

**REPORT TO:** East Lothian Council

**MEETING DATE:** 26 June 2018

**BY:** Chief Executive

**SUBJECT:** Edinburgh and South East Scotland City Region  
(ESESCR) Deal

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## **1 PURPOSE**

- 1.1 The Edinburgh and South East Scotland City Region Deal represents over £1.3 billion of investment over the next 15 years. The Deal will deliver inclusive economic growth, building on the region's strengths and addressing issues and economic barriers currently constraining the region's potential.
- 1.2 Following the signing of the Heads of Terms for the City Region Deal in July 2017, regional partners, Scottish Government and UK Government have agreed a Deal document which describes the Deal in more detail and demonstrates how projects and programmes will be implemented and governed.
- 1.3 This report seeks the approval of the content of Deal documentation including a summary of projects and the governance framework for delivery to allow the Deal to be signed.

## **2 RECOMMENDATIONS**

- 2.1 It is recommended that Council approves the content of Deal documentation, including the summary of projects and the governance framework for delivery, to allow the Deal to be signed by regional partners, Scottish Government and UK Government.

## **3 BACKGROUND**

- 3.1 Since 2016, the region's six local authorities (City of Edinburgh, East Lothian, Fife, Midlothian, Scottish Borders and West Lothian), together with the region's universities and colleges, have been working with the Scottish and UK Governments to develop a transformational and inclusive city region deal that will provide the jobs of the future and

address key economic barriers and issues constraining the region's economic potential.

3.2 A Heads of Terms tripartite agreement between the Scottish Government, UK Government and regional partners was signed on 20 July 2017. This set out the commitment of both Governments to jointly invest up to £600m over the next 15 years across five key themes:

- Innovation;
- Employability and Skills;
- Transport;
- Culture; and
- Housing.

3.3 This investment was subject to:

- approval of final business cases for all projects and programmes;
- development of a final city deal document and implementation plan;
- establishment of clear and robust governance arrangements; and
- the consent of all constituent local authorities and partners.

3.4 Since July 2017 partners have been working with Government on developing businesses cases and the necessary deal documentation to commence the programme of investment.

3.5 A governance framework and financial profile have been agreed with Government.

3.6 Business cases for each project will be required to be approved by regional partners and Government, to allow money to flow subject to the approval process described in the governance framework. This is a 15-year programme and business cases will be brought forward as detailed in the project summaries. Some business cases are at an advanced stage and have been developed and shared with government on an iterative basis.

3.7 Subject to approvals by all partner authorities and university courts, the Deal Document can be signed between partners, Scottish Government ministers and UK Government.

### **Deal Documentation**

3.8 Appendix 1 to this report is the City Region Deal Document, which comprises three chapters:

- Context and narrative on the Deal’s ambitions to secure inclusive growth;
  - A summary of the programmes and projects; and
  - The governance framework for implementation and monitoring.
- 3.9 Two further components of the Deal Document are lodged as private items in the Members Library:
- the Deal Implementation Plan; and
  - the Financial Plan and Agreement.
- 3.10 The Outline Business Case for the Food & Drink Innovation Hub has also been lodged as a private item in the Members Library in its latest submitted draft form. This continues to be developed iteratively with our partner university and both Governments.
- 3.11 These reports detail specific aspects of the deal that remain confidential until the deal agreement is announced by both Scottish and UK Governments and the Regional Partners. Members have been briefed on the content of these documents.

### Summary of the Deal and Key Elements

- 3.12 A summary of the Deal and its key elements designed to deliver innovation and address regional inclusion challenges is shown below:

Theme	Government contribution £M	Partner contribution £M	Total £M
<b>Innovation</b>	350	448	798
<b>Skills</b>	25	0	25
<b>Transport</b>	140	16	156
<b>Culture</b>	20	25	45
<b>Housing</b>	65	248	313
<b>Total</b>	600	737	1,337

### Governance Framework

- 3.13 The City Region Deal partners are aware that delivering the twin objectives of innovation and inclusive growth will require alignment between local, regional and national objectives, policies and resources.

The proposed City Region Deal governance arrangements would empower local authorities to:

- operate strategically with their partners to realise the economic potential of the city region;
- respond to issues critical to the economic health and wellbeing of the city region;
- unlock economic assets; and
- decide on the alignment of resources in projects and programmes with the greatest potential for the city region.

3.14 Through the City Region Deal, the Governments and regional partners have embarked on a new relationship. The first phase of this is underpinned by the activities set out in the Deal. However, future phases will involve continuing to work together on transferring further powers to partners, maximising policy and resources levers, while also strengthening the city region's governance and capacity to deliver and to meet the recommendations of the Scottish Government's Enterprise and Skills Review as set out in the Heads of Terms and the UK Government's emerging Industrial Strategy. The governance arrangements will operate in a way that will best deliver inclusive growth and accountability and will be underpinned by the participation of the city region's key private, public and third sector interests. A detailed description of the approach towards promoting inclusion through the Deal can be found at Section 5 of this report.

