

REPORT TO: East Lothian Council

MEETING DATE: 21 April 2015

BY: Depute Chief Executive - Partnership and Community Services

SUBJECT: Edinburgh City Region Deal

1 PURPOSE

1.1 The purpose of this report is:

- i) to provide a progress update in relation to the development of the outline business case of an Edinburgh City Region (ECR) Deal;
- ii) to secure approval to proceed with the development of a detailed business case, with ECR partners, through the next stage of negotiation with UK and Scottish Governments; and
- iii) to agree to adjust Stage 1 funding contribution levels and approve the funding of the next stage of the bid.

2 RECOMMENDATIONS

2.1 That Council notes the progress of the bid arrangements since it agreed in December 2014 to support the development of an initial business case and approve that officers proceed with the next stage of the bid in conjunction with ECR partners.

2.2 Agree to increase Stage 1 funding from a contribution of £5,000 as approved to a maximum of £25,000 and approve further Stage 2 funding to a maximum of £50,000.

3 BACKGROUND

3.1 At its meeting on 16 December 2014, the Council agreed to contribute £5,000 to support the development of an outline business case for an Edinburgh City Regional (ECR) Deal Infrastructure Fund. This contribution was based on a pro rata share based on population size as

agreed with City of Edinburgh Council. Following this, through meetings with ECR partners, it was agreed that each partner would equally share the cost of the development of the initial business case. East Lothian's contribution will now increase to a maximum of £25,000 consistent with other partner authorities..

- 3.2 Work has been undertaken over the past 3 months with consultancy support latterly through KPMG to develop an outline business case.
- 3.3 The ECR wants to build on its strengths and tackle its constraints by setting an ambitious target of a permanent uplift in economic output across the 6 constituent authorities of at least 5% per annum through an initial 10-year programme to be partly paid for out of the additional tax it generates for the UK and Scottish Governments.
- 3.4 Based on the ratios achieved by other infrastructure funds, the ECR would expect to achieve this target with a fund size of around £1bn, which would be comparable, relative to the size of the city region economy, to the Glasgow Infrastructure Fund City Deal.
- 3.5 ECR would expect to leverage additional private sector investment in the region of £3.2b as a result.
- 3.6 Economic growth will be delivered through a programme of prioritised investment. ECR has chosen Gross Value Added (per net £ of investment) as its lead metric to prioritise fund investment. To ensure cohesion across the ECR and to tackle areas of low income and those that lack access to employment opportunities, the fund programme will be further analysed to support 2 secondary objectives (programme minima). These project minima require further work in detail but will be focussed on:
 - a) Ensuring a suitable geographic spread of projects; and
 - b) Tackling inequality
- 3.7 At this stage, the type of infrastructure in scope for the fund has been broadly defined since in practice there are many forms of investment that can drive economic growth and assist in reducing in equality. It is likely to include transport, housing, regeneration, energy, broadband and digital connectivity.
- 3.8 Detailed economic modelling and prioritisation of potential projects will be undertaken in the next stage of business case development. This stage of the process will produce a coherent ECR wide programme of investment to maximise economic growth.
- 3.9 A parallel package of skills measures will be developed to ensure that the ECR's population is able to take full advantage of the additional job opportunities created by the City Deal.

- 3.10 ECR aims to initiate discussions with the UK and Scottish Governments on the basis of this outline proposition and seek agreement on the development of a detailed proposition. Assuming a positive response from Ministers, a detailed business case, including prioritising potential investment would be developed over the next 9 months. This would involve detailed immediate and ongoing dialogue with HM Treasury, Cabinet Office and Scottish Government with a view to reaching agreements by the end of 2015 / early 2016. This would also help ensure that the ECR is taken into account when the Comprehensive Spending Review (CSR) is being worked up after the UK Election and any funding package is considered as part of an Autumn Statement and the Draft Scottish Budget published in October 2015.
- 3.11 Key stages in the development of a detailed business case would include:
- Creating the analytical framework for measuring impacts
 - Agree baselines with Scottish and UK Government's against which to measure improvements, and demonstrate local additionality
 - Identify relevant candidate projects
 - Create appropriate joint working arrangements and governance structures across the city region.

Appendix A contains an indicative timetable towards an agreed deal.

- 3.12 Delivering the detailed business case will require further funding. ECR partners have agreed that contributions for this next stage of the development work should be calculated proportionately (pro rata share based on population). East Lothian Council's contribution is estimated at £50,000.

4 POLICY IMPLICATIONS

- 4.1 Although there are no direct policy implications arising directly from this report, an agreement on a deal for the Edinburgh City Region would support delivery of the Council priorities in respect of Growing our Economy, People and Communities as set out within the Council Plan and the SOA. Such a deal would have significant potential implications for the Council's Financial Strategy and its future Capital Plans.

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – The increase in contribution from £5,000 to £25,000 to develop the outline business case will be met from the existing 2014/15 Economic Development and Strategic Investment service budget. The contribution of £50,000 for the development of the detailed business case will be met from the approved 2015/16 Economic Development and Strategic Investment service budget.
- 6.2 Personnel - Allocation of staffing resource to support the development of the detailed business case will be required across a range of services. In the longer term should a deal proceed, it will be necessary to provide adequate resources and support to take forward any local projects.
- 6.3 Other - None

7 BACKGROUND PAPERS

- 7.1 Edinburgh City Region Deal, East Lothian Council, 16 December 2014
[East Lothian Council - East Lothian Council](#)
- 7.2 A copy of the outline Business Case has been lodged in the Members Library.

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Indicative Timetable to Agreed Deal

