

Local Government and Communities Committee

City Region Deals

Submission from the Scottish Local Authorities Economic Development Group

Introduction

1. SLAED is the professional network representing economic development officers from across Scotland's 32 Local Authorities. This submission has been developed on the basis of input from a number of SLAED member councils. The local authorities' submissions have been collated under the seven key questions set out in the consultation paper.

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

2. City Region Deals were introduced as agreements between the UK Government and cities to give local areas across the UK specific powers in relation to their own areas to support economic growth, create jobs and invest in local projects. The scale of investment represents a meaningful stimulus for significant, positive and long-term economic change and inclusive growth. These have also helped to maximise a range of funding and support from other government sources, including DWP, Scottish Enterprise, Skills Development Scotland and Scottish Cities Alliance.
3. City Region Deals aim to devolve the necessary decision making powers and resources to local economic partnerships, enabling them to address local needs and unlock the full economic potential of their region, using a public-private partnership. Overall they should aim to increase the prosperity of regions and therefore the country overall. City Region Deals encourage local authorities to collaborate to develop a clear, long-term programme of regional investment, but any growth from these needs to be in addition to what was already forecasted as a result of existing capital investment programmes. However, City Region Deals are not just about capital investment, they also have a role in supporting inclusive growth and the skills and employability agendas.
4. Conventional public funding models do not allow for innovative regional economic growth above the norm, nor do they accommodate specific circumstances of areas. City Region Deals provide devolved responsibility for specific areas to deliver solutions tailored to regional needs to enable enhanced economic growth. Delivery is led by local authorities or other public bodies who have the local knowledge to spend the funding effectively, rather than a one size fits all approach. Strategies, projects and business plans have to withstand scrutiny by internal and external stakeholders, peer groups and Government.
5. The majority of City Deals incorporate large regions surrounding a city. Although this allows for a greater area to be developed it can leave those regions with no cities unrepresented. The approach by Government has been an iterative one which adds to the uncertainty of the process and likely outcomes for non-city

regions where, although both Governments have been positive in encouraging growth deals, the availability of funding remains uncertain.

6. It is anticipated that any future Growth Deals will be negotiated contracts with UK and Scottish Governments which explicitly target projects to boost regional economies and are monitored against agreed economic goals. Projects should be targeted to unlock the highest potential combination of economic and social returns.
7. City Region Deals stimulate innovation within local authority partnerships that is more than just shared services. This includes effective joint working with regional Higher Education and Research organisations to transform the regional economy and its productivity through shared investment in innovation. It also includes developing a more effective labour market with regional tools to support this.
8. City Region Deals are being developed at a time when the Scottish Government is reviewing the role and responsibilities of its enterprise and skills agencies. Regional partnerships are an emerging part of this, but any thinking that emerges from the ongoing review must be aligned to the regional working and decentralisation activities that are underway as part of City Region Deals.
9. Both Governments have pointed to the importance of private sector involvement in deals. It is considered that carefully targeted investment that addresses the fundamental barriers to economic growth will encourage increased levels of inward investment by the private sector. This will in turn generate growth in high value sectors of the local economy, which will provide value for money and high rates of return from any future investment by the UK and Scottish Governments.

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

10. City Region Deals are at an early stage in their delivery and this needs to be taken into account when evaluating their success to date. These are designed as long-term investment programmes rather than short-term 'fixes'. However, City Region Deals have already pushed forward projects that previously lacked finance.
11. Councils further on in the process are reporting significant success in the implementation and progression of projects, which are adding to the vitality of these areas. However, in other areas, if the investment from government is not on the scale required, there is a risk that partners will exit the process and the deal will not take place.
12. It has been noted that in some areas City Region Deal funding has been used to support projects already at an advanced stage of planning which could be classed as "business as usual", therefore it is important to ensure that the investment is additional to what would have been funded if this mechanism were not in place. However, in many cases the necessary funding was either previously unavailable or the deal has provided an accelerated timescale. Local Authorities and Community Planning Partners are committed to economic growth

but the funding required for infrastructure to support that growth is often not available, therefore City Region Deals are currently the best opportunity for enabling growth and investment in innovative local solutions.

