

Local Government and Communities Committee

City Region Deals

Submission from Scottish Enterprise

We welcome the opportunity to provide evidence to the Local Government and Communities Committee on their inquiry into City Region Deals. This is a timely and important inquiry and will help inform future developments. We have set out below a summary of our role, the importance of strong partnership working to the delivery of economic impact, and our response to the specific questions in the Call for Evidence.

Delivering Economic Development

As Scotland's national economic development agency, our principal role is to drive actions to support Scotland's Economic Strategy, which sets out a framework to improve competitiveness and tackle inequality through higher levels of **innovation, internationalisation, investment and inclusiveness**.

We do this by working collaboratively with **local, regional, national and international partners** and the **private sector** across four key themes:

- **Stimulating positive change in the business environment** by working with public and private sector partners on major infrastructure projects to unlock growth potential such as at **Edinburgh's BioQuarter, Pacific Quay** in Glasgow, the **Dundee Waterfront** or the **Borders Railway** project.
- **Building competitive strength in Scotland's Sectors** by working with public and private sector partners to address specific threats and challenges (such as those facing oil and gas) and emerging opportunities (such as subsea, fintech, data science and advanced manufacturing) by capitalising on Scotland's unique natural assets, talent and research excellence.
- **Helping Businesses to Grow** through developing ambitious plans for growth and supporting businesses to achieve them. This includes support with innovation and internationalisation, leadership and organisational development, employment and workplace practices, and helping companies invest in expansion, new products, new markets, research and development.
- **Increasing Trade and Investment** by promoting Scotland's strengths in overseas markets to attract new foreign direct investment and to secure trade opportunities for those sectors where Scotland has internationally competitive capabilities.

Partnership Working with Scotland's Local Authorities

Effective partnership working plays a crucial role in delivering greater impact and we have in place a formal model of engagement with every Local Authority in lowland Scotland. Our **Location Director** approach links a senior member of staff

with each Local Authority leadership team to jointly develop and deliver projects that reflect local circumstances and challenges. A good example of this working in practice is our work with North Ayrshire Council:

- We are a key partner in **Team North Ayrshire**, which takes the best elements of the Scottish Enterprise Account Management structures to deliver relationship-led results for local business. Through targeted interventions, companies demonstrating the greatest growth potential work with advisors able to link companies into the wider North Ayrshire support framework. This focus helps the Local Authority focus resources on those areas which can deliver most change whilst building relationships with local stakeholders who are equally invested in the programmes success.
- As part of our work with **Team North Ayrshire**, we looked to improve support for Innovation through broadening engagement with the wider business base. With the introduction of dedicated resource we were able to work with a far wider range of companies and adopt an approach which has subsequently been rolled out nationally.

The ongoing engagement we have had with Local Authorities across Scotland has ensured we have been **well placed** to support them in the development of their **City Region and Growth Deals**. Our distinctive national delivery perspective also allows us to provide a pan-Scotland view of the **ambitions** and **plans** of each Deal and how they can **complement, accelerate** or bring **fresh impetus** to Scotland's economic challenges.

We have engaged in City and Growth Deals at both strategic and design development stages, bringing a national and key sector perspective to proposals and highlighting any overlap or duplication with other Deals or other national projects. Our focus is on identifying how **national and regional efforts can align** to deliver greater impact from public sector investment and unlock important private sector investment. A practical example of this is our joint work on the Glasgow Airport Investment Area (GAIA) project. We are actively involved in the Steering Group for GAIA, which has the potential to create a new Advanced Manufacturing District of national significance and is working closely with both local and regional partners to drive the project forward.

The Committee will be aware of the Scottish Government's **Review of Enterprise and Skills Agencies**. A particular area of focus for the review is stronger Regional Partnerships and future opportunities to create a vision and strategy at regional level to stimulate local economies and support national growth.

As part of the Enterprise and Skills Review work, we have worked very closely with Scottish Government, Highlands and Islands Enterprise, Skills Development Scotland, Local Authorities and others to reach agreement and consensus about the potential role, remit, scope and governance of any emerging Regional Partnerships Model.

1. What's your understanding of the purpose of City Region Deals?

Scotland's cities and their surrounding regions represent the most significant concentrations of economic assets in the country. The City Region Deals **act as enablers to unlock these assets in order to fully realise their potential and drive economic growth and maximise impact**. They reflect the particular circumstances, assets and challenges in each location and ensure each city region has the ability to shape the strategy and approach best suited to their area.

