and Gas Technology Centre in Aberdeen, which aims to unlock the full potential of the UK North Sea, anchor the supply chain in the north east, and inspire a culture of innovation and transformation;
- Edinburgh's Bayes Centre, which fosters and enables collaboration between academics and innovative new businesses in the fields of data technology, design informatics, maths, and robotics;
- The Science Skills Academy, which works to inspire children and young people across the highland region to become engaged with the core STEM subjects and includes Newton Rooms in Thurso, Fort William, and Dingwall; and
- The Glasgow Airport Investment Area, enabling the development of an internationally significant district for innovation, research, and manufacturing.

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In addition, this year alone we have agreed a Full Deal for Stirling and Clackmannanshire; signed Heads of Terms for Moray; and announced investment quanta for Falkirk and the Islands. I am also determined to conclude long awaited Full Deals for Ayrshire and Tay Cities, and Heads of Terms for Argyll and Bute, before the end of the year.

The programme's contribution to inclusive, sustainable economic growth has also been significantly strengthened in recent years through a renewed focus on equalities and the introduction of Community Wealth Building pilots in several regions. These innovative new schemes, developed and delivered with local partners, will ensure that our investments really deliver for local people, communities and businesses. The Deals will create and sustain thousands of jobs over the coming decades, and action being taken now will make these new opportunities accessible to some of our most marginalised citizens.

## **Covid-19**

The Covid-19 pandemic continues to pose unprecedented challenges to our economy, and indeed our society as a whole. As you would expect there have been consequences for the Deals programme, with the most immediate impact being delays due to the shutdown of the construction industry. Several regional partners were also forced to temporarily redirect staff working on Deals to immediate crisis response activities.

The Scottish Government has engaged directly with regional partners since the pandemic began, and my officials speak to their counterparts in the regional Programme Management Offices very regularly. Senior civil servants from both governments have also written to all Deal partners under the auspices of the Scottish City Region and Growth Deals Delivery Board, to inform our understanding of progress and the immediate challenges facing the programme.

As you will appreciate the situation varies from region to region and continues to evolve rapidly, but our strong working relationships with local partners have helped us to respond in an agile way and quickly introduce new flexibilities across the Deals in delivery. For example, we have already enabled accountable bodies to draw down funding more frequently in order to minimise short term cashflow issues, and streamlined our appraisal processes to minimise bureaucracy without compromising value for money. We also continue to scope longer term changes that will help ensure future Deal investments are developed and delivered as quickly as possible.

Regional partners are also taking action to adapt their approaches in light of changing circumstances. For example, an innovative online portal has been launched through the Edinburgh and South East Scotland Deal to help local people who have lost their jobs as a result of Covid-19 find new opportunities. To date the site has attracted over 20,000 unique visitors, with over 2000 vacancies advertised. The Northern Innovation Hub in the Inverness and Highland Region has also quickly transitioned most of its business support services online, creating an almost fully digital programme that has increased accessibility and enabled the Hub to expand its geographical reach.

All Deals in delivery have change mechanisms built into their governance structures. It was always to be expected that each Deal would evolve over time in line with economic circumstances, particularly as most will deliver over 10 or 15 years. We recognise that this has become even more likely as a result of Covid-19, and are ready to act as required.

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However, it is important to remember that Deals are founded on principles of regional empowerment. As such there is a strong presumption in favour of regional decision making on most matters, including project change. The Scottish Government will continue to work closely with regional partners as they review their investments over the coming months and years in order to ensure their collective impact on inclusive, sustainable economic growth is maximised.

## Partnership working

As I hope this letter makes clear, partnerships are absolutely central to all aspects of our work on the City Region and Regional Growth Deals programme. That includes the relationship between the Scottish and UK governments. We cannot expect regional partners to work together effectively, making difficult choices and compromises, if government cannot do the same.

It is no secret that I have been frustrated by recent delays to Deal signings as a consequence of the UK Government reviewing the timelines for its investment. However, both governments are clear that we must work together, resolving any differences when they do arise, to ensure regional partners are clear about what is expected of them and our shared investment programme progresses as seamlessly as possible.

There are also many examples of effective partnership working across government, including the coordinated appraisal of business cases and development of shared positions on key issues such as monitoring and evaluation. My officials regularly speak with their counterparts in the Scotland Office and other UK Government departments, with more formal engagement enabled by the Scottish City Region and Growth Deals Delivery Board ('The Board').

The Board brings together senior civil servants from the Scottish Government and relevant UK Government departments to provide oversight and assurance on the Deals programme to Ministers. Over the summer the Board met monthly to help expedite our response to the Covid-19 crisis, and it helps ensure key performance management measures – such as quarterly budget monitoring reports, and formal 'Annual Conversations' with each Deal in delivery – are effectively planned and coordinated.

I have been genuinely impressed by the many examples I have seen of effective working across and between regional partnerships. Local authorities, FE/HE institutions, national agencies and crucially, the voluntary and private sectors, all have a role to play in making Deals a success. Many of these partnerships were formed in the relatively recent past and have progressed rapidly to the point where complex investment decisions, and tough choices about project sequencing and budget management, are being debated and agreed in the best interests of the region as a whole.

I am conscious that the Committee is particularly interested in how the partnerships delivering the Deals engage with and involve local people. It is not the role of government to tell regional partners how to work with the communities they represent. However, we do offer advice when appropriate, and our Annual Conversations with Deal partnerships discuss local engagement. I know that much has been learned over the years and, whilst more can always be done, I am confident that all regions are working to ensure local people are aware of what's happening in their area and how they can get involved. For example, all Deals in delivery have a web presence, and Joint Committee meetings are open to the public. Business and voluntary sector representation on key groups, such as the Enterprise Forum in Tay Cities, also ensures the voices of these key constituencies are heard.

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For the Deals in development, significant effort has been expended to widen opportunities to contribute and develop project ideas. For example, in developing the Borderlands Deal the local partners held a high profile conference that was attended by over 240 people from across the region, the outputs of which helped shape and prioritise project proposals. As mentioned previously difficult decisions must sometimes be taken to ensure Deals are affordable to all parties, meaning it is not possible to fund every project put forward. However, every region is committed to transparent decision making and is ultimately accountable to local people through the democratically elected local authority representatives that sit on each Joint Committee.

## **Next steps**

It is still relatively early days for the Deals programme as a whole. Indeed, an independent evaluation conducted late last year to inform the first five year Gateway Review of the most mature Deal, Glasgow City Region's, concluded it was still too soon to effectively assess the longer term outcomes and impacts the programme will deliver.

However, I am confident that the mechanisms are in place to ensure regional partners deliver on their promises to local people, businesses and communities about the ability of the Deals to help drive inclusive, sustainable economic growth. That is not to say the Deals alone can deliver all of the outcomes we want to see in the coming years, and it should be remembered that the associated funding packages will be relatively small when compared to overall public and private investment over the coming 10 or 15 years. However, our relentless focus on inclusive growth, and the commitment of all partners to continuous improvement, means I am confident that the Deals are on track to make a significant contribution to our communities over the coming years.

I hope you find this information helpful and look forward to discussing with you further when I meet with the Committee on 4<sup>th</sup> November.

**MICHAEL MATHESON**

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