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Convenor
Local Government and Communities Committee
Scottish Parliament
EDINBURGH
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Dear Bob,

CITY REGION DEALS

Following the committee session on 13 June, at which the former Cabinet Secretary for Economy, Jobs and Fair Work provided evidence, the committee asked for some further material. As city region deals now fall within my portfolio responsibilities, I am happy to respond. The committee asked for:

- Further information on how the diagnostic tool is applied in relation to inclusive growth and the selection of projects; and the monitoring framework.
- A detailed breakdown of how funding decisions were made, to allow the Committee to better understand what factors led to the final amounts and disparities in UK/SG funding.
- Figures for job creations as a result of the City Deals, both current and those expected to be created in the long term.

I apologise for missing the committee's deadline but hope that you find the attached information of use to the Committee in its deliberations and I look forward to engaging with you on this topic in due course.

MICHAEL MATHESON

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CITY REGION DEALS: FURTHER INFORMATION FOR THE LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

1. Further information on how the diagnostic tool is applied in relation to inclusive growth and the selection of projects; and the monitoring framework

The Scottish Government is clear in its determination to secure inclusive growth – economic growth that combines increased prosperity with greater equity – for all in Scotland.

To assist localities with this, we have developed an inclusive growth diagnostic approach which provides a framework for investigating the opportunities and constraints to growth and inclusion in a particular place. The approach was initially piloted in North Ayrshire and has been tested in a number of places since. Full details are available on the website of Scotland's Centre for Regional Inclusive Growth (SCRIG) which can be accessed via the Scottish Government's website.

In the Enterprise and Skills Phase 2 report, published June 2017, we made clear our expectation that city region deals should be informed by the inclusive growth diagnostic approach and monitored in terms of inclusive growth outcomes.

Inclusive growth has been a key consideration in developing, for example, the Edinburgh and South East Scotland (ESES) city region deal, first to identify the issues to be addressed through the deal and then to consider how best to maximise inclusive growth outcomes. Regional partners have made it clear that a key driver for the Edinburgh and South East Scotland City Region Deal is to promote equality through addressing inclusion across the region.

Prosperity and success is not universal across the Edinburgh and South-East Scotland city 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 skills jobs. The deal aims to address these issues, create new economic opportunities, and is expected to result in up to 21,000 new jobs.

The ESES city region deal's inclusive growth ambitions are embedded in its plans and aligned with the Scottish Government's Economic Strategy ambitions, responding to the particular challenges faced across the region. A detailed analysis of the region's economy identified six key inclusion challenges:

- Slow Growth;
- Regional disparities in jobs density;
- Housing, transport and connectivity;
- Skills inequality and polarisation;
- Gender and age inequalities; and
- Low income and low pay

Five thematic interventions to target these challenges will go some way towards ensuring that the benefits of the ESES city region deal investment are shared as widely as possible:

- Accelerating inclusive growth;
- Removing the physical barriers to growth;
- A significant programme of construction;
- Targeted skills interventions; and
- Social benefit through innovation.

Business cases for projects included in the programme are required to demonstrate how they will reduce inequalities and tackle the inclusion challenges specific to the city region. A Monitoring and Evaluation Framework is being developed for the programme, which will incorporate clear indicators to align with the Scottish Government's inclusive growth framework, also under development. This will form part of the annual reporting.

In developing the Stirling and Clackmannanshire city region deal, workshops focused on inclusive growth ensured that regional partners were clear about their inclusive growth challenges as they developed their proposals. In moving from Heads of Terms to full implementation, partners will keep a focus on maximising inclusive growth outcomes from the investment programme.

In relation to monitoring, the Scottish Government measures and reports on the progress of government through the National Performance Framework (NPF), which was recently refreshed and published on 11 June 2018 and it can be accessed at <http://nationalperformance.gov.scot/>. A number of the outcomes and indicators contained within the NPF reflect inclusive growth and are highlighted on the new SCRIG web resource. As part of their city region deal, regional partners are required to produce annual monitoring reports, including assessments against inclusive growth outcomes. The first formal annual reports are expected to be available later this year.

