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James Dornan MSP

Convener

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BM November 2018

Dear Mr Dornan

I am writing to advise that I have agreed a City Region Deal for Tay Cities with UK Government and with the Regional Partners. A formal Heads of Terms has been signed and we are now progressing to develop the full deal.

I attach a PDF copy of the Heads of Terms which is also available on the Scottish Government website at <https://www.taycities.co.uk/news/heads-terms-signing>

I have written in similar terms to the Convener of the Economy, Energy and Fair Work Committee, given its portfolio interest in City Region Deals, and I have also placed copies of the Heads of Terms document in SPICe.

Best wishes
Michael Matheson

MICHAEL MATHESON



Tay Cities Region Deal

Heads of Terms Agreement

22 November 2018



Our signing of this document confirms our joint commitment to achieve full implementation of the Tay Cities Region Deal.

Mr Michael Matheson MSP
Cabinet Secretary for Transport, Infrastructure and
Connectivity
Scottish Government

Rt Hon David Mundell MP
Secretary of State for Scotland
UK Government

Cllr David Fairweather
Leader of Angus Council

Cllr John Alexander
Leader of Dundee City Council

Cllr Karen Marjoram
Fife Council

Cllr Murray Lyle
Leader of Perth and Kinross Council

Ellis Watson
Chair, Tay Cities Enterprise Forum

Professor Sir Pete Downes
Chair, Tay Cities HE/FE Forum

EXECUTIVE SUMMARY

1. The Tay Cities Region comprises the local authority areas of Angus, Dundee City, Perth & Kinross and the North East area of Fife. The region has a strong economic base and regional identity with world class universities and many cutting-edge businesses. It is home to almost 500,000 people and over 15,000 businesses. Its two cities, Dundee and Perth, are just over 20 miles apart.
2. Inspired by the catalyst City Region Deal process, regional partners have established a strong regional economic partnership to drive their economy and their Tay Cities Regional Economic Strategy¹ sets out both the challenges and the opportunities for the regional economy over the coming years. The partners are very clear that for the economy to thrive they must:
 - Grow their base of knowledge-led businesses;
 - Support more businesses to trade internationally;
 - Attract investment;
 - Attract and retain talented people;
 - Improve connectivity to, from and around the region;
 - Increase economic participation; and
 - Reduce inequalities.
3. This Heads of Terms sets out the scope of a City Region Deal that seeks to transform the regional economy by delivering inclusive growth: raising the productivity of the region and increasing the participation of its workforce. Its themes reflect the regional strategy and focus on inclusion, industry, innovation, internationalisation and empowerment.
4. The Heads of Terms commits the UK Government and the Scottish Government to work collaboratively with the regional partners to deliver a Deal that will transform the regional economy. The Scottish Government and the UK Government will each invest up to £150 million in the Deal over 10-15 years, subject to final approval of robust business cases
5. City Region Deal partners believe that this investment has the potential to secure over 6,000 jobs and lever in over £400 million in investment over the next 10-15 years, decisively reducing the economic inequality gap as part of the drive to boost productivity.

¹ https://www.taycities.co.uk/sites/default/files/tay_cities_deal.pdf

THE COMMITMENTS

An Inclusive Tay

Employability and Skills

6. Through the Tay Cities Region Deal the Scottish Government will support additional investment being made by regional partners to deliver better skills outcomes across the region
7. Subject to approval of a programme business case, the Scottish Government will invest up to £20 million to support delivery of the Tay Cities Skills and Employability Development Programme to deliver Fair Work. The Programme will reduce skills shortages and gaps, and deliver incremental system-wide improvements to ensure Inclusive Growth by boosting the flow of individuals from disadvantaged groups, support reskilling into the career opportunities that will be generated through and as a result of the investment in the Tay Cities Region Deal.
8. The UK Government will invest up to £8.1m in the Aviation Academy for Scotland which is an innovative Tayside-wide partnership project with the key objective of providing specialist training and skills in the aviation industry.

