



OFFICIAL REPORT
AITHISG OIFIGEIL

Local Government and Communities Committee

Wednesday 13 June 2018

Session 5



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Wednesday 13 June 2018

CONTENTS

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CITY REGION DEALS 1

LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE
20th Meeting 2018, Session 5

CONVENER

*Bob Doris (Glasgow Maryhill and Springburn) (SNP)

DEPUTY CONVENER

*Monica Lennon (Central Scotland) (Lab)

COMMITTEE MEMBERS

Kenneth Gibson (Cunninghame North) (SNP)

*Jenny Gilruth (Mid Fife and Glenrothes) (SNP)

*Graham Simpson (Central Scotland) (Con)

*Alexander Stewart (Mid Scotland and Fife) (Con)

*Andy Wightman (Lothian) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Keith Brown (Cabinet Secretary for Economy, Jobs and Fair Work)

Marion McCormack (Scottish Government)

David Torrance (Kirkcaldy) (SNP) (Committee Substitute)

Morag Watt (Scottish Government)

CLERK TO THE COMMITTEE

Peter McGrath

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Local Government and Communities Committee

Wednesday 13 June 2018

[The Convener opened the meeting at 10:01]

City Region Deals

The Convener (Bob Doris): Welcome to the 20th meeting in 2018 of the Local Government and Communities Committee. I remind everyone present to turn off mobile phones. As meeting papers are provided in digital format, some members may use tablets during the meeting to access their papers.

Apologies have been received from Kenneth Gibson; David Torrance will deputise for him. Thank you for coming along.

Item 1 is an evidence session that will be the first update on city region deals following the committee's substantial inquiry last year. After consideration of the Scottish Government's response to our report in March this year, the committee agreed to closely monitor the progress of city region deals. That is the context for this evidence session.

I welcome from the Scottish Government Keith Brown, Cabinet Secretary for Economy, Jobs and Fair Work, Morag Watt, head of the city partnerships team, and Marion McCormack, head of better regulation and enterprise sponsorship.

I put on record that the Scotland Office was invited to attend the meeting. Unfortunately, a minister was not available, but their private office has informed the clerk that they would be happy to attend a future meeting on city region deals. I am disappointed that they are not here this morning, as we are keen to work constructively with the United Kingdom Government.

I understand that the cabinet secretary has an opening statement; we will go to questions after that.

The Cabinet Secretary for Economy, Jobs and Fair Work (Keith Brown): Thank you, convener. I have a fairly brief opening statement. I am disappointed that we have not been joined by the UK Government. I think that the last time that it appeared before this committee was the first time in the history of the Scottish Parliament that we had two ministers from the Governments together. City deals, as much as anything else, exemplify a joint working relationship, so that is unfortunate, but I look forward to the opportunity in the future.

I am very pleased to be here. In general, I think that the committee's report is helpful, although we are at the early stages of looking at it and taking forward its recommendations. It makes a number of important points, and you will have noted my response to the committee on the recommendations and my commitment to ensuring that each one is considered thoroughly.

As the committee knows, city region deals are a relatively new part of the economic development landscape. The joint delivery board that is responsible has not met since my response to the committee, but I understand that its next meeting on 26 June will feature a discussion that will focus on the report and how we can go forward with this transformational work. The committee will then be updated on the board's consideration.

For our part, the Scottish Government is committed to working in partnership to grow Scotland's economic prosperity in a way that ensures that every region and local area can benefit and that every person can benefit from new opportunities to study, work, train and live in a safe and prosperous community. Nevertheless, the city deals need to be given some time to mature before a body of credible evidence on their impact can be assembled, not least given the length of time over which city deals have been agreed.

Since my appearance before the committee last year, I am delighted to have secured the agreement for city region deal funding totalling £90.2 million for Stirling and Clackmannanshire. In addition to the investments in the city region deal, the Scottish Government will provide further investment of £5 million to deliver a new business park at Kildean and to support the next stage of development of proposed new infrastructure at Callander. Those projects were made possible by the additional investment of the Scottish Government and they have the potential to deliver further transformational growth through leverage of private sector investment of £275 million, delivering over 1,500 new jobs for the city region.

Tripartite discussions on the Tay cities region deal between the Scottish Government, the United Kingdom Government and the regional partners are already well under way. As I have always stated, a heads of terms agreement for the Tay cities region deal should follow on as early as possible from the Stirling and Clackmannanshire city region deal. Indeed, I recently sent a written response to Councillor John Alexander stating that I am keen to support his request and that of the partners in the deal to agree heads of terms by the end of this month.

Building on the success of city region deals, I support the committee's call in its report that early agreement of a timetable for growth deals would

provide reassurance to partners in areas such as Ayrshire that have been working hard to put together exciting packages of investment. We are totally committed and fully focused on investing in a full growth deal for Ayrshire. I want to conclude a heads of terms agreement as soon as possible this year. I am clear that agreement of a deal for Ayrshire is a top priority for the Scottish Government.

Work is progressing on the borderlands growth deal. We want to ensure that the borderlands deal complements the Scottish Government's commitment to establishing a new enterprise agency for the south of Scotland. We have been running a series of events across the south of Scotland to hear what the people who live and work in the area want. The borderlands deal is one of a number of deals that are currently progressing, each with their own timescale. We are committed to agreeing those deals as soon as they are ready.

I am pleased to be here—thank you for the invitation, convener. We will try to answer the committee's questions.

The Convener: That is helpful. I will open up with a few questions and then, as the conversation moves on, several committee members will come in with specific questions.

During our evidence sessions, I pursued the theme of moneys that the Scottish and UK Governments are giving that are essentially for devolved or reserved matters. I was left a little cold by the fact that money seems to be put in bunkers because, for me, that is not how regional strategic economic development should work—it is not about devolved and reserved issues. In agreeing heads of terms, there have been issues about how many million pounds will go to a devolved project and how many to a reserved project, which is which and how they are defined in the first place.

As I was looking over some notes for the meeting, I saw the cash values for the Glasgow, Aberdeen, Inverness, Edinburgh and Stirling deals. I may not have got my sums right but, when I added those up, I found that, over the total spend period, which can be up to two decades—I get the point that it is a long time—the Scottish Government has pledged £1.384 billion and the UK Government has pledged £1.046 billion. That is a significant difference. Given that the approach was supposed to be about equal funding of strategic spend in the regions across Scotland, I am trying to work out why there is that difference. Does it come down to issues with finding enough reserved projects to spend moneys on and agreeing those definitions? Is that why there seems to be a UK Government shortfall?

Keith Brown: You will find that the difference is even greater if you examine the projects that have been supported. For example, in the most recent deal—the Stirling and Clackmannanshire deal—one of the projects that the UK Government supported was the establishment of a national tartan centre. There is no way that I can see that we could say that that is a reserved function, but the UK Government has chosen to finance it. In the Inverness city region deal, there is an industrial estate near the Longman roundabout that, again, the UK Government has been willing to support but that we could say more properly lies in the devolved space.