2. A detailed breakdown of how funding decisions were made, to allow the Committee to better understand what factors led to the final amounts and disparities in UK/SG funding

Regional partners develop proposals for a city region deal, taking into account the principles on which Scottish Government engages, as set out in our strategy (<https://beta.gov.scot/publications/scotlands-agenda-cities/>):

- City Region Deals offer the potential for new collaborative regional partnerships, focused on long-term strategic approaches to improving regional economies. The starting point for discussion should always be a clear regional strategic vision for economic development. Deals in Scotland should fit within the overall framework of Scotland's Economic Strategy - making a clear and measurable significant long-term contribution to both prosperity and fairness. We will expect that any deal must operate at a functional economic geography, and be underpinned by robust governance at the regional level that includes key stakeholders from the wider public sector, business and industry.

Once regional partners have developed proposals these are shared with Government and prioritised and assessed through a series of workshops and discussions that consider (amongst other things):

- Potential for transformative impact and fit with regional vision
- Contribution to improving regional economic growth
- Contribution to improving inclusion
- Fit with existing policy
- Partners' priorities and capacity to deliver
- Ability to leverage additional investment.

Scottish Ministers have been very clear that they expect city region deals in Scotland to be 50:50 funded with UK Government and that it is the UK Government investment that determines the overall "quantum" of the deal. In a number of instances, Scottish Government has chosen to invest more in a region than the deal itself. In the Aberdeen and the Stirling city regions, Scottish Government committed to additional investments in the city regions over and above the city deals. As the breakdown of the funding shows, this has led to a disparity in the Scottish Government and UK Government investments.

3. Government Spend Commitments

During its evidence, the committee was interested in understanding the breakdown of spend per deal and breakdown of funding per government for each deal and in particular, what the additional SG investments amounts are and what they are for. The table below sets this out.

SUMMARY OF COMMITMENTS

City Region Deal (CRD)	Scottish Government funding	Scottish Government additional funding	Total
Glasgow CRD	£520 million		£520 million
Aberdeen CRD	£125 million	£254 million	£379 million
Inverness and Highland CRD	£135 million		£135 million
Edinburgh and South East Scotland HoT	£300 million		£300 million
Stirling and Clackmannanshire HoT	£45.1 million	£5 million	£50.1 million
Total	£1.125 billion	£259 million	£1.384 billion

Aberdeen additional funding - £254 million

The Scottish Government made a commitment to invest a further **£254 million** in transport, housing and digital across the North East over the same 10 year period as the City Region Deal.

Stirling and Clackmannanshire additional funding - £5 million

This will deliver a new Business Park at Kildean and support the next stage of development of proposed new infrastructure at Callander.

Agreed City Region Deal (CRD) or Heads of Terms (HoT)	UK Government funding
Glasgow CRD	£523.67 million
Aberdeen CRD	£125 million
Inverness CRD	£53.1 million
Edinburgh and South East Scotland HoT	£300 million
Stirling and Clackmannanshire HoT	£45.1 million
Total	£1.04 billion

4. Figures for job creation as a result of the City Deals, both current and those expected to be created in the long term

The following table sets out the regional partners' estimates of jobs as captured in deal documentation at point of signing.

Agreed City Region Deal (CRD) or Heads of Terms (HoT)	Regional Partner estimates of jobs impacts – as set out in deal documentation
Glasgow CRD	An additional 29,000 jobs
Aberdeen CRD	3,300 new net jobs
Inverness CRD	1,125 direct jobs plus 2,200 construction jobs
Edinburgh and South East Scotland HoT	21,000 new jobs
Stirling and Clackmannanshire HoT	5,000 new jobs
Total	61,625 jobs over the lifetimes of the deals, including temporary construction jobs.

In addition, The Glasgow City Region Deal committed to supporting 5,500 unemployed people back into sustained employment.

The first formal annual reports (due later this year) will set out progress towards these targets.