

## Local Government and Communities Committee

### City Region Deals

#### Submission from Fife Council

*Please note that this submission was revised on 18 October 2017. The revisions are set out below in red.*

#### Background

In April 2017, the Scottish Parliament's Local Government and Communities announced an investigation into City Region Deals in Scotland. In particular, the Committee wished to gather views on:

“...whether City Region Deals are on course to deliver local economic growth and major infrastructure projects in line with their original proposals... [Including] views on the effectiveness of shifting responsibility for local economic development to local leaders.”

Fife Council submitted a response in May 2017. The Council is a partner in both the Tay Cities Deal and the Edinburgh and South East Scotland City Region Deal. It is also working with Clackmannanshire and Falkirk Councils to tackle the long term economic impact on the upper Forth area from the closure of Longannet Power Station. Since then the Council has entered into Heads of Terms with the UK and Scottish Governments for the Edinburgh and South East of Scotland City Deal. Negotiations are about to commence for the Tay Cities Deal. So the Council has updated its response to the Committee's call for evidence to reflect the clarity on the Edinburgh and South East of Scotland City Deal from the Heads of Terms.

The Committee's call for evidence asked respondents to address the following questions:

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

1. To encourage Local Authorities to collaborate to develop a clear, long-term programme of regional investment, prioritised to deliver Gross Value Added (“GVA”) [using GVA as a local measure of jobs and productivity growth]. To integrate and prioritise all investment priorities e.g. from the Strategic Development Plan, Transport, Housing, Economic Development, Innovation, Skills and Employability etc. to achieve a step change in regional economic growth and unlock opportunities for all. All parties to the Heads of Terms for the Edinburgh and South East of Scotland City Deal agreed that “A key driver for the investment in this deal is the opportunity to address inclusion across the region. Prosperity and success is not universal across the region: 21% of children are living in poverty; there is a lack of mid-market and affordable housing; and too many people are unable to move on from low wage/low skill jobs.” However, the partners also want a “transformational and inclusive city deal that will:

- *Build on the city region's strengths such as its high growth sectors that will provide the jobs of the future, its world class universities that are working with businesses on ground breaking R&D and innovation and Edinburgh's world class cultural offer.*
- *Address key economic barriers with significant new investment in housing and transport.*
- *Address issues which are constraining the region's economic potential and which match the strategic priorities for growth as outlined in the Scottish Government's Economic Strategy and the UK Government's emerging Industrial Strategy."*
- *The Edinburgh and South East of Scotland City Deal has also agreed to use the Scottish Government's emerging Inclusive Growth Framework to monitor and evaluate the programme. It is too early to know how this will influence the final business case as this has still to be developed.*
- All parties to the Heads of Terms agree that *Strong and effective leadership and governance is paramount to both successful implementation and in providing assurance to governments, local authorities and wider regional partners.* Fife Council committed to entering into a Joint Committee with the partners including representatives from Higher and Further Education and Business on 5<sup>th</sup> October 2017. This model will encompass the best practice approaches identified within the regional partnerships work stream of phase 2 of the Enterprise and Skills Review. To establish robust regional governance and delivery arrangements across the geography over which the investment will be targeted. By allowing greater autonomy and decision making powers, city regions can deliver public services more effectively and can make inroads into long-standing inequalities and deprivation across the region. This would help develop a more effective labour market for the City region; to open up access to a wider job market and to develop regional tools to support these ambitions.
- However, the Heads of Terms for the Edinburgh and South East of Scotland **has not yet enabled a** City Deal infrastructure approach that would achieve a degree of scale and management of the project portfolio that could not be achieved by one local authority alone. Initial objectives were to:
  - Improve the regional transport network, including enhancing public transport and active travel infrastructure to improve access to jobs;
  - Unlock strategic development areas;
  - Support key industry sectors; and
  - Deliver sustainable places.
- The UK Government, Scottish Government and local partners have agreed a transformational Research, Development and Innovation programme for the city region. All are agreed that innovation is the lifeblood of the region's economy. The region is already home to world class research and development activity, much of which acts as an anchor for the development of new products and services through innovation in the private sector. This will drive further growth in data science,

robotics, financial services and fintech, agritech, the creative and digital sectors throughout the city region's economy and will support wider reform and improvement in public service provision. A university-led innovation support programme will assist new and existing companies to undertake Research Development and Innovation activities to ensure the benefits of this growth are spread across the region.