By **empowering Local Authorities to operate strategically at a regional level**, the Deals encourage **collaboration across and between cities and their surrounding areas** to build their international competitiveness and long-term approaches to inclusive and sustainable economic growth. City Region Deals support a shared vision across the range of local, regional and national partners, including Scottish and UK Governments, achieving greater buy-in and ability to leverage resource.

The Deals are **designed to enhance alignment between national, regional and local ambitions, strategies and resources**. With the potential for new, collaborative regional partnerships, the Deals provide opportunity for greater private sector involvement and strategic alignment of public and private sector resource behind projects that will have the greatest economic impact and achieve greater value for money.

This improved engagement and partnership approach will **enable and accelerate significant investment** into regions and sectors that would not otherwise have been possible at an equivalent scale from other funding sources.

Each deal is bespoke to its city region and **includes a package of measures designed to come together as a coherent whole** and should take account of local economic assets and strengths. In Aberdeen, for example, the industry-led Oil & Gas Technology Centre (OGTC) will support innovation in the sector, maximise economic recovery of the reserves in the UK Continental Shelf, and anchor the supply chain for oil and gas in the UK. This will support the retention of high value jobs in the North East, rest of Scotland and across the UK. The Aberdeen City Deal will also support Life Sciences and Food, Drink and Agriculture sectors by building on existing industry and research expertise in Aberdeen, commercialising opportunities and increasing volume of start-ups in these sectors.

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

The Deals are intended to deliver large scale projects that will deliver long-term and sustainable economic benefit. They are relatively new, with the most established Glasgow City Regional Deal less than 3 years into a 20 year plan seeking to address longstanding and persistent challenges such as levels of unemployment and entrepreneurship, as well as delivering a number of major physical regeneration projects. The lifespan of the Aberdeen City Region Deal is over 10 years, and the Inverness and Highland City Region Deal is similar. The expectation is that other

Deals will have similar timeframes and therefore it is too early to assess overall impacts at this stage.

There are examples of some projects – such as the Exxon site in West Dunbartonshire (part of the Glasgow City Regional Deal) – that are **wholly additional** and would not have been able to proceed without City Deal funding. Some others have a degree of **time** or **scale** additionality. For example, the previously mentioned Oil & Gas Technology Centre project, which has enabled significant investment via the City Region Deal into the Aberdeen City region and into a key sector for Scotland and the UK, that would not otherwise have been possible at that **scale**.

Over and above that, City Deals bring benefits of co-ordination that would otherwise be hard to deliver. This **cross-boundary working at regional levels** is important to highlight, as it reflects how companies and people do business and participate in the labour market. Over time, it has the potential to bring about improvements in local economic development beyond the direct investment in the Deal.

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

Robust governance arrangements were fundamental to the approval of the Deals, given the significant public funds allocated through them. The UK and Scottish Governments' approach to governance arrangements allows for each city region to choose the structure that best suits their circumstances, and to take advantage of best practice examples from elsewhere.

Governance structures have also taken advantage of pre-existing partnerships where they exist, for example Opportunity North East in the Aberdeen City Region Deal. By doing this, the city deal governance structure can get the benefit of the relationships and networks already developed by these partnerships, without having to devote the time required to develop them afresh. They also allow for efficient and effective engagement with the private sector.

Local Authorities lead on the governance of City Region and Growth Deals. Scottish Enterprise, like other national partners, will contribute its expertise and networks to each City Region Deal as appropriate.

As with the governance arrangements, our contribution looks different in each City Region Deal. In the **Aberdeen City Region Deal** the Joint Committee brings together elected members from the two Local Authorities with representatives of Opportunity North East, including Scottish Enterprise. In the **Glasgow City Region Deal**, the main decision making body is the Cabinet, made up of the eight Local Authority Leaders. Other partners, including Scottish Enterprise, have been invited to contribute via sub groups such as the Economic Delivery Group.

For the City Region and Growth Deals in progress, while there are no formal governance structures yet in place, we are working with the Local Authorities and other partners to develop robust project propositions for inclusion in the Deal. For example, The Tay Cities Deal has put in place a Management Group comprising

Local Authorities, SE, SDS, and the Tay Cities Deal Executive. This meets regularly to shape the Deal and discuss and appraise projects forming part of the proposition.

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

The Community Empowerment (Scotland) Act 2015 established the principle that community bodies, including those representing the private sector, should be engaged to the extent they wish to be. Given the City Region Deal focus on economic growth, engagement with the **private sector is critical**.

In response to this need the various City Region Deals have adopted approaches suitable to their region and their governance arrangements (see question 3 above). The **Aberdeen City Region Deal** has the private sector led Opportunity North East on its joint committee to bring the voice of business into the discussion. Similarly, the **Glasgow City Region Deal** established the Glasgow City Region Economic Leadership Board, with a representative attending the Cabinet in a consultative capacity.