You are right to say that the Scottish Government has contributed substantially more for the city region deals that have been agreed so far. There has been a changing story, which is where it would have been beneficial to have input from the UK Government. In the first city region deal, which was for Glasgow, the UK Government did not insist on the division between devolved and reserved projects—one class being funded by one Government and the other by the other. There was no mention of that. In fact, there was no mention of anything. We were told almost after the deal had been agreed and were just asked for more than £500 million for it. It changed when we got to the Aberdeen city region deal, which the UK Government said it wanted to be much more in the reserved space. However, again, that was not applied absolutely. I have also mentioned the subsequent Inverness deal. The UK Government has insisted on the reserved-devolved split but has not observed it in the deals that have been agreed.

Your other point is right. My experience has been that, when we have had discussions with different areas, it has been more difficult for some of the partners to come up with projects that would be in the reserved space. The implication of that is serious because, if the UK Government says that it should be a 50:50 split or that it should be a reserved-devolved split, both of which it has said but moved away from, the partners will naturally try to drive up the quantum by finding enough reserved projects so that they can get as much as possible from the overall deal. They have sometimes struggled to do that. I think that Ian Duncan said that when he was last before the committee.

It is best to lay out the basis of the city region deals. That way, we have a better chance of the right projects coming from the partners.

The Convener: I do not know whether you are being suitably diplomatic, cabinet secretary. I simply want as much money as possible to be spent in communities throughout Scotland, irrespective of whether it is packaged up as

devolved or reserved. If my sums are right—and they appear to be, based on what you said—the UK Government has spent around £350 million less in Scotland than the Scottish Government has, although there is supposed to be parity of funding. Is Scotland not getting what it should from the UK Government? Is it being ripped off?

Keith Brown: Perhaps I am being diplomatic, but it depends on the basis of the city region deals. If we start off from the position that it is to be 50:50 funding, which is where we started off on the Glasgow city region deal, the answer is that it has not been that way.

In the Aberdeen, Inverness and Stirling and Clackmannanshire deals, we have often come up against the UK Government not meeting the partners' expectations on the quantum. We cannot meet their expectations either, because sometimes they are very high. However, it is true to say that the UK Government's unwillingness to go beyond a certain amount has left us feeling that we have to go further. Therefore, the Scottish Government has committed nearly £250 million extra for some transport projects in Aberdeen. In Inverness, we also went beyond what the UK Government was willing to do and we have just done the same in relation to the Stirling and Clackmannanshire deal.

The Stirling and Clackmannanshire deal is the most interesting one in this regard. We had early indications from the UK Government that it was willing to spend £50 million, then what I can only describe as a fiasco developed towards the end of the deal. We had something like 10 different figures from the UK Government in the last two weeks and four different figures in the last two days. On, I think, the night before the deal was announced, we were told that the UK Government had suddenly changed its funding commitment from 10 years to 15 years. That has a huge impact on the quantum.

It is clear that, in many cases, the partners have been disappointed by the level of funding from the UK Government. In some cases, they might have been disappointed by the level of funding from the Scottish Government, but we have tried to go further, as we have just done on the Stirling and Clackmannanshire deal. You are right to say that there is a substantial difference: the Scottish Government has committed £1.384 billion, as I have it, and the UK Government has committed £1.04 billion.

The Convener: That is helpful. I will not explore the matter further. It looks to me as if the UK Government has short-changed Scotland in relation to the city region deals, but, as you rightly point out, it is not here to give its side of the story. We look forward to it appearing at the committee after the summer recess. Perhaps it will be able to

explain why there seems to be a deficit of around £350 million.

I will move on to the Glasgow deal, which is quite important because it was the first one and there will imminently be a gateway review. I do not know whether it has started yet but we understand that it will report around December. We signalled that that should be a learning experience for all the city region deals. I cannot remember the terminology used by Susan Aitken, the chair of the board that is overseeing the Glasgow city region deal, but she spoke about, in effect, rebooting, refocusing and reprofiling to bring in the concept of inclusive growth, which the Scottish Government says that it wishes to promote as well. Is there any news on how that is going?

10:15

Keith Brown: It is just as you confirmed, convener, and I think that we discussed the matter when I was before the committee previously. You are right to say that the Glasgow deal was the first deal. It happened before Brexit was on the horizon and I think that Mr Simpson raised some issues regarding some of the partners to that deal not feeling entirely happy with some of the projects that had been submitted. The Scottish Government could not have done a great amount about the projects that were submitted. We responded to the request to contribute, which we did to the tune of £520 million. However, because of the time that has elapsed, we have said—I think that the UK Government has also said—that we are willing to take a fresh look at some of the projects. There are certain criteria around that, so we will not be looking to reopen the quantum that has been agreed, nor will we want to see one council area disadvantaged at the expense of another. However, beyond that, we are happy to look at anything.

That has been reflected by the relevant cabinet, chaired by Susan Aitken, in the city region infrastructure, which is looking at inclusive growth. I am very pleased, because that fits much better with the Scottish Government's economic strategy. I know that each of the deals has an agreed implementation plan, with different governance structures that monitor delivery. Individual projects within the deals can also have specific review points. We have said that we are willing to work with Glasgow City Council, but perhaps the council and its partners would be better able to talk about where they are at with their process.

The Convener: That is an excellent idea. Maybe the committee should consider having Susan Aitken here to update us on where the city region cabinet is in relation to having inclusive growth permeate the whole package of projects in the city region deal. It is only fair that I point out

that I have a specific constituency interest. Susan Aitken specifically mentioned Sighthill and the canal in north Glasgow as having huge potential to be part of that inclusive growth. When a hare is set running in relation to such things, constituency MSPs want to know how progress is going.

The inclusive growth concept came from the Scottish Government and was bought into by the Glasgow city region deal cabinet, which I am delighted about. The city region can answer for itself, but is there not also a responsibility on the Scottish Government to monitor closely how the deal is going, and to work in partnership to see how the deal might change? Have you had any discussions with Susan Aitken about changes?

Keith Brown: I think that I mentioned the last time I appeared before the committee that we were aware of requests from Glasgow City Council and other councils to consider whether some projects could be changed. We have made it clear that we are willing to agree to changes.

However, it is not for the Government to say how projects should change, just as it was not for us to suggest projects in the first place. It would also not be possible for the Scottish Government to say that we will renege on the basis on which we agreed funding and that the projects must now be done in an inclusive growth manner. We are very pleased that councils themselves have decided to do that.

To answer the question directly, we will of course work with all the partners in the Glasgow deal to try to achieve that. However, the impetus, as with all city deals, has to come from local partners. We will respond to that, notwithstanding the criteria that we would apply, in respect of the quantum involved, to any changes.

The Convener: Okay. So there have been discussions with Susan Aitken and council leaders across the city region about what projects might be altered, amended, cancelled or reprofiled. Have those conversations between the Scottish Government and partners started?

Keith Brown: There have not been direct ministerial discussions and we have not had formal meetings with council leaders on the matter. We will obviously respond to any request that we receive in writing, and to any request that we have for meetings on the matter. We remain willing to receive and to consider constructively any proposals. There has been discussion between officials—Morag Watt might want to add to what I have said.

Morag Watt (Scottish Government): I am happy to pick up that point. The Glasgow city region deal is monitored at senior official level through quarterly programme liaison group meetings, the next of which is scheduled for some

time in the coming weeks. We know from those meetings that the Glasgow city region deal partners are looking at their entire investment programme to make sure that it will deliver maximum benefit in terms of inclusive growth. We have not yet seen proposals regarding what that will look like; we expect to see proposals in due course.

