

**Local Government and Communities Committee****City Region Deals****Submission from Audit Scotland**

Dear Mr Doris

**CALL FOR EVIDENCE ON CITY REGIONS DEALS**

Thank you for the opportunity to provide written evidence to support the Local Government and Communities Committee's proposed inquiry into City Region Deals. We are, as ever, very happy to support the committee in its work.

Audit Scotland is planning to commence later in 2017 a performance audit on behalf of the Auditor General and the Accounts Commission looking at the progress being made with City Deals in Scotland. While we have still to confirm the precise scope of the audit, I expect that it will address the key issues set out in our May 2016 briefing paper to the Accounts Commission, of which your Committee is already aware. These key issues include:

- Whether public bodies involved in the delivery of City Deals have robust governance arrangements in place to ensure their successful delivery
- Whether public bodies have the capacity and available skills to manage their City Deals
- How much are public bodies planning to spend on City Deals and is their method of funding financially sustainable
- How public bodies are planning to monitor the delivery of outcomes expected from City Deals
- Whether partnership working between public bodies, the private sector and others is effective in delivering City Deals.

As you will appreciate, City Deals in Scotland are still at a relatively early stage and our audit is very much focused on progress to date. We plan to report in summer 2018 and the Auditor General and the Accounts Commission may decide to undertake a subsequent performance audit in this area, once further progress has been made.

Turning to the specific questions you raise, I have confined my comments largely to what our performance audit might consider.

**What is your understanding of the purpose of City Region Deals?**

It is clear from the Scottish Government's 2015 Economic Strategy and supporting cities strategy that it sees Scotland's city regions as having a key role in delivering economic growth for the whole of Scotland. The UK Government launched City Deals in December 2011 to enable cities to drive local economic growth by setting their own priorities and deciding where to target investment. So far, three City Region Deals have been agreed in Scotland involving 11 councils. Another 11 councils are currently in the process of developing City Deals, while eight are developing alternative investment proposals. I would expect our audit to outline how City Deals have developed in Scotland and how each council is responding to the initiative.

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

City Region Deals have so far been agreed for Glasgow City, Aberdeen City and Inverness and Highland. Councils are also working together to develop City Region Deals for Edinburgh and South East Scotland, Tay Cities and for Stirling and Clackmannanshire. Our audit will consider the progress made with each of these Deals, and with alternative investment proposals such as the Ayrshire Growth Deal. A key question will be the extent to which UK and Scottish government funding made available through City Deals has allowed councils to think again at how best to maximise local economic development, or has simply allowed them to bring forward existing investment plans. Where possible, we will also consider the relationship between individual City Deals and the extent to which they are expected to contribute to national economic development.

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

Each of the City Deals signed so far in Scotland is unique and this is reflected in their governance arrangements. For example, the Glasgow City Region Deal involves eight councils and a joint committee of all eight council leaders, known as the Glasgow and Clyde Valley Cabinet, acts as the City Deal's main decision-making body. Similarly, the Aberdeen City Region Deal has a joint committee comprising councillors from Aberdeen City and Aberdeenshire Councils and representatives from the private sector. Highland Council is the only council involved in the Inverness and Highland City Region Deal, although preparation of the Deal has involved partners such as the University of the Highlands and Islands. I expect our audit will consider how these different governance arrangements have worked in practice, including how well the individual councils involved have been kept informed with the progress of their respective City Deals. Given the significant levels of funding which the Scottish Government expects to provide for City Deals we are also interested in how it exercises oversight and accountability for the funds provided.

In addition to our performance audit, we do of course have an ongoing audit interest in public bodies' wider governance arrangements. To that end, I expect the governance of City Deals is likely to feature in auditors' annual audit reports and in the Accounts Commission's new approach to Best Value reporting in the future.

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

How public sector bodies have involved the private sector and others in developing City Region Deals is likely to be considered as part of our audit. For example, we will be interested to look at how Aberdeen City and Aberdeenshire Councils have involved a new private sector-led economic partnership board, Opportunity North East, in developing the Aberdeen Region City Deal.

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

We are aware that several councils are in the process of developing Growth Deals as alternatives to City Region Deals. I would expect our audit to consider the progress being made with these alternative arrangements, and the level of funding being made available to them. We will also look at those few areas which are not covered by any kind of city or regional growth deal.

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

A potential benefit of City Deals is that they promote the idea of councils working more closely with other relevant bodies such as the Scottish Government, Transport Scotland, Highlands and Islands Enterprise Scottish Enterprise and the private sector to develop more joined-up and holistic proposals for the economic development of individual city regions. I expect that the nature of the decision making to proceed with a City Deal, and the extent to which it involves partnership working at a local level, is likely to feature as part of our audit.

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

Our performance audit of City Deals is likely to address many areas which will be of interest to the Local Government and Communities Committee. It might be helpful, as we finalise our approach, to meet with Committee clerks to discuss how we can complement each other's work. I will ensure that our project flyer, produced for all our performance audits and setting out each audit's aims and objectives, is be made available to the committee. We would also be happy to brief the committee on our planned work, should you find that useful.

I trust this response is helpful to you.

Yours sincerely

**Fraser McKinlay**  
**Director, Performance Audit and Best Value**