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

The Heads of Terms for the Edinburgh and South East Scotland City Region includes the following for Fife:

***An Edinburgh and South East Scotland programme of investment in economic infrastructure, to ensure that businesses and communities across the region are fully able to engage in the data driven innovation opportunities including industrial and business premises, to ensure maximum impact from the innovation investment. Local partners and the private sector will invest significant additional funding to deliver key regional economic priorities including new industrial and business premises at Tweedbank and across Fife.***

This investment is critical to deliver local growth, innovation and economic infrastructure in Fife. It would not proceed without the City Deal funding. The City Deal enables delivery of a ten year programme rather than on a project by project basis as funding is secured. The Council intends to invest in this programme but does not have sufficient resources to complete this without the City Deal funding.

Fife Council is proud of its track record in achieving local benefit from its investment in infrastructure through community benefit clauses that create apprenticeships in its procurement contracts and through its market and supplier development programmes that help Small and Medium Enterprises succeed in the public sector market. The City Deal investment will enable this to continue over the longer terms and to greater scale to deliver local growth.

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

Strong delivery governance is a fundamental requirement from the UK Government for a City Deal. The Manchester City Deal is seen as a good example where the partners efficiently and effectively prioritise investment, are able to deliver on this, managing 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.

Fife Council committed to participation in Joint Committees for the Tay Cities and Edinburgh and South East of Scotland City Deals on 5<sup>th</sup> October 2018. It is early days to comment on how these will work in practice but the Council will actively participate and support these as it has done for other regional partnerships.

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

All the candidate infrastructure projects came from the Strategic Development Plan, Local Plan or Regional Transport Plan where they had been subject to considerable consultation with local residents and businesses to develop these as priorities. These stakeholders also included national agencies and organisations.

Regular update briefings have been made to Council members at committee which are available to local residents and businesses online.

This has been supplemented by consultation events organised regionally with businesses and other stakeholders that help develop regional priorities.

One of the disappointments for Fife Council was that no transport infrastructure projects in Fife were included in the Edinburgh and South East of Scotland Heads of Terms. There was no investment in transport infrastructure, including the Levenmouth rail link, the Standing Stone Road link, the A92 and the Charleston rail corridor in South Fife that had been included in the proposals to the Governments.

Since the Heads of Terms was announced, The Minister for Transport and the Islands has stated in Parliament that he is minded to instruct his officials at Transport Scotland to take on responsibility for governance for railway investment projects 4— or GRIP 4 — study of the Leven rail link. The Council is very supportive of this. The Minister acknowledged that almost a third of the local population supports the Leven Rail link. He also acknowledged that this is the only way that we can arrive at a definitive business case, in close collaboration with the council, due to the costs involved in the transport process. For the Council, this indicates that keeping local communities and stakeholders informed is not sufficient to make the case for investment in a City Deal – they must be actively involved in championing a project as they have done in Leven. However, not all projects have this level of community activism but are still of merit. The Council supports the comments in the Parliamentary debate on the Leven Rail Link that “the (transport appraisal) process involved is tiresome, lacks transparency and, is an antiquated approach to public engagement”.

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

A City Deal is only one form of funding available. Other funding sources such as Tax Incremental Finance (TIF), Growth Accelerator Model (GAM), SPRUCE, RSA, Scottish Growth Fund, Transport Funding e.g. Station Fund and EU funding are available to all regions. The issue is the process to keep informed of these funding options, their potential uses and eligibility criteria.