The Convener: Okay. I will make one more rather blunt attempt to fish out which projects may or may not be under consideration. You say that you have not had any formal proposals, but there have been general discussions at senior official level in relation to some of this stuff. Are there any particular projects that look as though they are up for review? Have some been given a health check so that we know they are good to go? Do others look as though they are a bit more precarious and might have to be altered, amended or cancelled? Can you give us the names of any such projects?

Keith Brown: It is worth saying that there is a pipeline of projects; it was never the case that all the projects were going to start at the same time. There has been no indication yet about particular projects, and we have not had formal meetings with council leaders for them to suggest particular projects.

As I said, the impetus must be with the local authorities concerned. We are content to listen to what they have to say when they are ready to say it.

The Convener: Okay. I look forward to finding out what will happen in the Glasgow city region deal. Perhaps we will have to get its representatives here to tease out more in relation to that. Members have supplementary questions on the subject. Given his constituency interest, we will hear from Graham Simpson first.

Graham Simpson (Central Scotland) (Con): We think that Glasgow will come up with new projects and may ditch some of the old projects, but is there an actual timetable? We have been talking about this for months.

Keith Brown: The timetable rests with the partners. We have agreed the projects and the timescale over which the city deal funding will be made available. We make an annual contribution to Glasgow. It is for the partners to take things forward.

The control element for both the Scottish and UK Governments lies in what is called the assurance framework. We want to have assurances on the projects that are chosen. However—I cannot stress this enough—the local authorities must be the driving force: that is the whole basis for city deals. It is therefore not possible for us to say what the councils would like to do. It is, rather, for us to respond when the

councils are ready to say what they would like to do.

Graham Simpson: I get that and I do not disagree that the impetus has to come from the councils, but the frustration that is felt by the committee—it was the same last year when we did our inquiry—is about lack of clarity, particularly on the Glasgow city region deal because it was the first deal. We still lack clarity; we do not know what the partners are planning to do. One of our recommendations was basically a plea to Glasgow to tell us what was being planned. We still have not heard. When will we find out?

Keith Brown: You are talking about a number of different local authorities and partners. I cannot answer for the Glasgow deal.

Graham Simpson: Glasgow will have a gateway review, but that system does not appear to apply to any of the other deals. Why is that?

Keith Brown: I have already mentioned the joint board and the assurance framework, which involve the Scottish and UK Governments. Those are the processes by which we seek to make sure that taxpayers' money is spent properly. As you can imagine, both we and the UK Government have a duty to do that. It may be best if Morag Watt answers on that specific point.

Morag Watt: The gateway review process is being taken forward in two parallel ways. It is scheduled to report in December 2019, and the work on it has already started. A national panel is looking at the 11 city region deals across the UK that have large infrastructure investment funds. There is only one such deal in Scotland—the Glasgow city region deal. The national panel will take a view on the effectiveness of the infrastructure investment programmes in delivering the economic growth outcomes within each deal, and it will provide a means for parity in comparison for all of the deals.

In parallel, for Glasgow specifically, there is also the commission on economic growth, which is chaired by Professor Anton Muscatelli. It will consider specifically the inclusive growth outcomes that all the regional partners and the Scottish Government want from the deal.

Those two pieces of work are being done in parallel at the moment, and will report at the end of December 2019. That will provide advice to ministers on the gateway review.

Keith Brown: The other deals will also include review points. The Aberdeen city region deal has a review point at 18 months for the oil and gas technology centre and another at three years. The partners in the city region deals are also obliged to produce annual reports.

Graham Simpson: Okay. Is the idea behind the national panel to come up with an evaluation process for other city region deals?

Morag Watt: We certainly want to learn from the panel and consider the extent to which that learning can be applied elsewhere.

The Convener: Can I check something? I think that I am a year out. I thought that the gateway review would report in December this year, but it will do so in December next year. Is that right?

Morag Watt: Yes—the report will be in 2019.

The Convener: Is it reasonable to suggest that that is too long to wait to see changes to the Glasgow city region deal? The city region deal cabinet is raising expectations on rolling out inclusive growth, so is it reasonable to expect it to move on that long before December 2019?

Keith Brown: You would have to get the cabinet to confirm that. As you said, convener, we have all heard about the intention of Glasgow—I hate to use that shorthand again for the much wider city region—to incorporate inclusive growth and to look afresh at projects. The timescale for that lies independently with the partners.

The Convener: Okay. I think that I know what one of the action points following this meeting will be, cabinet secretary.

Alexander Stewart (Mid Scotland and Fife) (Con): You touched on the financial frustrations that seem to exist between the Scottish Government and the UK Government. Are there also frustrations about economic growth and inclusive growth between the two Governments? I am getting a flavour that that is still the case.

Keith Brown: That point was made in the committee's report, which asked why the two Governments appear to have different priorities in relation to growth. I would be delighted if the UK Government were also to prioritise inclusive economic growth, but I recognise its right to follow its own priority.

I am keen that the moneys that are available are maximised, because that helps economic development throughout the country. We want that to happen in a way that encourages inclusive economic growth. However, the UK Government has its own strategy for that. We have made the case for inclusive economic growth to the UK Government, as has the committee, but, to be honest, it does not come up much in discussion because we know the UK Government's position. As has rightly been suggested, there is far more frustration about getting clarity on future planning for how the growth deals can be agreed. There is also frustration about the quantum of funding involved, but the point that Alexander Stewart

asked about has not been a regular source of conflict between the two Governments.

Alexander Stewart: We make large pronouncements when deals are announced. We have just had the announcement of the Stirling and Clackmannanshire city region deal. On paper and in the development process, it all sounds amazing and fantastic, but in reality other deals that were similarly trumpeted months and years ago have not come to fruition as quickly as we hoped they would. The whole thing seems to be dragging on much longer than we anticipated. Why is that? Is it because there is still frustration between the two Governments?

Keith Brown: No—that not is the case. We agreed quickly the basis on which we would contribute to the Glasgow deal. The onus thereafter is on the partners to implement the projects.

There are other concerns and tensions. For example, a nice leaflet from you was put through my door the other day, which demanded—

Alexander Stewart: I am delighted.

The Convener: Cabinet secretary, you have to share that with the SNP group at some point.

Keith Brown: I would love to. Unfortunately, it went straight in the bin.

The Convener: The recycling bin, I hope.

Keith Brown: Of course. We are good at recycling in Clackmannanshire.

Mr Stewart made the statement that the Scottish Government should have an equivalent commitment to the UK Government. The frustration is that that did not happen. The UK Government has twice reduced the amount that it is willing to contribute. For example, its total commitment is about £40 million, although it was announced at the last minute that that would be spread over 15 years rather than 10, and that only £8 million of that goes to the Clackmannanshire Council area.

There are tensions; we have different views on inclusive economic growth, but it is not top of the list of tensions between the Governments. They are much more to do with the quantum, how projects are divided among local authorities and how fair the arrangement is, and are not so much about our having different views on economic growth.

