

Local Government and Communities Committee

City Region Deals

Submission from the Ayrshire Growth Deal

The Local Government and Communities (LGC) Committee at the Scottish Parliament are seeking responses to its call for evidence on City Region Deals and local growth deals. Organisations and individuals are invited to submit written evidence to the Committee setting out their views on whether City Region Deals are on course to deliver local economic growth and major infrastructure projects in line with their original proposals.

The LGC Committee has asked that submissions address the following questions:

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

There is no standardised approach to the description and agreement of city region/growth deals. Each deal is bespoke to the city region. City region/growth deals offer the potential for new collaborative regional partnerships.

City region/growth deals empower collaborations of local authorities, along with the private sector and wider public sector partners, to come up with unique proposals to enhance local and regional economic growth. To date, most deals have been tripartite in their nature; the UK Government, Scottish Government and comprising local authorities have been the key partners. Both Governments have pointed to the importance of private sector involvement in deals.

The focus in England has now advanced from city deals to 'Devolution Deals' that have developed powers to local areas, mainly in the areas of transport, business support and skills. However Manchester has recently been given control of the region's health and social care budget.

Deals in Scotland 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, however, 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/growth deals. Ayrshire has been identified as a Pathfinder for this work as part of the enterprise and skills review.

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

It is too early to evaluate the wider strategic achievements and economic conditions of the current Scottish City Region Deals. The Glasgow City Region Deal was agreed in 2014 and was the first City Region Deal in Scotland. Agreed outputs and outcomes for City Region Deals will be assessed through a Gateway Review mechanism, with the first Gateway Review for the Glasgow City Region Deal commencing in 2019. This 2019 assessment will be based upon the early stages of economic evaluation work.

City region/growth 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 like Ayrshire that have struggled to obtain investment following periods of industrial decline despite having key sectors such as aerospace and life sciences with the potential for growth.

City region/growth deals should comprise proposals that are collaborative, innovative, not 'business as usual' and produce a step change in regional productivity. Collaboration is a key element of deals 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/growth deals should illustrate how they achieve this aim.

Ayrshire Growth Deal partners have agreed that inclusive growth should be a key cross-cutting priority of the Ayrshire Growth Deal. Successful economies are inclusive economies and tackling inequality will help ensure that the region is competitive in the global market and resilient to emerging trends and technologies in the economy.

The principle of inclusive growth runs right through our proposals for the AGD and will form a key component of business case development. Ayrshire's ambitious vision of the future will only be achieved if communities are better connected to the economy and have the opportunity to prosper.

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

City region/growth deals should be matched by comprehensive monitoring and evaluation frameworks. Deals involve an element of risk for local authorities – many comprise of payment by results mechanisms – highlighting the importance of governance and monitoring arrangements.

It is encouraging that a Commission for Urban Growth was set up as part of the Glasgow City 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.

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.

Both the Glasgow and Aberdeen City Region Deals are governed by Joint Committees. Glasgow's Joint Committee comprises the leaders of the eight councils involved, with a number of officer groups managing progress. The Joint Committee governing Aberdeen City's Deal is made up of three representatives from each of the administrations of Aberdeen City Council and Aberdeenshire Council, and the Board of Opportunity North East. The Inverness and Highland City Region Deal involves

one Council area and appears to fit within Highland Council's current governance structure. In Ayrshire governance arrangements for delivering the growth deal are evolving through the work on the enterprise and skills pathfinder work.

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

The Ayrshire Growth Deal has engaged businesses in the process of developing our proposals and has taken feedback from an early stage. A number of projects are made up of both public and private sector investment. The deal will ensure local people are able to take advantage of the growth opportunities produced. All projects have considered their linkages to inclusive growth.

The Ayrshire Growth Deal partnership comprises the three Ayrshire Councils working in partnership with the public and private sectors who represent key stakeholders in Ayrshire. The local knowledge of Ayrshire College, the University of the West of Scotland and the Ayrshire Chamber of Commerce has been combined with the national expertise of Scottish Enterprise, Skills Development Scotland, Scottish Futures Trust and Scottish Council for Development and Industry (SCDI).

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

The lack of regional policy in Scotland has resulted in a mis-match of areas covered by city regional deals/growth deals. The upcoming departure from the EU provides a 'policy vacuum' for Scotland and the UK to consider a comprehensive regional policy, matched by adequate funding for those areas with most need, to replace that lost from the EU.