The **Tay Cities Deal team** ran a series of thematic consultation workshops with businesses and universities while developing their bid in early 2016. They replicated this approach during the Chamber of Commerce business week in Summer 2016 to engage with a broad business audience.

The **Ayrshire Growth Deal** consulted with business from the early stage of bid development through obtaining their input from business specific focus groups, and participation in research studies into business base support/premises requirements.

The City Region Deals would also benefit from a national perspective in their engagement. The Industry Leadership Groups could potentially play a valuable role in this.

5. Have regions not covered by City Region Deals able to access equivalent funding and support for growth, Innovation and Infrastructure?

As a national economic development agency, whose **innovation, internationalisation, and investment services are available across every region across the country**, we are pleased to see any additional investment with the potential to accelerate growth and help achieve greater impact. The City Region Deals provide valued additional and complementary funding, giving added impetus and scale to projects and activities to drive regional economic growth.

Innovation, investment and internationalisation support, along with growth that is inclusive, has long been a focus of the enterprise agencies and partners, whose work both prior to and since the deals has been to create a supportive business environment to stimulate growth, harnessing and capitalising on Scotland's distinctive strengths in sectors, natural assets, talent and skills **across all areas of Scotland**.

We have played a key role in the development of the **Ayrshire Growth Deal**, which follows a similar tripartite structure to City Deals. This includes specific interventions around areas where we can deliver the greatest support. For example, development of an internationalisation and innovation framework for Ayrshire and economic benefit appraisals, master planning and communications development for a joint initiative with partners and the private sector to develop the aerospace/space sector proposition. This involved the appointment of a cluster development manager to promote aerospace and improve liaison among the private sector aerospace companies in the Prestwick area.

As a rural economy, the **South of Scotland** faces a number of unique challenges. These have been recognised as part of the current Scottish Government's Enterprise and Skills Review, which recommends the establishment of a new vehicle for the South of Scotland to ensure that the enterprise and skills needs of the area are effectively met.

The new vehicle will have a key role in supporting **inclusive growth**, tailored to the region's challenges and opportunities, recognising the region's distinctiveness. It will harness **activity across the enterprise and skills system** to meet the needs of the South, including skills and advanced education. We will seek to align our operating model accordingly and support developments in relation to the new South of Scotland Enterprise and Skills vehicle.

6. Are City Region Deals supporting a shift towards local decision making on major investment projects?

We welcome the boost to regional decision making by the City Region Deals. Many economic issues are regional and national in nature; travel-to-work areas and business supply chains being good examples. Approaches that focus attention on these economic opportunities, and bring together local, regional and national partners to make best use of them, is positive.

Collaborative efforts at a regional level to develop projects included in City Region Deals has had a positive effect in promoting greater partnership working, in establishing and building on strong regional governance arrangements, and in building the capacity of Local Authorities to carry out rigorous project appraisal. **This will be an important legacy of the City Region Deal approach.** We welcomed the indication that the role of partnership working is to be included in Audit Scotland's review of the City Region Deals in 2017/18.

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

Scottish Enterprise is wholly **committed to working with regional public and private partners including the Scottish Cities Alliance**, and to supporting the development and delivery of City Region Deals and their equivalent for non-city regions.

The City Deals are themselves a welcome investment and an approach that, if successful and aligned properly with the long term aspirations of the Economic

Strategy, could deliver step changes in Scotland's economy – e.g. shift the dial in addressing persistent economic growth challenges around investment, innovation, internationalisation etc. They complement frameworks or forums already established for city-region economic development, e.g. strategic development planning, transport planning, economic partnerships etc.

There is a strong regional flavour and focus to each deal and it is important they are based on shared analysis and strategy e.g. in Tayside there is an emphasis on inclusivity and in Aberdeen the focus is on diversification. Scottish Enterprise can add particular value in identifying strategic opportunities to improve the economic performance of regions across Scotland and as a national agency, with an overview of Scotland's economic landscape, our unique perspective can help ensure the deals are complementary in nature. It is **important that agencies, such as our own, are engaged in the the deals as early and as consistently** as possible in order to maximise our contribution and support.

The extent to which the deals impact positively on economic growth will go well beyond the physical projects that are delivered from their financial investment. They will have a valuable long-lasting effect on the culture of collaboration, creating a legacy of highly-functioning positive partnerships; greater collective ambition; enhanced consultation and engagement practices - all of which will help lead to growth for Scotland that is truly inclusive in nature.

Scottish Enterprise