10:30

Alexander Stewart: You talked about how the lead in the process belongs to the councils, but you must take cognisance of the fact that not all councils have the same ability. Stirling Council and

Clackmannanshire Council are different authorities with different objectives and different ideas about what they want to achieve, but they are sometimes unable to achieve them because of constraints. Therefore, there is not a level playing field in that city region deal. There might also not be one in the Glasgow deal because competing councils have different aspirations and can achieve different things. Until you get clarity and support from the organisations, it is difficult to see how the councils can progress towards achieving the ambitions that they have set themselves.

Keith Brown: It is correct to say that different councils have different capacity to progress the deals. We have acknowledged that and have provided such assistance as we can. We have, however, to be careful about that, because otherwise the Scottish Government might become the body that drives the process. It has to be based on the local authorities' priorities. Clackmannanshire Council is small, so we have tried to provide it with additional assistance, which we would do for any partner of that scale.

As far as I know, there have been no disputes between partners and councils in any of the deals. In the most recent deal—the Stirling and Clackmannanshire one—there is remarkable unity between the councils.

On the point about helping and resourcing smaller local authorities in particular, the growth deals that we will now develop will, by and large, involve smaller or individual local authorities, so we are alive to the need to help them. The temptation is to start to direct them, but we are keen not to give in to that temptation.

Jenny Gilruth (Mid Fife and Glenrothes) (SNP): I will consider the Edinburgh city region deal. The heads of terms were signed last July. I appreciate that it is up to the local partners to drive the deal forward, but are you able to update us on where it is?

Keith Brown: I will ask the officials, who are involved with the board that I mentioned, to update you. However, I am aware that there were some substantial concerns about the deal, which centred on the University of Edinburgh and the data capabilities that are funded by the UK Government. I understand that those have been resolved recently.

It might be better to hear from officials about the deal's current status. I am not aware of any issues having crept up, apart from what I mentioned. Perhaps Morag Watt knows more.

Morag Watt: We are continuing to work with the regional partners in the Edinburgh city region deal—all six of the local authorities and the university group—to bring the heads of terms to a full deal document as soon as possible.

Jenny Gilruth: Do you have any idea when that might be?

Morag Watt: We know that the regional partners are keen to take the deal through their committee processes before recess, so it will happen as soon as that can be done.

Jenny Gilruth: One of the findings in the committee's report was about the opaque nature of how projects were selected. You might recall Labour's David Ross from Fife Council telling the committee that Scottish Government officials had blocked him from including the Levenmouth rail link in the deal. You contested that at the time. The Scottish Government's response to the committee stated that no general or mechanistic scoring process was applied, so how has the Government worked to ensure that deals are judged fairly and that areas such as Fife are not disadvantaged by larger cities such as Edinburgh and Dundee?

Keith Brown: We do not want to be seen to be going behind what the partners have proposed. Councils and other partners collectively come to both Governments and say what deal they are looking for; we will never be, and have never been, able to fund every project in a proposal. However, we have to work on the basis that the partners have agreed to the deal. Before the announcement of any heads of terms or deal, we have the agreement of all the partners. We have that in relation to the Edinburgh city region deal. It is not for us to go behind that agreement and ask whether a particular partner feels that it has been fairly treated.

However, we have regard to the balance. I mentioned the balance between Stirling and Clackmannanshire in the UK Government's contribution to that deal, which is light on the Clackmannanshire side—only £8 million out of £40 million. However, the councils themselves have agreed to that, so it is not for us to go behind it. We ask them to be mindful of the balance between local authorities, to involve the private sector and to involve their communities, but how they do it must be down to the local authorities. The basis of the deal is that they should drive the process.

David Torrance (Kirkcaldy) (SNP): Can you update us on what progress has been made on expanding coverage to parts of Scotland that do not have a deal?

Keith Brown: We have had some progress on that. After many months of asking, the UK Government has now publicly stated that it will support an Ayrshire growth deal. The Ayrshire growth deal has been discussed for a long time now and what seems to have happened is that a lot of the focus has been on the borderlands deal. We have said from the start that we are committed

to that—in fact, I think that it was the former First Minister who first committed to a borderlands deal. We have said that we are committed to it and we have also said repeatedly to the UK Government that it is only right that we tell the rest of Scotland that we intend to support it too. We will do that—the Scottish Government will do a growth deal for every part of Scotland.

Obviously, more can come out of that if we work with the UK Government, but we do not yet have an assurance that that will be the case; nor do we have any assurance about what the basis of working together will be if we do work together—will it be 50:50? Will it be a reserved/devolved split? We do not have that information yet. We are grateful that the UK Government has now agreed a deal for Ayrshire and is very intent on a borderlands deal as well. However, that still leaves Argyll and Bute, Moray, Falkirk and other parts of the country.

The Convener: To go back to my original question, are some of the delays in agreeing the heads of terms to do with finding suitable projects that can be deemed to deserve funding?

Keith Brown: No, because that issue would come up before agreeing the deal rather than in the heads of terms.

The Convener: So the heads of terms are more about the specifics of the deal.

Keith Brown: Yes.

The Convener: Thank you—that is helpful.

Graham Simpson: In relation to your commitment to give deals to the areas of Scotland that do not currently have them, you mention a number of councils, including Falkirk. Can you envisage a situation in which Falkirk would just have its own deal?

Keith Brown: Yes. I will make the point again that we do not say to particular councils, "You should band together to get a deal." We do not prescribe how a deal happens. If we want to take an equitable approach, everybody should have the opportunity. Falkirk could conceivably partner with another authority, but we have already seen the Edinburgh city region deal and the Stirling and Clackmannanshire deal. Those councils are going forward with that set-up. We are not going to say to Falkirk, "No, you cannot have a deal." Also, I think that the UK Government is committed to a deal for Moray on its own—it is still a bit unclear. We are in the position now of considering deals for individual councils—Argyll and Bute would be another example.

Graham Simpson: How do you think an individual council deal would actually work?

Keith Brown: We have not done it yet so we cannot say, but it seems to be pretty much along the lines of those deals that have already been done. Moray Council has already talked to both Governments about a list of projects that it would like to have funded. It is difficult for me to say how it would work when I do not yet know the extent, the nature and the basis of the UK Government's potential involvement.

Eventually, there will come a point when we will have to say that we are just going to go ahead with a number of local authority deals—we came very close to that point with the Ayrshire growth deal. However, we would rather that such deals were done on the basis of both Governments being involved, if we can do that.

Andy Wightman (Lothian) (Green): We now have the existing deals, Edinburgh has heads of terms, an Ayrshire deal is being committed to and so on. What lessons has the Scottish Government learned in the process so far that it is applying through the funding that it is giving to new city region deals?

Keith Brown: We are learning lessons all the time. The confusion that seems to have arisen about university projects in the Edinburgh city region deal is perhaps best avoided by being clearer about the basis on which support is being provided. That situation is being resolved now, so we have learned that lesson.

As we have moved through the city deals, the biggest lesson has been the realisation by local partners that if they merely have a list of desired infrastructure projects, they will not achieve transformational change. Over time, we have seen more projects in the digital space, some training and a more rounded approach to city deals.

In addition to those lessons, some of the recommendations in the committee's report are also being considered by ministers and others—I have already mentioned the board—who are looking at how we can make the process more transparent. Rather than joining the process at the very end, as we did in the Glasgow city region deal, another lesson is that it is better to give as much certainty as possible as the basis of future deals to potential future partners.