13. City Region Deal projects can unlock private sector investment that would not occur without the public sector creating the conditions for growth. This is particularly true for regions that have struggled to obtain investment following periods of industrial decline.
14. Collaboration is a key element, and for deals to be successful in development as well as implementation, partners must show strong collaboration with the public sector, private sector and communities. Given the need to ensure inclusive growth, all City Region Deals should illustrate how they will achieve this aim.
15. Projects that are being delivered by the Glasgow City Region Deal would not otherwise have been progressed, or would have been implemented at a significantly later timescale. In the three-year period since the programme was initiated, the City Region Deal has already achieved a number of milestones, with significant funding approved towards the delivery of infrastructure projects and a number of projects already successfully completed or underway. The economic and employment benefits of these projects will be realised over the lifetime of the deal, and progress will be measured during gateway reviews in 2024 and 2029.

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

16. Governance of City Region Deals has been devolved to the relevant city region to be developed locally and signed off by both governments. The Scottish Government must ensure there is additionality from the sum of the city deals and that there is coordination between the agreed and developing deals at the national level.
17. Strong delivery governance is a fundamental requirement from the UK Government for a City Region Deal. Governance arrangements appear to have been variable in deals to date, but best practice is now emerging. Manchester City Deal is seen as a good example of where partners efficiently and effectively prioritise investment and manage risks to develop a proven reputation that drives the investment of further funds e.g. devolved health budgets. Without it, City Deals are high risk, complex programmes with different levels of delivery expertise in individual local authorities.
18. City Region Deals involve an element of risk for local authorities and this further highlights the importance of governance arrangements. These should therefore be matched by comprehensive monitoring and evaluation frameworks.
19. The Glasgow City Region Deal programme is underpinned by a robust governance process and arrangements designed to ensure that public money delivers agreed outcomes. The eight Member Authority Leaders have established the Glasgow City Region Cabinet which is responsible for decision making and deals with issues relating to economic development and regeneration across the

region. The schedule of meetings and Cabinet papers are made available to the public through the City Deal website.

20. The Aberdeen City Region Deal considered governance arrangements early in the process to ensure open and transparent decision making and project delivery, and a Joint Committee has been created between the two councils and Opportunity North East. Aberdeenshire Council is the lead financial controller for the various projects, and a Memorandum of Agreement to cover financial control is in place with the Oil and Gas Technology Centre. This will be used with other projects not led directly by either local authority. The partners have also developed a Communications Protocol to ensure all messages to the media and in publications are consistent and clear. The councils' feel that this process is comprehensive and works well.
21. The Edinburgh and South East Scotland City Region is proposing a transparent, simple yet strong and fair governance structure at the outset which will comply with the existing statutory framework that exists in Scotland to deliver regional planning and transport policy. Partners recognise the importance of a simple and fluid structure at the start of the process, to allow the funding interventions to gather momentum.
22. A Commission for Urban Growth was set up as part of the Glasgow City Region Deal to monitor progress. Independent evaluation will be critical to ensure deal partners meet stated aims, however, external conditions such as the UK's decision to leave the EU must be factored into this.
23. Stirling's City Region Deal has been driven by a programme board comprising senior council officers who report in to Elected Members. The City Deal Programme has been shaped by the Stirling City Commission which is a group of senior personnel from key public, private, academic and third sector partners. The governance structure will change when the region moves into the full delivery phase of the City Deal programme.

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

24. The process of negotiating a City Region Deal does not allow for the details of the projects being discussed to be made public, as this may compromise negotiations. Those close to the City Region Deal understand the process and how the deal will work, but feedback suggests that the process is not well understood by the public or wider business community. There are also a number of misconceptions around what the funding is for.
25. The nature of the City Region Deal process makes communication and engagement with partners, businesses and communities important in order to get support for proposals and ensure that these meet local needs. However, there can be a tension around the value of comprehensive community engagement on matters of pure strategy, which means that engagement out with the community planning partners and the business community can be delayed.