An Innovative, International Tay

9. An important focus of the Tay Cities Region Deal will be ensuring that research and innovation activity catalyses new job opportunities for the people of Dundee, Fife, Perth and Angus. These jobs will include research and academic posts, jobs flowing from new start-up companies, expansion of existing companies and migration of companies to the region. The projects referenced below will work with the Employability and Skills Programme to maximise its regional benefit. Through this city region deal, both the Scottish and UK Governments will commit to drawing on the resources and expertise of agencies such as Scottish Enterprise, Scottish Development International, Skills Development Scotland, Scotland's Innovation Centres, Innovate UK and the Department for International Trade to work collaboratively with the Tay Cities Region partners, including their business network, to ensure investments through the deal create quality sustainable jobs for the Tay Cities region.

Growing the Tay Biomedical Cluster

10. The region's Biomedical sector sustains more than 4,000 high-value jobs in research, development and manufacturing. The work has global standing and includes a strong base of companies such as Axis Shield Diagnostics Ltd; ExScientia; Concept Life Sciences; Eurofins and Vascular Flow Technologies Ltd

11. This City Region Deal seeks to build on the international reputation of this drug discovery research capability (in collaboration with other complementary Scottish assets) and also the internationally renowned minimally invasive surgical techniques and technologies. To support this ambition, Scottish Government will provide up to £25 million as part of a package of measures, and work with the partners to develop a clear and impactful programme of delivery which levers additional funding, enhances this international reputation and creates new technologies.
12. A complementary Skills Development and Training package within the Tay Cities Skills Development Programme, will support both Biotech and MedTech priorities by developing technical training facilities and Life Sciences workforce development at Dundee & Angus College to increase the supply of skilled laboratory staff.
13. With the active support of Scottish Enterprise, this has the potential to become one of the most attractive and sought after biomedical locations in the UK, delivering significant economic value.

Securing our Food Production and Development Capability

14. The region is home to the James Hutton Institute, the UK's main research centre on the environmental, crop and food science aspects of barley, the number one cereal crop in Scotland, the second most important in the UK and the fourth most important cereal crop globally. Together with the University of Dundee, the James Hutton Institute is building on this expertise to develop an International Barley Hub, focussed on the needs of industry. Based in Invergowrie, the Hub will bring users more closely into the research process with the intention of generating more industry-led and funded projects to drive benefits for the sector and supply chain.
15. In tandem, the James Hutton Institute also houses the Advanced Plant Growth Centre, which is developing a nascent technological approach to plant growth. This new approach seeks to deliver economic and environmental benefits to the agricultural, food and drink sectors. The Advanced Plant Growth Centre will develop innovative technologies for vertical growth systems and the potential cultivation of crops which currently cannot be grown in Scotland. It will also accelerate the development of new crop varieties, halving the current 7-15 year timeframe for new crops.
16. Through the Tay Cities City Region Deal the UK Government commits to invest up to £20 million to the International Barley Hub where it will become the focal point for translational development and innovation for all barley development in Scotland, the UK and internationally.
17. The UK Government commits to invest up to £25 million to the development of the Advanced Plant Growth Centre who will deliver increased commercial, economic and environmental benefits to the agricultural, food and drink sectors in the UK and internationally by innovative use of precision controlled environment technologies.

18. The Scottish Government recognises the very significant economic potential of these two projects and commits to invest up to £17 million in them to ensure their deliverability and success.

Strengthening Cyber Resilience and Developing Digital Forensics

19. The University of Abertay is a recognised UK leader for research and teaching in ethical hacking. Alongside this, the Leverhulme Research Centre for Forensic Science at Dundee University, is developing leading applications of forensic research. As part of the regional strategy to build high quality jobs for the future, regional partners recognise the opportunities presented by these two areas of work. Together, these projects provide a nucleus for a cluster of expertise in cyber security and digital forensics which has the potential to accelerate company growth in this global high-value sector.

20. Through the Tay Cities City Region Deal the Scottish Government commits to invest up to £6 million and the UK Government commit to invest up to £5.7 million for the development of the Cyber Security Centre of Excellence. The cyberQuarter will be a cluster of academic-commercial activity, providing a co-location space for academia and industry, expertise in applied research and access to a range of public sector support located within the Tay Cities region. The project will exploit the existing expertise of Abertay University in ethical hacking, the digital industries ecosystem of Dundee city and wider business-focused engagement activity undertaken by key partners. Businesses in the new centre will be able to benefit from bespoke support and advice from Business Gateway and Scottish Enterprise.