Those are the obvious lessons, but it might be worth hearing from Morag Watt as well.

Morag Watt: I am happy to add to that. We are always willing to learn from what has gone before. My team and I go out and engage with the local authorities in developing the deals, or as they develop their deal proposals, and we tell each local authority to go and talk to their compatriots who already have deals. A lot of their learning can be about how those things are better delivered. Whether that means going to talk to people in

Aberdeen about how they have set up their accountable officer functions or worked across the region to set up governance structures that allow them to work together more effectively, the peer-to-peer learning is very helpful.

The other thing that we have learned as the various deals have progressed came out last year in the enterprise and skills review. Phase 2 of the review recognised that there were clear lessons to be learned from the governance that was put in place for earlier deals and that certain characteristics made successful partnership delivery more effective and likely to happen better. That was why it was recommended last year that the private sector should be represented in all the new regional economic partnerships that go with the city region deals. We built on the experience from the Aberdeen city region deal, which has Opportunity North East as part of its joint committee.

Andy Wightman: The cabinet secretary talked about the difference between a list of projects and what Scottish Government money is seeking to achieve, which is transformational change. Can you give an illustration of what transformational change means in comparison with a simple list of projects?

Keith Brown: I am sure that you will be most familiar with the Edinburgh city region deal. In that, rather than just seeing a list of infrastructure projects, we saw proposals relating to employability and skills. Initiatives based on such things can be transformational for people who cannot access the jobs market because of a lack not only of opportunities but of the required skills.

The focus on connectivity and digital connectedness that took place for the first time in the Aberdeen city deal can be transformational for Aberdeen and Aberdeenshire. If digital connectivity can be increased for rural areas, that will increase employment, health and education opportunities. Those are some examples of how the deals can be transformative.

Andy Wightman: Why is the national evaluation framework for the gateway review looking only at infrastructure if some of the things that you are seeking to achieve are in the employability and skills areas that you argue are transformative?

Keith Brown: We are looking at the other areas, but not necessarily through that process. The outputs of the innovation projects, some of which I have mentioned already, particularly the employability projects, are comparatively clear and fairly self-evident—the number of people who were supported, for example, and how many businesses were able to expand and take up new

business space. Each of those can be evaluated on its own merits fairly straightforwardly.

10:45

Infrastructure investment is different, so the national panel is seeking to go beyond measuring outputs such as miles of new road or railway built, increased capacity on the railway or how many acres must be remediated, for example on the industrial site next to the Longman roundabout in Inverness, and to try to determine the economic outcomes of projects. That is what the national evaluation framework is trying to do. Given that Morag Watt is more heavily involved in that, it would be worth hearing from her.

Morag Watt: The minister is absolutely right. Certain projects can be measured, but the infrastructure investment programme, because it is of a different scale, is being considered by the national panel. There has been a specific procurement exercise for the 11 deals. We will certainly take the learning from that and see to what extent it can be applied to deals elsewhere. The procurement process is well under way.

Andy Wightman: When did the joint delivery board last meet?

Marion McCormack (Scottish Government): It last met in January and it will meet again in two weeks' time.

Andy Wightman: Given the importance of the board and given that the Scottish Government has said that the board will look at the committee's recommendations, I presume that that is on the work programme and that we can anticipate hearing more in a couple of months' time.

Keith Brown: Yes, I think that I said in my opening remarks that the board intends to consider the committee's recommendations at its meeting on 26 June.

Andy Wightman: Has the centre for regional inclusive growth been launched yet?

Keith Brown: We plan to launch it this month. We have done quite a bit of work in that regard. The centre will provide practical assistance to the regional partnerships, which it is probably fair to say are at different stages. In Glasgow there is a real appetite and progress is being made. In other areas, such as Ayrshire, we have seen the economic development agencies come together in a pathfinder project. The centre itself will launch later this month.

Andy Wightman: I understand that the centre will in effect be a website hosted by the Scottish Government. How will that work proactively to encourage good practice and assist with the evaluation of projects?

Keith Brown: It will not be just virtual; the people who are involved will meet regularly. For example, if there is a regional economic partnership in Ayrshire, the councils will speak to one another regularly and to Scottish Enterprise and Skills Development Scotland. The centre sits on top of all that and enables exchange and analysis to take place at a national level.

Let me say again that if local or regional collaboration is the very nature of what we are talking about, that is where the drive should come from. We can try to provide assistance, but the process should be driven by the local partners.

I have said that if people want to come together to consider new initiatives in the context of the enterprise and skills review, we will look at how Scottish Enterprise, SDS and even the Scottish Further and Higher Education Funding Council can play their part in local partnerships.

The centre will be a forum in which partners can exchange experiences and ideas about what has happened.

Jenny Gilruth: Andy Wightman's original question was about the lessons that are being learned. To what extent has cross-portfolio work taken place—or might such work take place—to join up the Government's aspirations to close the poverty-related attainment gap and to achieve inclusive growth? I ask because Levenmouth academy, which is in David Torrance's constituency, is the second-highest recipient of pupil equity funding—or it was last year. Is there an opportunity to join up the two Government aspirations that I mentioned?

Keith Brown: There is, but—and I am sorry to continue to rest on this point—we take as the starting point initiatives from local authorities. You are right to suggest that it makes sense for the Government to act on a cross-portfolio basis. We have had a number of meetings across portfolios, and education has been involved. I think that we have got better at doing that as growth deals have progressed. I cannot say what the process is for the UK Government. There is scope to join up our aspirations, but we want to take as our starting point the relevant local authority telling us that it wants us to do that. For our part, we will try to take decisions on the support that we give on a cross-portfolio basis.

The Convener: On Andy Wightman's point, I just want to double-check something. One of the points that jumped out at me was about the monitoring of city region growth deals. We will have the strategic board and the Scottish city region deal delivery group and we have the hub. I noticed from my notes that phase 2 of the enterprise and skills review has been about the development of an inclusive growth monitoring

framework. Is that finished? It would be good to know where that is and whether it is complete.

There is also the Scottish Government inclusive growth diagnostic and forthcoming measurement framework. I am not sure whether that is the same thing or whether it is connected. My reason for mentioning those things is to ask, irrespective of whether we are talking about the gateway review that the Glasgow city region deal will have or whatever Aberdeen or Inverness have set up, whether we will expect every city region deal to be run through the tool to see the extent to which inclusive growth has been achieved. Is that a common framework for monitoring?

Keith Brown: No, and this refers back to the basis on which the deals were originally agreed. I mentioned the Glasgow city deal. This is perhaps the reason why, as you mentioned, Glasgow and its partners said that they want to pursue inclusive economic growth in the city deal. In the most recent deal that we did—the Stirling and Clackmannanshire deal—the councils looked at the diagnostic tool and tried to assess their proposals in terms of inclusive economic growth. In our response, and the support that we provide, we want to have regard to that, too, but the other deals were not constructed on that basis; the extent to which they pursue inclusive economic growth rests on what projects the partners put forward and what ones we were willing to fund.

The Convener: I get the fact that the diagnostic tool is about predicting what inclusive economic growth might look like once you commit to the heads of terms, the projects, the funding and everything else, but the inclusive growth monitoring framework would appear to be a common framework. The diagnostic tool might show one thing, but the monitoring framework might show that a deal did better or worse in terms of inclusive growth. Is this an opportunity for a common monitoring framework across all deals?