26. In the Glasgow City Region Deal the member authorities have conducted a range of public and business engagement in regard to the programme and its projects via public consultation events, exhibitions, charrettes and business forums. A Communication, Marketing and Stakeholder Engagement Strategy was approved in June 2016 and this was informed by the findings and recommendations from an independent consultation exercise across 70 stakeholders. The strategy sets out the role, approach and principles for communication and marketing activities and provides a framework for their delivery. Partner update briefings are also produced quarterly and issued by e-mail to Member Authorities and key partners.
27. Throughout the development phase of the Aberdeen City Region Deal, a number of communication channels were used, including workshops with industry, press releases, online brochures, email bulletins and a website. These are available on the dedicated website as well as on both councils' websites.
28. For the Edinburgh and South East of Scotland City Region Deal there were a number of awareness raising events, including the launch of the Accelerating Growth website in August 2015. There has also been ongoing engagement with the local business forums and Chambers of Commerce, and residents have been kept informed through the community planning process. All candidate infrastructure projects were taken from the Strategic Development Plan, Local Plan or Regional Transport Plan where they had been subject to considerable stakeholder consultation. Stakeholders included local residents and businesses as well as national and regional agencies. Regular update briefings to Council committee are also made available to local residents online and in the local press. The Programme Office for the City Region Deal has taken responsibility for communication materials and engagement with regional and national media.
29. In developing its Rural Growth Deal, Argyll & Bute Council is consulting with local public and private sector stakeholders and the Community Planning Partnership to ensure maximum support for the proposals. The Single Investment Plan is being used to promote key development opportunities to private investors, developers and businesses, and will also be used as a tool to make a strong, coherent case for significant transformational projects to be taken forward at a national level.
30. The Ayrshire Growth Deal engaged businesses in the process of developing proposals and welcomed feedback early in the process. The deal will ensure local people are able to take advantage of the growth opportunities produced, and a number of the projects are made up of both public and private sector investment. Local knowledge has been utilised from the University of the West of Scotland and the Ayrshire Chamber of Commerce, and this has been supported by national expertise from Scottish Enterprise, Skills Development Scotland, Scottish Futures Trust and the Scottish Council for Development and Industry.
31. Stirling Council's City Deal bid reflects conversations and understanding around the future challenges the area is facing. These conversations have involved local people, elected representatives, national agencies, businesses operating both globally and locally, government departments, third sector organisations, Forth

Valley College, the University of Stirling and Stirling Council. A City Commission of influential stakeholders and decision makers has also been set up to advise on the content of proposals and collaborate on project development. This has complemented the high levels of community consultation that have informed the content of the programme for growth from its inception. This approach has fostered leadership and collaboration at all levels and created new and dynamic partnerships that are already investing in and beginning the delivery of the plans.

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

32. City Region Deals are premised on the recognition that these economic areas represent significant drivers of extra-regional and national economic growth. However, these are only one part of wider Scottish and UK Government policies and investments for stimulating economic growth. City Region Deals also work with other public and private funding streams to optimise growth at the regional, extra-regional and national levels.
33. City Region Deal funding is additional to other existing schemes, and is complementary to general public sector investment programmes and European Structural Funds. Regions not covered by City Region Deals have the potential to access funding on a case-by-case basis from Government grants, European funding, Tax Increment Funding and local authority funding. However, City Region Deals provide an opportunity for a wide programme of investment in a concentrated period to deliver major transformation and economic growth.
34. The current boundaries for City Region Deals reflect local government boundaries, but may not reflect authentic regional economic boundaries. It would be useful for the Scottish Government to consider providing further guidance on functional regions, and the inter-relationship between these. A regional policy which goes beyond cities and city regions to cover all of Scotland's regions could be a beneficial option. In its review of the skills and enterprise agencies, the Scottish Government has created a Regional Partnerships work stream and local government has indicated that it would like to see an introduction of regional economic policy. However, there is also an uncertainty around the national policy environment, for example the UK government may be moving away from a focus on regional economies to a more sectoral policy as reflected in its Industrial Strategy.
35. By being exclusive, City Region Deals deliver only to those areas within the geographical boundary of the deal, limiting the potential for growth in remote and rural regions. There is therefore a risk that issues such as ageing and declining populations in more rural areas will be exacerbated by lack of investment in critical infrastructure. It is considered that investment from the public sector that addresses existing barriers to economic growth, such as transport and digital connections, will encourage increased inward investment from the private sector. It should also be recognised that key industries based in rural areas such as whisky, timber and aquaculture rely on local transport networks to export goods to national and international markets, but this is often constrained due to lack of funding. Consideration should therefore be given to establishing enabling funds

that could assist the private sector to deliver critical infrastructure in rural areas where it might not otherwise be viable to do so. It is also essential that additional funding for infrastructure is directed towards Local Authorities to enable investment to be directed where it will best support growth in local sectors.

36. A lack of regional policy in Scotland has resulted in a mismatch of areas covered by City Region Deals and the upcoming departure from the European Union creates a 'policy vacuum' around this. The loss of European funding from 2019 will make it critical for Scotland and the UK to consider a comprehensive regional policy which is matched by adequate funding for those areas with the greatest need to replace that lost from the EU, such as more rural and fragile economies.