21. The UK Government also commits up to £15 million to establish the UK's first Forensic Science Research Centre to drive unprecedented levels of industrial partnership, invest in an Innovation Cluster Development alongside the University of Abertay's Cyber Quarter working with SMEs and start-ups to exploit new intellectual property and to enter new markets facilitated by the Forensic Science Catapult Centre and build a world-leading vibrant culture of Innovation, Communication and Economy at the University of Dundee by scaling up these modelled approaches to industrial engagement in an inspirational new-build at the heart of the University campus

22. To maximise the impact of these developments at both regional and national levels, Abertay and Dundee Universities and their partners will commit to ensuring alignment of the goals and work programmes of these new centres with the Scottish and UK Governments' wider ambitions, strategies and action plans on cyber resilience and cybercrime. In particular, when developing the new centre, the universities and their partners will consider how they can play an active role in supporting delivery of the Scottish Government's Cyber Resilience Economic Opportunity Action Plan, the Learning and Skills Cyber Resilience Action Plan, and the development of the Scotland-wide cyber security "cluster" that forms a core part of this.

Developing a World Class Tourism Offer

23. Building on world-class locations such as St Andrews, Gleneagles and the new V&A in Dundee, the Scottish Government will invest £37 million, subject to approval of a programme business case, to support a Regional Culture and Tourism Investment Programme that will invest in key economic assets in culture and tourism. The Programme will be developed in conjunction with the private sector and with national agencies and will be designed to maximise the use of public funds and leverage additional private sector investment. It will invest in a wide range of assets to ensure that the entire region can continue to develop its national and international visitor offer. This investment will attract longer stays in the region and ensure the region can deliver: uplift in the number of staying visitors; an increase in the average length of stay; and in the amount spent per visitor.
24. Subject to approval of robust business cases that set out clear economic outcomes and successfully securing match funding, the Scottish Government expects the Programme to provide up to £10 million in the Pitlochry Festival Theatre with the balance of investment supporting further priority projects that can demonstrate a strong economic impact across the region. The capital investment programme will be complemented by investment in hospitality and training as part of the Tay Cities Skills Development Programme leading to jobs growth and career progression in this growing sector of the economy.
25. In addition, UK Government will invest up to £10 million for the Perth City Transformation project to transform the cultural offer of Perth to achieve economic development objectives for the Tay Cities Region alongside substantial cultural investment in Dundee. The programme will create a cultural offer in Perth which responds to both local audiences and tourism visitors, complementing other cultural attractions to produce a compelling, cohesive 'brand' for Perth as a major cultural city.

Advanced and Sustainable Manufacturing

26. The importance of manufacturing to the regional economy is significant with manufacturing currently supporting some 5% of regional jobs. The commitments set out below will support strategic investment in the region's industrial base with particular focus on securing long term sustainable jobs in advanced manufacturing and the growing industries of renewable energy and decommissioning.
27. The Scottish Government's establishment of a National Manufacturing Institute for Scotland (NMIS) is at the core of measures to support making Scotland a global leader in advanced manufacturing. NMIS will be an industry-led international centre of manufacturing expertise where research, industry and the public sector work together to transform skills, productivity and innovation as well as attracting investment. This opportunity is further reinforced by the planned establishment of an Advanced Manufacturing Challenge Fund, supported by significant European funding which partners will be required to match.

28. Through this City Region Deal, the Scottish Government commits to investing up to £10 million in high value manufacturing. Included in this is £2 million to establish the Tay Cities Engineering Partnership, the first regional Engineering and Advanced Manufacturing network in Scotland. This network, led by industry and with the full participation of the regional colleges, will ensure that businesses right across the Tay Cities Region are fully able to engage with NMIS to reap the productivity benefits it will unlock.

Capitalising on Design

29. Complementing the investment in manufacturing, the Scottish Government will invest up to £3 million into Studio Dundee, an entrepreneurial hub in the heart of Dundee's new waterfront. This new development will provide flexible and adaptable co-working space alongside a fully-equipped and digitally connected tech lab which will attract entrepreneurial talent to Dundee: the UK's first UNESCO City of Design.

Preparing for a Low carbon Future

30. The Eden Campus of St Andrews University at Guardbridge in Fife is a 32.5 acre industrial site, with untapped capacity to co-locate industry alongside academic expertise from across Scotland and open up the University's activities to the business community, wider public and entrepreneurs. The University wishes to see some 75% of the site host a mix of science and technology-based industry and commerce activity underpinned by skills training services and mentoring programmes, access to high speed network for research (Janet) and reliable upgraded power and renewable heating supplies.

