

## Local Government and Communities Committee

### City Region Deals

#### Submission from the Scottish Council for Development and Industry

##### Introduction

SCDI is an independent membership network representing a broad cross-section of the private, public and social economy sectors in Scotland. Our purpose is to influence the agenda for Scotland's long-term economic and social prosperity.

Please see our response to the questions outlined below:

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

The financial crash widened the view that the UK needed to be rebalanced economically and sectorally. The UK is unusual in that its largest city is far larger than its next largest city regions and nearly all of its second tier cities have lower GDP per capita than the national average. This relatively weak performance was understood to be related to the relatively high levels of centralisation within the UK, which SCDI first raised as an issue in the late 1960s but which became ever more pronounced from the 1980s. Following devolution to Scotland, Wales and Northern Ireland, attempts at decentralisation within England from the late 1990s had, generally, been unsuccessful in gaining public support.

Around the world, cities have increasingly been recognised as key drivers of economic growth. Therefore, for the UK to raise its national growth and as well as spread economic and social prosperity, action to increase growth in its cities outwith London was believed to be essential. Manchester had shown the potential for a city region to work together turn around its economic prospects through a long-term vision and public and private sector leadership and partnerships. This was the basis of the City Deal programme.

In Scotland, there was concern about post-devolution centralisation and a lack of a cities policy for intracity and regional travel-to-work priorities. For instance, feedback to SCDI has suggested that opportunities to promote the diverse strengths of Scotland's city regions to national and international investors are being missed - although the development by the Scottish Cities Alliance of the City Investment Plans and investment prospectus has enabled Scottish Development International to raise the profile of this work.

As they have evolved, City Region Deals typically seek to utilise the power that cities hold in attracting global and national innovative and productive firms, highly skilled and entrepreneurial people and investment in order to strengthen the competitiveness of a particular area. The city region approach gives additional focus to stakeholders and partners within a defined geographic area to draw together vision and policies aimed at improving productivity, creating investment incentives

and generating an internal competitive tension that can positively impact service delivery and economic performance. They can also target the specific needs of an area brought about by historical deficits in infrastructure that may have limited economic growth.

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

It will be difficult to ascertain what additionality the City Region Deals have generated so far in Scotland. Attempting to compare areas within Scotland that have not got deals to those which do would not be provide an accurate assessment because of the pre-existing variations in the investment attractiveness of different areas, shifts in potential returns on investment due to market changes and myriad other factors. The City Region deals provide a mechanism to introduce transparent governance structures to assess the impact of investment, innovation and infrastructure development going forward which will deliver useful intelligence on interventions and what can be achieved for future economic support programmes and this should be a key learning.

In terms of whether the deals are on track, these are long-term projects and it would be too early to assess them at this point. Each deal has its own governance procedure and these should be relied upon to understand the progress towards objectives in each case. SCDI does believe that there is strong potential to maximise the benefits of investment in infrastructure and that there are positive steps in this direction – for example, to align long-term capital investment in higher and further education with investment in economic infrastructure in a way which has too infrequently been done previously.

Going forward, there will be a need for city deals to work within the emerging policy landscape, including the priority which is being given to regional partnerships across a range of portfolios, the outcomes of the enterprise and skills review, and the sector deals proposed in the UK industrial strategy green paper.

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

The governance arrangements around each deal vary and reflect the differing partnerships that make up each one. Inverness has only one local authority involved whereas Glasgow has eight so it is to be expected that governance will be unique to each one.

We would anticipate that Audit Scotland will look at the deals and it may well be helpful to look across all of them to understand the collective benefits of them across Scotland as well as looking at projects in the same sector across all the deals to understand the value added to specific economic sectors in Scotland as a result of the combined programme to ensure that there are genuine benefits to a regional rather than a national approach.

It might be helpful to look across the city deals to identify synergies and opportunities for economies of scale through collaboration.

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

It is questionable whether smaller businesses and citizens understand the City Region Deal mechanism, what its objectives are and how it relates to them. Outlining what the aims of each project and how they all fit into the overall aims of each deal will help to raise awareness of the investments being made and the desired outcome that the deals hope to achieve. SCDI have been particularly active on this front in relation to the Inverness & Highland deal.

The expectation of private sector investment is high and there should be active effort made to engage the private sector as a fully participating stakeholder in developing and delivering the programmes. This was not particularly evident initially in some deals, although SCDI notes that efforts have been made to retrofit stronger business leadership and stepped up with deals that are in preparation - such as the creation of a private sector business forum for the Tay Cities Deal and business engagement in the Ayrshire Growth Deal. It is critical to the success of each of the City Region Deals that private sector input and engagement is sought and more should be done to ensure this. Outlining a clearer timetable of when projects will be completed, or key elements delivered, is vital in ensuring that the private sector can plan their investments.

The emergence of Sir Ian Wood's ONE (Opportunity North East), was clearly important in galvanising both Local Authorities in the North East and gave additional credibility to their original prospectus.

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

The City Region Deals provide a strong focal point to create a vision and define desired outcomes for a particular area which should in turn help support the investment business case through greater certainty and confidence. That is not to say that other areas would suffer as a result of not having a City Region Deal. Market-led investment will ultimately seek the greatest returns. There could be economies of scope that could be achieved through the economic and investment planning function of the City Region Deals project management function but in other areas this role could be carried out by collaborative working or by a different entity such as the local authority. In practice this may not be the case, SCDI would advocate that evidence is fully considered through the auditing process to ascertain whether any negative impact can be observed in areas not covered by a City Region Deal. As stated above it may be difficult to take a conclusive view on this as a result of the differing baseline cases and external influences on investment.

The development of city deals has stimulated collaborative and innovative proposals from other areas of Scotland to achieve inclusive growth and close the gap. At the recent SCDI Forum, the UK and Scottish governments both warmly welcomed the

Ayrshire Growth Deal Prospectus from the three Ayrshire local authorities, other public agencies and private sector partners. They propose that the region becomes a Regional Productivity Pilot which will align sector and place to transform its prospects. SCDI believes that the UK industrial strategy should develop approaches to piloting support for regional deals, including Ayrshire's.

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

The need to re-balance the economy to ensure greater equality of economic growth and prosperity is evident. Scotland is not seeing the same level of leadership, governance and devolution of decision making powers to the City or City Region level as has occurred in England. It should be considered within the review process of each deal in Scotland whether this has impacted on delivery or on the ability of the programme to raise private sector investment or create added value.

There is also an evolving city region and regional agenda in Scotland. Feedback from SCDI members, is, generally, that this should be supported. They would like strengthened leadership and governance and public service standards and efficiency in all authorities raised to the levels of the best – and believe that this should be followed by a further decentralisation of powers.

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

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