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

37. The Scottish and UK governments are funding City Region Deals, therefore the projects they will prioritise are those that meet their ambitions in terms of the relevant economic or industrial strategy. However, these provide an opportunity for a business case to be made locally to identify priorities and develop a more coordinated approach to investment. Projects funded through City Region Deals have the much needed support to deliver local priorities that will contribute to a regional step change in economic performance. They also provide a means of constructively supporting the delivery of major investment projects across local authority boundaries.
38. City Region Deals are designed to shift towards local decision making and provide the opportunity to shape a wide ranging programme of investment, delivered locally and in partnership to shape the future of a local area. However, decision making is often dependent on individual projects, for example in the Aberdeen City Region Deal the Oil and Gas Technology Centre is being developed by the private sector locally, who are engaging with national agencies and governments. However, with the transport infrastructure much of the work is led in tandem with Transport Scotland and the two local authorities.
39. Areas which are not part of city regions but offer significant growth opportunities, particularly around key sectors, should be given the same level of attention as City Region Deals where they are able to develop innovative proposals to accelerate regional growth. City Region and Growth Deals should comprise proposals that are collaborative, innovative, not 'business as usual' and produce a step change in regional productivity.
40. The Glasgow City Region Deal has proven to be an effective mechanism for promoting and ensuring local decision making on major investment projects. All business cases relating to the City Region Deal investments are considered and approved by its Cabinet, consisting of the eight Leaders of the constituent local authorities.
41. In the Edinburgh and South-East Scotland City Region Deal a number of proposals have been put forward to get more local decision making powers. These include proposals to establish an Integrated Regional Employability and

Skills programme, a housing infrastructure fund for partners to phase and prioritise the unlocking of strategic sites, and a land commission that allows partners to have a say in the final use of disposed sites from the public sector. Candidate projects were taken from existing council plans if they could contribute to the overall economic ambition for the City Deal. These came from engagement with residents and other stakeholders and were confirmed as priorities through the council's own decision-making process. However, many of these projects have had this priority challenged by national agencies as they were considered to be 'aspirational' despite the local decision-making process. This meant that these projects were stalled due to the lack of local funding.

42. The aim of the Ayrshire Growth Deal is to boost the wider Ayrshire economy to promote local inclusive growth, so that it can make a stronger contribution to the national economy. It is also for the area to be recognised for leading the successful implementation of key technologies in manufacturing sectors and world class digital and physical infrastructure. This will be achieved through targeted investment, greater collaboration with public sector stakeholders and partnership with the private sector. The three councils are also exploring the potential for a single Ayrshire agency that would increase shared service arrangements and help strengthen local economic development services. The Scottish Government is supportive of this approach as it links closely to its Enterprise and Skills Review and, as such, the three local authorities are now acting as a 'Pathfinder' region. This will explore how regional partnerships can stimulate local economies and build inclusive growth while fostering improved innovation, internationalisation and investment across the region. An 'Inclusive Growth Diagnostic' which is currently being piloted in North Ayrshire is being rolled out across the region and this will help inform actions for addressing local priorities.

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

43. City Region Deals will only be achieved through a partnership that is broad, open and ambitious. This will involve a commitment to genuine and meaningful collaboration between the local authorities, the Scottish and UK governments, related agencies and wider business community. Such a partnership will require new ways of working, with shared information, aligning resources and decision making. This will see decisions about the strategic direction of policy and delivery of services, previously taken by individual councils, integrated at a regional level.
44. Individual public funders are responsible for assessing and ensuring compliance with European State Aid rules. This requires co-ordination and could be made more efficient by a single public organisation (such as the Scottish Government which has a dedicated State Aid Unit) taking responsibility for the assessment of State Aid for City Region Deals in consultation with other public funders.
45. It will be essential that there is a sufficiently large and skilled workforce to meet predicted growth in key local sectors and encourage new businesses to set up in City Region areas. Local businesses in some areas have reported problems recruiting suitably trained staff to fill vacancies, with many expecting to recruit

additional staff over the next two years, therefore this will become an increasing challenge for all regions.