City region /growth deals have only been awarded in Scotland to date where a region incorporates a city. Scottish Government has highlighted that city region deals offer the potential for new collaborative regional partnerships.

Areas which are not part of city regions but offer significant growth opportunities, particularly around key sectors, that develop innovative proposals to accelerate regional growth should be given the same level of attention as city region deals have achieved.

In October 2016, proposals for the Ayrshire Growth Deal, covering the three Ayrshire authorities, were submitted to Scottish and UK Governments. An Ayrshire Growth Deal would provide the Ayrshire authorities and partners with the opportunity to focus on the major interventions which would significantly enhance the region's contribution to the Scottish and UK economies and drive up productivity across Ayrshire. Since submission of the Ayrshire Growth Deal Strategic Business Case, discussions with both Governments have commenced. In the case of the UK Government these discussions have focussed on the potential for Ayrshire projects to deliver local growth within the context of the emerging Industrial Strategy.

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

Yes. However, areas which are not part of city regions but offer significant growth opportunities, particularly around key sectors, that develop innovative proposals to accelerate regional growth should be given the same level of attention as city region deals have achieved.

As highlighted above, city region/growth deals should comprise proposals that are collaborative, innovative, not 'business as usual' and produce a step change in regional productivity.

The vision of the Ayrshire Growth Deal (AGD) is for Ayrshire to be ***a vibrant, outward looking, confident region, attractive to investors and visitors, making a major contribution to Scotland's growth and local well-being, and leading the implementation of digital technologies and the next generation of manufacturing.***

To achieve this Ayrshire will play a greater role in the regional, Scottish and UK economies. Ayrshire will be recognised for leading the successful implementation of key technologies in manufacturing sectors that are important to Scotland, for its world class digital and physical infrastructure and the quality of life it can provide. Our ambition is to see this happen through targeted investment, greater collaboration with the public sector stakeholders and partnership with the private sector.

In response to Phase 1 of the Scottish Government Enterprise and Skills Review, the three Ayrshire Councils confirmed that – building on the Ayrshire Growth Deal discussions – the three Councils are exploring the potential for a single Ayrshire agency that would increase shared service arrangements and help strengthen local economic development services. As part of the Ayrshire Growth Deal ongoing work, we will look at our capital and revenue programmes to identify how we can make investment alongside Government to unlock the potential of the Ayrshire economy.

As part of the Enterprise and Skills Review, the three Ayrshire local authorities have been invited by the Scottish Government to act 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 a region to maximise the collective impact on boosting competitiveness and tackling inequality at local, regional and national levels.

To inform this 'Pathfinder', we are taking an evidence based approach to determine the key priority constraints that need to be addressed to achieve inclusive growth and to raise productivity. An 'Inclusive Growth Diagnostic' which is currently being piloted in North Ayrshire is being rolled out across the whole region. Based on a methodology conceived by three Harvard Economists, diagnostics are increasingly used in developing countries to identify the main constraints to growth and prioritise spending actions to unlock them. The Diagnostic will help inform actions for addressing local priorities for achieving inclusive growth, regional priorities (things that can be tackled together on an Ayrshire wide basis) and actions which the Scottish Government should take to achieve inclusive growth across all of Scotland.

The AGD and its projects will be one of the key components in tackling the shared constraints which are identified. However, we will also explore ways to work together to more effectively tackle constraints and identify which services could be coordinated at a regional level to tackle inclusive growth.

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

In January 2017, the UK Government produced a Green Paper on an Industrial Strategy which, alongside a focus on key sectors, also places emphasis on the role of place in creating and spreading economic growth throughout the UK. In this context, the Ayrshire Growth Deal has been asked to demonstrate how it can contribute to the delivery of the Industrial Strategy and this will frame discussions with the UK Government. It is likely to be the case that further discussions with the UK Government on growth deals will have a strong emphasis on the Industrial Strategy.

Areas which are not part of city regions but offer significant growth opportunities, particularly around key sectors, that develop innovative proposals to accelerate regional growth should be given the same level of attention as city region deals have achieved.

The upcoming departure from the EU provides a 'policy vacuum' for Scotland and the UK to consider a comprehensive regional policy, matched by adequate funding for those areas with most need, to replace that lost from the EU.