Keith Brown: It is, but the point that I was trying to make was that, for the earlier deals, that will rest on the willingness of the partners to apply that framework. We can certainly apply it to what we have helped to fund, but it is for the councils and other partners involved in the deals to decide whether they want to apply it.

The Convener: I get that that is a decision for them to take, but can you imagine a good reason for not wanting to apply a consistent, reliable monitoring framework across all 32 local authorities that have signed up to city region deals such as an inclusive growth monitoring framework? Can you think of a good reason not to do that?

Keith Brown: I cannot think of a good reason, although it is worth pointing out, in response to the

questions that were asked by Alexander Stewart, that that is not the basis on which the UK Government has supported its part of the deals. I am not saying that it is against inclusive economic growth, but that is not the basis on which it has granted them. I cannot think of a good reason not to use the framework to see the extent to which inclusive economic growth is being achieved.

The Convener: That is helpful. Other monitoring frameworks might show that gross value added could have been even higher had city region deals not incorporated inclusive growth, but those are two different models and two different concepts. That is fine, but I would want to make sure that every city region deal is going through a common monitoring framework. One of the issues that the committee has had is that everyone is monitoring in different ways and therefore achieving outcomes under different methodologies, which does not provide consistency in making comparisons. It is helpful to have put that on the record.

I call the very patient Monica Lennon.

Monica Lennon (Central Scotland) (Lab): I have never been described as patient before, but there is a first time for everything.

I was not a member of the committee during its inquiry into city region deals, so in some respects I am playing catch-up. Can you talk me through the ways in which city region deals have regard to the broader context in which they function? How do they integrate with and complement other strategies?

Keith Brown: I understand that you were not involved in the inquiry. On the genesis of city region deals, the first of those was the Glasgow city region deal. Unfortunately, the Scottish Government was not involved in its development. It was developed with the UK Government and local authorities; the Scottish Government was asked to be a funding partner to the tune of £528 million, which we agreed to do. A lot has happened since that time, such as the enterprise and skills review. I know that the strategic board wants to look at the economic development impact and the inclusive growth impact of the deals that have been done.

Over and above that, the annual reports that the different partnerships are obliged to provide, which we have already mentioned, provide some assessment of the impact of the deals. Officials, some of whom are here today, are doing on-going analysis of the impact, and this and other parliamentary committees will want to have a look at that, too. Although we are at an early stage for city deals, there is a lot of scrutiny of how they are impacting on the economy.

Monica Lennon: The committee has been considering the Planning (Scotland) Bill. Is there a formal connection between the city region deals and the national planning framework, with the NPF being the spatial expression of the Scottish Government's economic strategy?

Keith Brown: Yes. We expect that, when local authorities and others make proposals, they will have regard to the national planning framework, which of course will change over time. As you will know from experience here and in a local authority, there is a close connection between economic development and planning.

We have tried, as I did when I was in local government, to encourage local authorities to have an approach that is not just about development control. I will give you an example from my local authority. We changed the name of the planning department from "development control" to "enterprise and environment" to encourage the idea that local authorities should be saying not just why something cannot be developed in a certain way, but how to achieve what you want to achieve in a way that is consistent with planning regulations, and how to foster economic development, too. If that is true at a microcosmic level, it is true that local authorities in making their proposals for city deals are cognisant of the planning framework.

We have been very clear—it would be interesting to hear Morag Watt's view on this—that none of the projects that we agree to can be assumed to have Scottish Government ministers' consent for anything that is required to go through a planning process afterwards. There is nothing implicit to say that we are giving consent to, for example, a particular road. Scottish ministers are often asked to play a part in the planning process so we do not imply that, and it has to be up to the partners and local authorities to progress the planning. Do you want to add to that, Morag?

Morag Watt: I will just echo the point that agreement in the city deal context does not bypass any statutory processes.

Monica Lennon: I understand that, and I welcome the way in which the cabinet secretary has characterised the shift in language. Planning should be an enabler.

If we take Glasgow as an example—that is the region where I am—on a practical level in the context of city deals, what is the relationship between regional planning in the Glasgow region and, for example, Clydeplan? Is there synergy between the two?

Keith Brown: That is a question for the partners to answer. They are the ones who put forward their projects, so they know the context in which they did that. The extent to which that was taken

into account at the time is something for them to answer.

Monica Lennon: I just wonder to what extent the Government takes an interest in how those approaches and strategies are joined up.

Keith Brown: I return to what I said previously. We want there to be a joined-up approach, and local authorities and others to involve the private sector. We have had some challenges in doing that and in encouraging some partners to ensure that there is meaningful dialogue, although Stirling Council was very good at it, having done it over a period of time.

We also want local authorities to take their communities with them, but we do not want to end up in the position of insisting on how they carry out those consultations or on the extent to which they take into account different factors when they put forward projects, otherwise the accusation would be that the UK and Scottish Governments were seeking to pick and choose on the basis of criteria other than the ones that they use. It is for local authorities to ensure that they cross-reference between their different strategies and plans.

Monica Lennon: Do you have any sense as to whether strategic development plans are adding value where they exist in a city region deal context? Are there any positive examples, whether they are in Clydeplan or SESplan? Is there any synergy between them?

11:00

Keith Brown: Again, it is for local authorities to try to achieve that synergy. However, I know that a number of the projects that have been proposed in different city region deals have drawn on those plans. That is probably more evident in relation to infrastructure proposals that have also come forward. However, my point was that it is really for the local authorities to do that. It is perhaps not surprising that if local authorities, individually or jointly, have worked on a strategic plan, some of the priorities in that plan have been reflected in the proposals that they have put forward for a city deal, so there is a natural link there. To the extent that strategic development plans have involved, as they must do, joint working and long-term thinking, which by its nature is strategic thinking, it is only right that that is used as the basis for projects coming forward.

Monica Lennon: Thank you; that is helpful. I think that people want to know that projects have not just been plucked out of thin air and that there is a strategic, long-term approach.

The Planning (Scotland) Bill's equality impact assessment has been identified as a weakness by Engender, and the committee is grateful that the

Minister for Local Government and Housing is actively looking at it again. The cabinet secretary has said previously that the aim of generating inclusive growth is the golden thread running through the Scottish Government's economic strategy and that the 2018-19 budget committed the Government to look at equality impact assessing the city region deals. Can you give us an update on that, please?

Keith Brown: Yes. First, we are aware of the fact that the public authorities that are involved in the city deals have obligations on the equality impact assessment and we expect them to follow through on those obligations.

I will quickly return to your previous question and the reasonable point that you expect—and people would expect—a strategic underpinning for, or some clear thought around, the projects that are chosen. The Stirling and Clackmannanshire deal plan was the first such plan that evidently was not like that. Instead, a dollop of cash was provided—£8 million—for a 15-year period and only after the council had signed up to the city deal was it required to come up with what it intended to do with the money. We had never seen that before in a city deal. I do not want to overstress the extent to which that city deal was unlike any previous city deal in terms of it changing repeatedly late on and the balance of support that was provided for different local authority areas. On the last day, it changed from an agreed 10-year timescale to a 15-year timescale; that was a fundamental change, because spending that money over a much longer period means that it will have less impact.

