

## **Local Government and Communities Committee**

### **City Region Deals**

#### **Submission from the Scottish Property Federation**

##### **Introduction**

1. The Scottish Property Federation (SPF) is the voice for the property industry in Scotland and speaks for over 185 corporate members with interests in Scottish real estate. We include within our membership major institutional investors and funds, developers, real estate lenders, landlords of commercial and residential property, and professional property consultants and advisers.
2. Our industry is closely linked with economic development and infrastructure matters, particularly in relation to its development activities. The city region deals – and the plans for an Ayrshire deal – are therefore of key interest to our members. We are pleased to submit these comments and happy for them to be made public.

##### **General remarks**

3. The Scottish City Region deals offer major public investment in bespoke city regions. Glasgow led the way with its 2014 announcement of some £1.13bn of funding involving the UK, Scottish and eight local government making up the region, over a twenty-year timescale and there have been two more agreements reached with Aberdeen and Inverness city regions since this time. Recent UK budgets have announced ambitious plans that will see every city-based region in Scotland benefit from a city deal. The position of the capital city's regional deal is therefore a concern given that so many other key cities across the UK have already initiated their agreements with central government.
4. We feel that it is too early to say if the city region deals will deliver the local economic growth and major infrastructure projects as proposed. Yet we remain cautiously optimistic that the city deals will achieve economic growth that would not otherwise have occurred at least in this timeframe. We have had some concern that Glasgow has not progressed as quickly as hoped but even here it is less than three years into a twenty year programme. It is clear however that given the five yearly gateways and the requirement for satisfactory progress in order to unlock the remainder of the funding, that momentum and delivery of programme projects must be achieved or further funds may be at risk (some £250mn in May 2019, followed by two further tranches of £300mn at five yearly intervals should key stages be achieved).
5. As with major planning applications for development there is a process and a risk to be associated with all major investment projects. The key relationships between the respective governments and local governments, as well as private sector partners will be crucial to the success of each of these programmes. As suggested earlier the apparent delay in announcing the Edinburgh city region

deal, much anticipated in Scotland, is therefore a growing cause for concern as the capital city strives to compete with Birmingham, Manchester and Leeds as well as international destinations.

### **Purpose of City Region Deals**

6. Our understanding is that the purpose behind city deals is to galvanise economic development in their stated regions. The deals are intended to take a holistic look at economic returns across their areas, taking consideration of jobs created, tax, investment and infrastructure initiatives. In short our understanding is that the city region deals offer an opportunity for a game-changing improvement in economic activity in the respective city regions that would otherwise not have occurred. We understand as well that the intention of the Glasgow City Region deal is to leverage in a further £3.3bn of private investment. It will be important that the governments at all levels work together successfully if private investment is to be secured at this scale – confidence in the vision and delivery of the programme will be vital to encourage the private sector in what the real estate sector would generally perceive as a risk-averse environment.

### **Are city region deals on track to deliver local growth, innovation and infrastructure schemes which would not otherwise have been delivered?**

7. It is very early to say for Aberdeen and Inverness city regions. We would have to reflect that there has been some concern from our members voiced at progress in the initial Glasgow city region projects, with relatively little overt evidence of the tranche of funding secured so far seemingly deployed three years into the programme. This perception may change with progress on the Glasgow Airport Access Project. While a city region deal cannot be all about one project, the Airport is a major contributor (some £200mn per year in economic activity) to the regional economy and this project may well prove to be an important signal of intent for the ambition of the wider city region deal. As noted earlier this is a twenty year vision and it is a scale of funding that must be used as effectively as possible in order to achieve significant returns on investment in terms of activity and revenues.

### **Governance arrangements**

8. The Edinburgh city region is a key driver of the Scottish economy and is therefore a key sector of interest to many investors in Scotland. The political timing of the Edinburgh city-region deal has probably contributed to delay in its progress but we would urge the governments to do their utmost to reach an early agreement with the new local authorities to be elected in the region on 4 May in order to provide some certainty on the likelihood of a city-region deal in the south east area.
9. We understand that in the case of Glasgow there is a detailed structure with key accountability vested in the CEOs of the respective authorities on a regular basis. We are aware that there are representatives of the respective funding partners engaged with all of the city deals and nascent oversight structures in

place for those deals under negotiation. We understand that there are 'gateways' at five yearly intervals to assess the progress and success of investments made as part of the deal and that the assessment of projects at these gateways is important for unlocking remaining funds.

10. This supports our concern with the perceived success of the Glasgow city deal to date given that we are three years in already to this gateway. It will be important for the independent five year assessment to consider that the project has only just got underway and was not able necessarily to draw on earlier experience in Scotland as it began. The city region deals are done differently to those earlier examples from England with different levels of devolved arrangements and therefore we do not think it would be fair to compare the Glasgow region experience directly with cities and regions south of the border. For example there are two central governments to deal with rather than one and the city region does not appear to have benefitted from the devolution of many agencies of government as has occurred in England.
11. We would have to reflect some initial concern from our members that in the Glasgow region that there was not sufficient private sector engagement in the initial deal. However, we perceive that this situation has since moved on. Elsewhere our discussions with the Highland and Aberdeen/Shire suggests to us that their approaches have been more inclusive and that the Tay City Region Deal has also set out to liaise closely with the private sector from the outset.

**Are regions not covered by city region deals able to access equivalent funding and support for growth, innovation and infrastructure schemes?**

12. Not at this stage although the Ayrshire deal is of close interest as potentially the first non-city region deal. There is a clear danger that the greater access to funds to support economic investments will provide an advantage to the city regions which could exacerbate the current polarisation between prime sites and everywhere else. It is also recognised that some areas outside of the 'city' regions are arguably more populous and able to generate significant economic returns – for example the urban centres of Falkirk and Kilmarnock.

**Are city region deals supporting a shift towards local decision-making on major investment projects?**

13. We do not believe that the introduction of city region deals has moved us significantly towards more local decision-making. There are still key national agencies or partners involved as well as both the UK and Scottish Governments. We would expect this to continue to be the case given the scale of the government's funding for the deals and indeed there is a very good argument for national agencies to remain key players in the delivery of major infrastructure projects. Put simply the scale of these projects and the need to align with the National Planning Framework and Infrastructure Investment Plan suggest a certain scale of overview. However, it is important that the national agencies are facilitators of local infrastructure investment wherever possible.

14. The city region deal initiatives should be viewed as an opportunity to add value to local economies. They should not prevent councils and central government taking forward other initiatives such as the GAM scheme alluded to in the SPICE analysis. The city deals should also continue to be seen as additional and not a replacement for the existing Scottish Government Infrastructure Investment Plan.

## **Conclusion**

15. This has been a difficult call for evidence to answer in many ways because there is only the one scheme that has had any period of time to base our comments on. Even this example, the Glasgow City Region Deal is at an early stage in its development having been hastily established in the summer of 2014 and structures and programme not fully agreed and worked up until early 2015. We feel it would also be fair to acknowledge that the political situation has been one of almost constant campaigning throughout the period since the first city region deal was announced and this will no doubt have had some impact on progress.
16. Nonetheless we continue to regard the level of funding available to support economic development in the city regions to be a once in a generation opportunity to boost regional economic performance significantly. The challenge for local and national governments is to ensure that the economic activity generated is sustained and provides the returns necessary to support further investments for the economy in the near future.
17. We would be pleased to answer any further questions by the Committee on our comments on City region deals.

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