46. Local education establishments are key and will require to engage with local employers to offer training which is tailored to meet the opportunities being created by expanding sectors. It is therefore crucial that a choice of further education opportunities is available which will in turn provide high quality employment. This will require input from local growth sectors, businesses and the key organisations responsible for delivering further education to ensure courses are aligned with the skills and training requirements of local employers. An example of this partnership working is the Oban University Town Steering Group which has been set up to oversee the delivery of this transformational project for Oban and includes representation from Highlands and Islands Enterprise, Argyll and Bute Council, Argyll College, the University of the Highlands and Islands and the Scottish Association for Marine Science.
47. The process of developing a City Region Deal is unique to each deal and a large amount of senior level input and negotiation is required over a significant period of time. Negotiations with government to agree mutual priorities for investment can take several iterations over a period of years to secure a deal. However, there is no application form or transparent grant criteria and considerable investment of council and government resources to develop the 'asks' is required. In parallel, it requires investment of time and resources to develop the City Region Deal partnership, to understand and commit to individual priorities and challenges.
48. An early requirement for City Region Deals was to develop a regional Economic Model of potential impacts on the regional economy from the candidate projects. City Region Deal partners commissioned these at the outset of the process at considerable expense, and the lack of clarity from Government on the need for these has been a challenge.
49. The competitive nature of City Region Deals is a potential challenge as, to date, these have not been in a position to share information more widely across developing bids, not just in Scotland but across the UK. A consequence of a national economic strategy is that all areas are pursuing the same strategic ambitions, yet the City Region Deal process demands differentiation and distinctiveness. It is accepted that there cannot be multiple, similar big ticket items but, without the detail of other proposals, it is not possible to ensure that one city region differs from another.
50. The process needs to be less iterative to allow regions to develop bids in a consistent way with some confidence on the type of projects that will be supported, and the funding available. Infrastructure funding to support local economic growth needs to be a longer term investment programme that allows for a strategic and planned approach to investment. Constantly changing funding mechanisms such as Growth accelerator, TIF and City Deals create more of an opportunistic approach which prevents planning and stalls economic growth.

51. Money should be available to forward fund infrastructure to support new local housing, such as new roads, health facilities and schools. The current planning, land valuation and taxation system fails to capture the uplift in land values created through planning, therefore in the absence of legislative change, this needs to be supported through long term funding options from Government. Any future funding initiatives should also include an explicit requirement for regional partnership working. Regional economies are important and this has been an oversight to date, with a number of smaller authorities not invited to come to the table to discuss developing neighbouring deals. This will be particularly important in helping to mitigate the loss of European funding from 2019.
52. A benefit from City Region Deal engagement has been the development of shared objectives for greater innovation. Joint working has widened beyond local authority partners to include Further and Higher Education organisations, and a regional approach has meant that investment by one partner into alternative funding models has been shared with all. One aspect of City Region Deals has been a regional approach to engagement with infrastructure partners and stakeholders, and feedback from these organisations has been that they welcome this approach and the opportunity to align investment plans and priorities.

Summary

A key challenge in developing a consistent SLAED view on City Region Deals is that not all local authorities are directly involved, and the terms of each of the existing deals are different with each one operating on different timescales and at different stages of development. Despite this, there are a number of key points emerging from local authority feedback:

- It is important that any growth resulting from City Region Deals is additional to what would have happened anyway and that investment is not for ‘business as usual’ projects;
- City Region Deals should have a wider focus than just capital investment, to support the inclusive growth, skills and employability agendas and develop a more effective labour market;
- Delivery should be led by local authorities who have the relevant local knowledge to help ensure the most positive impact;
- A less iterative approach to City Region Deals should be taken by government to allow regions to develop bids in a consistent manner with clarity around the type of projects that will be funded, as well as the level of funding available;
- Governance arrangements have been varied and best practice needs to be developed as, without this, City Region Deals are high risk to local authorities with different levels of delivery expertise;
- Those close to City Region Deals understand the process, but more input is needed around ensuring that the public and wider business community are kept informed to address misconceptions and clarify what the funding is for;
- City Region Deals are reflective of local government boundaries, but may not reflect authentic regional economic boundaries and the Scottish Government

should provide guidance around functional regions, for example through a regional policy;

- A regional policy would help to address the risk to those areas not covered by deals as a result of the upcoming departure from the European Union and subsequent loss of EU funding from 2019;
- The competitive nature of City Region Deals presents a challenge for local authorities in terms of ensuring that each region's 'offer' differs from the others, and greater sharing of information would help to address this.

Pamela Smith, Chair of SLAED
Hannah Young, Improvement Service