However, the other point that we should not let go by, and which the committee might want to look at, is why £8 million would be agreed for a project—the only project that has been agreed by the UK Government in that council area—that has no plan behind it and no basis other than the fact that it is to be in the reserved space. That is quite an important departure from the way in which city deals are being constructed. Regarding Monica Lennon's earlier point, I do not know how it can be said that that city deal plan has taken into account or has behind it strategic thinking. However, that is perhaps a matter for the committee to explore.

Monica Lennon: That is a really important point, cabinet secretary. What is your understanding regarding the £8 million, which appears to be open ended? Was there any justification or explanation of that?

Keith Brown: Frankly, I do not think that there was. That is why there would have been a benefit in having the UK Government here to provide an answer. The committee will be aware of the projects that have been funded from all the different deals that have been done, but it will not

find anything like one that says, "We'll give you £8 million if, within a year, you come up with a business case for how you intend to use it." There are reasons, which are worth examining, why that is so outwith the way in which we have done city deals. I do not have an answer to the question about that; only the UK Government would be able to answer that.

Morag Watt might have more to say on the equality impact assessments.

Morag Watt: In his earlier response to the committee's recommendations, I think that the cabinet secretary made it clear that there is already a statutory duty on public authorities to carry out equality impact assessments as they take forward their different projects. We would expect to see those come through and be clearly articulated in business cases. The equalities and sustainability issues should therefore be picked up in the business cases.

Monica Lennon: The committee's report on the issue showed that impact assessments had been done only in Aberdeen and Inverness; they were not done in the Glasgow and Clyde valley region, where I am. Some explanation for that was given in the report, which said that it was partly due to the fact that data on protected characteristics at regional level is limited. Can you expand on that and any other factors? What are the barriers to doing that properly? Do you have to go back and look at projects retrospectively?

Morag Watt: Government investment for the Glasgow city region deal is through the infrastructure investment fund, but it is for the regional partners to identify the projects within that; therefore, the project assessment and the equality impact assessment of any project will be done at regional partner level. It can be quite difficult to get data on groups with protected characteristics at regional level. It is less problematic for the larger regions, such as Glasgow and Edinburgh but when we come to Stirling and Clackmannanshire, the data may well not be there—we have not started that one yet. We are in the process of examining the Edinburgh city region equality impact assessment.

We have worked with the Equality and Human Rights Commission to find other ways in which those things can be considered and approached. Through the work of the commission, there have been several engagements with local authorities that are carrying out city deal investments to see how they can maximise the benefits of those investments for groups with protected characteristics. The requirement for active engagement with the Equality and Human Rights Commission is a formal part of each grant offer letter that goes out with city deal funding.

Monica Lennon: That is helpful and I appreciate that it is work in progress. You said that it is difficult to get some data and I wondered what you mean by that. Can you give us any examples of the type of data that it is hard to get?

Morag Watt: The volumes of particular groups of disabled people who may be captured by the legislation are quite low, so we can struggle to get statistically valid numbers in smaller regions.

The Convener: We are nearly at the end of today's evidence, but I want to mop up one or two things. We mentioned the inclusive growth diagnostic tool earlier, so can we assume that the Stirling and Clackmannanshire councils used that tool before finally agreeing what projects were to go forward under the deal?

Keith Brown: The point that was made was that those councils chose to use that tool in relation to the projects that were proposed. The Scottish Government wanted to reflect that in the things that we are supporting.

The Convener: Does that mean that all the projects in the Stirling and Clackmannanshire deal, with the exception of the £8 million that has not been committed, have been through that diagnostic tool?

Morag Watt: The diagnostic tool identifies the issues in the regional economy that may need to be addressed. It does not go so far as to say what interventions will address those issues. There may be a range of different interventions that will address those particular issues that have been identified by the diagnostic tool. The Stirling and Clackmannanshire councils used the diagnostic tool to see which areas they needed to address in the regional economy and that gave them a range of options to tackle those. We will continue to monitor that over the course of the deal to see the extent to which those interventions are hitting those measures.

Keith Brown: I can give you a flavour of some of the ways in which that will be reflected. The environment centre, which the Scottish Government is supporting, is the biggest project. In addition to the environmental objectives, the intention is to try to drive up the availability of well-paid jobs, particularly in Clackmannanshire. We also have the digital district and hub, which is trying to drive up levels of inclusiveness in relation to access. I mentioned earlier how digital inclusion can include education, health and employment opportunities. The skills and inclusion programme aims to support economic growth. Those are some of the things that we are trying to do.

To return to Alexander Stewart's point, we could contrast the different approaches of the two Governments. The UK Government's biggest contribution is towards research at the aquaculture

centre at the University of Stirling; it has taken a much more gross value added approach to growth than the one that we have taken.

The Convener: That is helpful, but the diagnostic tool does not give a number and say that, taking account of inclusive growth, the GVA would be a higher number than the raw GVA figure. You are running through potential projects to identify where it might or might not assist inclusive growth rather than coming up with numbers for that. Is that a reasonable thing to say?

Keith Brown: Yes, and I think that even the GVA criteria are not without their limitations. It would be difficult to compare the two as the main criteria for funding projects. The Economy, Jobs and Fair Work Committee is conducting a pretty exhaustive investigation into economic statistics and their limitations, and one of those is GVA.

It is probably true to say that no economic measurement is perfect, but we favour economic development that is inclusive rather than straightforward growth.

The Convener: It is easy to use terminologies and to talk about this or that model or about this matrix or that quantum—all politicians do it. However, if we scratch the surface, the level of our understanding can be limited, to be honest. I am not talking about you, cabinet secretary, but we sometimes hide behind terminology to justify what we do. I am genuinely trying to get my head around what an inclusive growth diagnostic would look like, and it would help me if I could see details of that in real time.

For example, in Stirling and Clackmannanshire, 10 potential projects were scoped, six were agreed on and four were not. Some of those that were rejected might have modelled greater GVA, but they were not selected because others modelled better inclusive growth. Without all the gobbledegook around it, that is the kind of straightforward thing I would quite like to see, so that I could touch it, feel it, smell it and find out exactly what it does. Is that the kind of thing that the Scottish Government can help us with?

Keith Brown: I can certainly help you with the detail of the diagnostic that you are asking about. Let us think about what you are asking. Before you take a decision, you want a picture in the round of the projects that are likely to be supported, but we do not have that. The UK Government will carry out the projects that it proposes and we might well end up carrying out the ones that we propose.

The first of your questions is absolutely right. It is much better to have a whole picture of the projects that are being undertaken so that you can work out the balance of straightforward growth. If we were to create 100 jobs for PhD students in

Clackmannanshire, that would not have a huge impact on the unemployment figures in Clackmannanshire, which are some of the most challenging in the country. Doing that would not necessarily help inclusive growth. Alternatively, if we did something that helped with the area's economic output, that would not of itself necessarily lead to inclusive growth.

The point that I am making goes back to Alexander Stewart's point—you have also made this point previously, convener. If both Governments were convinced that inclusive economic growth was the way to go, our ability to analyse the impact of what we are doing would be much greater. However, we do not have that ability, as the Governments have different priorities.