31. To support this ambition, and subject to a robust business case, the UK Government commits to invest:

- up to £7 million to develop a dedicated infrastructure Primary Substation power upgrade providing all required power for Eden Campus at Guardbridge with full supply security, reliability and no risk of constraint;
- up to £13.5 million for the Scottish Centre for Clean Energy Storage and Conversion which will address one of the world's most important technology challenges, whilst presenting a unique opportunity for this region and Scotland to build on strengths in low-carbon innovation; and
- up to £4 million for the Eden Enterprise Hub which will be developed as an innovation hub, diversifying the regional economy by developing sectoral specialisms and capitalising on the region's universities by providing space for their spin-outs and start-ups. It will provide a range of business facilities as well as coaching, expertise and industry-specific guidance, and a dedicated Knowledge Transfer Centre.

32. Subject to a robust business case, the Scottish Government will invest up to £2 million alongside Fife Council in Eden Enterprise to establish a commercially viable business incubator that caters for spin out and start-up companies from the region's Universities.

33. The UK Government will, following agreement on a robust business case, invest up to £5.2 million to support development of a two-phase project to build the world's first advanced plastic reprocessing facility in the Tay Cities Region. Phase 1 will be the development of the world's first demonstration Advanced Plastic Reprocessing Facility, a major integrated waste facility in Tayside and Phase 2 will be the development of a next generation advanced plastic sorting facility as a global blue-print for best in class recycling to recycle 90%+ of all household plastics.

Building a World Class Renewable Energy and Decommissioning Industry

34. To maximise the significant potential economic benefits of offshore decommissioning to the Tay Cities region, the Scottish Government is committed to working with DundeeCom and the regional economic development partners to maximise opportunities to build supply chain capabilities and new technologies in the context of the wider Scottish and UK industry. The Scottish Government has demonstrated support to decommissioning projects in the Dundee and the Tay region through its Decommissioning Challenge Fund, and remains open to supporting new and innovative ideas to emerge through proposals to establish an industry-led Scotland-wide R&D Network.
35. In the medium to longer term the Scottish and UK Governments will consider how best to support additional port infrastructure investment in Dundee, Methil and Montrose where this contributes to, and creates additional value for, the wider Scottish and UK propositions in the renewable energy sector.

Infrastructure

36. The UK Government will use the opportunity represented by the Defence Estate Optimisation Programme to release land at Condor for development, working with Angus Council to align the site with their development plans. The UK Government will contribute the net value of the land transferred to the Deal, having taken account of any necessary decontamination and reflected today in the Heads of Terms as £3 million new funding from the UK Government. This is indicative and the ultimate contribution will depend on the land's final market value and nature of the final business plan.
37. The regional transport model, discussed later in this Heads of Terms, will help inform masterplanning across the region, including the North Angus Growth Corridor which will also be the location of one of the pilot Simplified Planning Zones, proposed as part of the current planning reform.
38. The Eco Innovation Park to the west of Perth is a significant development opportunity that features in the Scottish Government's capital investment prospectus. Through this city region deal, and subject to a robust business case, the UK Government commits to invest up to £5 million in on-site infrastructure.
39. In order to help achieve an investment balance across the region, the UK Government will invest a further £26.5 million (capital) in projects in Angus to be

developed collaboratively with Angus Council and other local partners as part of the Deal.

A Connected Tay

40. The regional partners recognise the critical importance of improving digital and transport connectivity across the region to allow people better access to jobs and training and to unlock the full economic potential of the region.

Digital

41. Through its R100 programme, the Scottish Government has already committed £600 million to ensure that 100% of premises in Scotland can access superfast broadband. In addition, the Scottish Government commits to invest £2 million to support 5G testbeds and trials in the Tay region, helping to put it at the forefront of 5G deployment. The UK Government also commits to invest up to £1 million for connectivity in rural Angus for an effective solution to reaching remote and rural properties via high quality wireless solutions. The UK Government will invest a further £1 million in rural Perth & Kinross to deliver a fibre asset re-use model through which public and private fibre infrastructure will be aggregated to create a common platform.