As mentioned, the regional governance proposals for Edinburgh and South East Scotland and Tay Cities deals supports the recommendations of the national review of the Skills and Enterprise agencies. Fife Council is also beginning discussions with

adjoining Local Authorities to the west to take forward regional economic plans to mitigate the long term impacts from the closure of the Longannet Power Station.

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

The Leven Rail Link example above would indicate that this is not the case. However the Heads of Terms for Edinburgh and South East Scotland does include commitment by the Scottish Government to continuing to work collaboratively with the city region partners on identified regionally-led local transport investment priorities through the establishment of a Transport Appraisal Working group, with an agreed and mutually shared remit and proposed outcomes. Partners will have the opportunity to be involved in and influence the second Strategic Transport Projects Review.

As mentioned previously, candidate projects were taken from the Delivery Plans for the Strategic Development Plan, Local Development Plan and Regional Transport Strategy if they could contribute to the overall economic ambition for the City Deal. These plans included local engagement with residents and other stakeholders and through the Council's own decision-making process.

Many of these projects have had the priority challenged by national agencies as part of wider, Scotland wide focus, processes for strategy and funding arrangements and were considered "aspirational" despite the local decision-making process. So effectively these projects were stalled due to the lack of local funding. If they can be funded through the City Deal process the City Deal approach will provide much needed support to deliver local priorities in investment that will contribute to a regional step-change in economic performance.

The City Deal process has also provided a means of constructively supporting the delivery of major investment projects in neighbouring Local Authorities e.g. the expansion of Edinburgh Airport, the advancement of the Rosyth International Gateway and the exploitation of the arrival of the V&A in Dundee where the potential benefits are regional.

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

The lack of inclusion of local Transport projects within the Heads of Terms for the Edinburgh and South East of Scotland City Deal reflects the challenges in collecting the required evidence and the high cost involved in developing the necessary business cases. It's a chicken and egg situation where as a Council with severe budget pressures, it is hard to justify the investment in these activities without some degree of assurance that the business case will be looked on favourable. There is cross-party and community frustration with the process—with the fact that it takes too long and that the answer to any question is to commission a further report, study or investigation. It is almost as if the decision is being put off rather than collaboration to solve the problem. Speed can also be lacking in the process.

The process to develop a City Deal is unique to each deal. It is an "ask" of government and negotiations to agree mutual priorities for investment that can take

several iterations over a period of years to secure a deal. There is no application form and transparent grant criteria. This requires considerable investment of Council and Government resources to develop the “asks”, supporting evidence of need and priority. In parallel it requires investment of time and resources to develop the City Deal partnership, to understand and commit to individual priorities and challenges.

The competitive nature of the process is a potential challenge, as to date City Deals have not been in a position to share information more widely across developing bids, not just in Scotland but also across the UK. A consequence of a national economic strategy is that all areas are pursuing the same strategic ambitions yet the city deal process demands differentiation and distinctiveness. It is accepted that there cannot be multiple, similar big ticket items e.g. centres of innovation for individual sectors but without the detail of other proposals, it is not possible to ensure that one city region differs from another.

A potential benefit from City Deal engagement on housing has been the development of shared objectives to introduce greater innovation in how housing is funded and constructed. Joint working has widened beyond the Local Authority partners but also with the Further and Higher Education organisations. A regional approach has meant that investment by one partner into alternative funding models has been shared with all, so that they can develop it further locally if appropriate. Early appraisal work indicate significant employment and productivity benefits from this approach.

One of the engagement strands for the City Deals has been a regional approach to engagement with infrastructure partners and stakeholders. Feedback from these organisations is that they would welcome the development of an agreed set of regional infrastructure investment priorities and the opportunity to align investment plans and priorities. This is not intended to replace local engagement but establish a shared strategic agenda for delivery.

There is also a potential issue of market capacity to deliver in given timescales across the range of City Deals and content.

Equally as there is now substantial coverage across Scotland by City Deal proposals or similar, is this getting to the point where a re-appraisal of Scotland wide policy would be beneficial, and more effective and efficient, than a series of apparent, discrete bid and partnership arrangements.

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