I am happy to provide as much information as I can. Some of it might be commercially confidential, but we will try to minimise that. I am happy to supply the committee with as much information as we can about the diagnostic and how we apply it.

The Convener: That would be helpful. The committee report welcomed the move to inclusive economic growth for Glasgow. We did not take a position more generally on whether the raw figures represented gross value added or inclusive growth, but we said that we welcome what is happening in Glasgow. We want to better understand what it looks like, because that would help us irrespective of the committee's views.

I have a final question. You mentioned the £8 million that can be spent on a project once the project has been identified. Right at the start of our evidence session, we identified approximately £350 million that was not spent by the UK Government. I called it a shortfall but you were quite diplomatic about it, cabinet secretary. Could that £350 million be sitting in a fund somewhere until local authorities or city regions identify ways of spending it that the UK Government is content to sign off, or is that money lost to Scotland?

11:15

Keith Brown: That question can be answered only by the UK Government. The example that you have given represents quite an extraordinary development—as, I am sure, you would agree—and the figure of £8 million has changed two or three times during the past two or three days. The committee is rightly trying to get to grips with the nature of city deals. I do not know how the UK Government can announce that it is going to put £8 million into nothing, really, and wait to see what comes forward subsequent to its having signed the deal.

It is frustrating not to have Lord Duncan here. He had previously given a commitment that Ministry of Defence land in Angus and in Stirling would be transferred at no cost and remediated at the cost of the UK Government. However, the UK Government resiled on that commitment and attached a £5 million cost to the deal—although that figure has also changed four times in the past week. The £5 million notional cost was then added to the £40 million contribution, taking the figure to £45.2 million, and the land has not been remediated. It will be a substantial challenge for the council to decontaminate that land.

Those are departures from what has been done before on city deals and from a specific commitment, in the case that I have mentioned, to the local authority concerned and to myself. The committee is right to be concerned about the substantial basis on which city deals can be achieved, given those late changes and reversals.

The Convener: You have put that on the record pretty clearly, cabinet secretary. We will ask those questions after the summer recess, when we get the opportunity to do that.

I am trying to tease out the Scottish Government's position in relation to the lost £350 million. If £8 million was identified to make up the UK Government's side of the deal, in order to make the funding balance, could that not have been done for all the previous deals in relation to which £350 million was unspent? Is the Scottish Government disappointed with the UK Government and the fact that £350 million has been lost to Scotland, or is the Scottish Government's position that, unsatisfactory though it might be, Scotland should still get that £350 million in the same way as Stirling and Clackmannanshire got their funding, by having it assigned to the city regions and letting them plan how they want to spend it—that, if the UK Government has to sign it off, so be it, but it is the city regions' money and they should be able to direct and spend it? Is the Scottish Government's position that it is a shortfall and the money is lost or that it is a shortfall and the regions should get the money back?

Keith Brown: If you are asking me whether I think that the UK Government could usefully give £300 million to local authorities to ensure their success, the answer is that I would welcome that. In some of the city deals, we have sought to go further but the UK Government has reined back, as it is entitled to. Nevertheless, we have tried to go beyond that very substantially in relation to the Aberdeen deal, the Inverness deal and now the Stirling and Clackmannanshire deal. In the final analysis, the Scottish Government's position is that we would like to see more money being spent

in Scotland; why that is not happening is for the UK Government to answer.

The Convener: That did not actually answer my question, which is whether the Scottish Government's position is that some of the money should be assigned to the city region deals that missed out.

Keith Brown: It is self-evident from how we tried to construct the deals that we tried to get a larger quantum. As of now, we have agreed those city deals with the UK Government. Where we feel that the UK Government has not gone far enough, we have agreed that deal on the basis of a 50:50 approach and we have sought to go further than that ourselves. That accounts for some of the £300 million difference that you mentioned.

We have chosen to go further. We would have liked the UK Government to go further, but we accept that we and local partners have signed the city deals. Nevertheless, if there is £300 million that could have come to Scotland, of course, we would like to see that money come to Scotland.

The Convener: Your officials will not thank me for asking this. I was just using the numbers that I had, and it would be quite good to get a detailed breakdown of those numbers, because—to be fair to the UK Government—it should be possible to identify where the Scottish Government has gone further because it wanted to go further and where the Scottish Government has gone further because the UK Government could not find enough reserved, badged-up projects to spend money on. In that case, it would be a shortfall. However, it would be good to get a detailed breakdown, so that I am not just asking the same questions of representatives of the UK Government when they are before us. If we can dig beneath those figures, I will be able to find out whether I am chasing shadows or whether it is a substantive loss to Scotland. That is what I am really trying to understand.

Keith Brown: The best people to provide that clarity are obviously in the UK Government. However, I can confirm that, from my point of view, the UK Government has never reined in what it intends to commit to the city deals on the basis of not finding enough reserved projects. It tends to work on the basis of getting a quantum agreed by the Treasury and then working to that quantum, rather than saying that it has not found enough reserved projects. As I said, the UK Government does not fund only reserved projects; it has funded devolved projects, too.

The Convener: If anyone is watching the meeting at home, they will be asking what on earth that means. We need to get beneath all the gobbledegook and work out whether the money should have gone to Scotland's regions. If it

should, let us get it there; if not, we should get a better understanding of the UK Government's position when it comes to the committee. Anything that you can send to the committee that does not contain gobbledegook and that we can understand and run with—I mean that in a respectful way—will be incredibly helpful.

Monica Lennon: If members of the public are listening at home, they might agree with the convener's points about language and terminology. People understand the language of jobs. As we have been sitting here, I have been thinking about recent jobs losses in Lanarkshire and East Kilbride, particularly in retail and manufacturing. I wonder whether we can end on a positive note, cabinet secretary, by hearing how many jobs have been created as a result of city region deals.

Keith Brown: While I talk what, I am sure, will be characterised as gobbledegook, Morag Watt will look for the exact figures.

Each city deal has attached to it a figure for the number of jobs that it seeks to create. For the Stirling and Clackmannanshire deal, I think that, most recently, a figure of 1,500 jobs was mentioned. As you say, there have been a number of announcements. Midlothian is another area that is affected, with Crummock announcing job losses. Each of those job losses is very concerning for us and for the individual.

Nevertheless, the figures that have been released this week show that unemployment is pretty close to an all-time low and that female unemployment and youth unemployment are lower than they are in the rest of the UK. The challenges in retail are serious, although the British Retail Consortium announced this morning that retail is growing faster in Scotland than in the rest of the UK.

Morag Watt: I am sorry to disappoint you, cabinet secretary, but I do not have the figures added up in my head. However, I can certainly forward them to the committee. We know the jobs that are expected to be created through the city deals, but the deals are at a relatively early stage and we do not yet have definitive figures for how many jobs they will create over the longer term.

Keith Brown: When deals have been agreed, local authorities have outlined the growth that they expect. We can provide the committee with those figures.

The Convener: Mr Simpson, do you want in before I close the session?

Graham Simpson: No, convener. You have covered my line of questioning comprehensively.

The Convener: I thank the cabinet secretary and his officials for coming along. We will hear the

UK Government's take on the progress of city region deals at some point after the summer recess. We look forward to that.

11:23

Meeting continued in private until 11:34.

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