Transport

42. Improving and investing in the region's transport infrastructure is an integral part of the deal and improved transport connectivity is recognised as important to delivering inclusive economic growth. Transport Scotland recognises this and together with the regional transport partnership, TACTRAN, has commissioned a Tay Cities Regional Transport Model to help inform understanding of problems and opportunities and appraisal of potential strategic transport interventions.
43. The Tay Cities Partners are committed to bringing together the staff and expertise of the 3 local authorities of Perth & Kinross, Dundee and Angus, working closely with colleagues in Fife Council and TACTRAN. The potential to transfer appropriate transport responsibilities to the Tay Cities team will continue to be considered in the context of the wider Regional Partnership Governance discussions which are part of the ongoing review of the National Transport Strategy. This closer working at the regional level will inform the development and delivery of the projects within the Deal and additionally supports and contributes to the ambitions of both the National Transport Strategy review and the second Strategic Transport Projects Review.
44. The Tay Cities Partners are keen to create low carbon transport and active travel hubs linking to Park and Choose proposals which will support eco-innovation across other growth sectors. To support this the Scottish Government will invest up to £3.5 million in a Low Carbon and Active Travel transport hub subject to refining the project details and concluding discussions and agreements around match funding and eligible project costs.

45. Transport Scotland and Network Rail are currently considering the future options for rail infrastructure around Perth Station. The Tay Cities Partners are keen to improve the transport interchange function, provide appropriate parking and offer an improved commuter and visitor experience in Perth, to complement recent investment at Dundee. The Scottish Government will invest up to £15 million in a Perth Bus and Rail Interchange project subject to detailed consideration of future plans for the rail infrastructure in and around Perth Station and completion and agreement of appropriate appraisal, business case and statutory processes.
46. Transport Scotland and Highlands and Islands Airport Limited (HIAL) continue to work with local partners to support operations at Dundee Airport. The Tay Cities Partners are determined to enhance air connectivity directly to the region to support economic growth through business and tourism traffic and increase choice of routes to European airports to support international trade and investment opportunities. The Tay Cities Region Deal will support investigation of how to best to maximise existing aviation facilities within the region including consideration of the opportunities arising from the Heathrow expansion. Subject to the approval of relevant business cases, the Scottish Government will invest up to £9.5 million in and around Dundee Airport. This will include consideration of Air Traffic Control modernisation, securing and marketing new routes and enhancing airport facilities to support passenger growth.

An Empowered Tay

A New Regional Partnership

47. The Tay Cities Deal proposals set out a new approach to economic development, strategic planning and transport planning underpinned by a new approach to city regional governance. This new regional governance will exemplify the expectations set out in Scotland's Enterprise and Skills Review. Significant progress has been made towards this new Regional Economic Partnership with the establishment of the Tay Cities Region Joint Committee in December 2017. In addition to elected councillors, its members include representatives of the private, education and third sectors as well as Scottish Enterprise and Skills Development Scotland.
48. The regional partners are now actively exploring the best means of delivering a new collaborative operational model that will assist the delivery of improved outcomes for everyone living and working in the region, using the momentum created by the City Region Deal to accelerate inclusive economic growth. This will be best achieved through close alignment with Scottish Government and UK Government departments and agencies, and with the support and guidance of the private sector.
49. Regional partners will lead work to move from Heads of Terms to full Deal, working with the Scottish and UK Governments to develop a Delivery Plan that details the implementation, monitoring and evaluation of all projects and programmes receiving funding through this deal. The Delivery Plan will also set out the full partnership, governance and assurance arrangements as well as implementation and financial plans with relevant milestones.

50. Regional partners will demonstrate the value for money case for each programme and/or project before funding is made available. As such, all the commitments in this document are subject to the approval of final business cases from the relevant Government, or from both Governments in the case of jointly funded projects.
51. The Scottish Government is developing an Inclusive Growth monitoring framework which will incorporate indicators to measure progress towards the five high level inclusive growth outcomes (Productivity, participation, Population, People and Place) and will expect the City Region Deal evaluation and monitoring reports to align with this.
52. Regional partners will work with both the Scottish and the UK Governments to agree a communications strategy and an operating protocol. Both documents will set out how communications about the City Region Deal and its associated activities are taken forward in a way that meets the needs of Regional Partners as well as the Scottish and UK Governments.

ENDS