3.15 The governance arrangements put in place for the City Region Deal will enable decisions to be taken in an open and transparent way for the whole region.

3.16 The proposed governance structure for the City Region Deal comprises decision-making boards, advisory groups, and project groups. The appendix to this report sets out the Full Terms of Reference for the decision-making boards and advisory groups. Terms of Reference for the project groups are laid out within the Management Case in each project business case.

3.17 Reporting on the Food & Drink Innovation Hub will be made to the project Steering Group co-chaired by the Chief Executive Officer of East Lothian Council and the Principal and Vice-Chancellor of QMU. The Steering Group has been formally established to provide strategic leadership for the project. Membership of the group also includes the Chief Executive Officer of Food & Drink Federation Scotland (also representing Scotland Food and Drink), Scottish Enterprise (Team Leader Food and Drink), 2 x members of the University's Court and East Lothian Council's Cabinet Spokesperson for Economic Development. Local businesses are represented by the Chairperson of the East Lothian Food & Drink Business Improvement District.

The remit of the steering group is as follows:-

- to provide strategic leadership for the project to develop the Edinburgh Innovation Park;
- to feed into and support the development of underpinning strategies to support the successful delivery of the project;
- to provide constructive and critical advice to the partners throughout the development of the project;
- to provide guidance to ensure that the project is developed in accordance with the requirements of the food & drink industry and with strategic priorities of UK and Scottish governments;
- to ensure that appropriate governance arrangements are in place to enable the good management, including the financial management, of the project;
- to act as advocates for the project and to seek additional support from outside organisations where appropriate.

### **Risk, Compliance and Governance Impact**

- 3.18 Each decision-making Board (as described in the appended Governance structure) will produce quarterly risk and performance monitoring reports. Where risks are identified, change recommendations will be made. An overall risk register and performance monitoring report will also be considered by the Executive Board and Joint Committee every quarter. The template for these reports will be agreed with Government, and the reports will be shared with Government and the Regional Enterprise Council every quarter. Any risks that are relevant to the East Lothian Council will be raised with Council if and when identified.
- 3.19 Every five years, an independent evaluation of the City Region Deal will take place to capture progress and identify priorities for the next phase of delivery. Government will work in partnership with the Joint Committee to undertake the evaluation and support the implementation of agreed recommendations. This evaluation will be shared with partner authorities when published.
- 3.20 The City of Edinburgh Council will act as the Accountable Body for the deal, which will provide a link between the Scottish Government and all regional partners including East Lothian Council. This will be underpinned by a tri-partite agreement with the UK Government, Scottish Government, and City of Edinburgh Council. All the City Region Deal grant monies that relate to East Lothian will flow through the Scottish Government and then through City of Edinburgh Council on to East Lothian Council over the lifetime of the deal.
- 3.21 City of Edinburgh Council will be required to sign a grant offer letter(s) from the Scottish Government and will then put in place separate standard agreements with all regional partners in the context of grant letter(s) so that all terms and provisions are included.

## **Measuring Success**

- 3.22 To assess how well the City Region Deal is aligning towards the overall vision and inclusive growth targets, the Project Management Office will produce an annual report on all city region deal activity. The template for the annual report will be agreed with Government, and shared with Government, and reported to all partner authorities and the Regional Enterprise Council every year.

## **4 POLICY IMPLICATIONS**

- 4.1 Agreement on a deal for the Edinburgh and South East Region would support delivery of the Council priorities in respect of Growing our Economy, People and Communities as set out within the Council Plan. Deal agreement will have significant implications for the Council's Financial Strategy and its future Capital Plans. The Edinburgh and South East City Region Deal is consistent with the approved proposed LDP and is incorporated in the work to refresh the Economic Development Strategy 2017-22.

## **5 INTEGRATED IMPACT ASSESSMENT**

- 5.1 Inclusive growth is a shared policy objective of the Council and national governments and a key driver for the Deal is to promote equality through addressing inclusion across the city region.
- 5.2 All business cases for projects included in the programme have demonstrated, or will demonstrate, how they will reduce inequalities. The integrated regional skills programme in particular will work to ensure that all residents throughout the region have the ability to share in future success.
- 5.3 Partners and Governments recognise that prosperity and success is not universal across the region: 21% of children are living in poverty; there is a lack of mid-market and affordable housing; and too many people are unable to move on from low wage/low skills jobs. The deal will directly address these issues, create new economic opportunities, and is expected to provide up to 21,000 new jobs.
- 5.4 Each business case must also demonstrate the impact that it will have on inclusion. A Monitoring and Evaluation Framework is also being developed for the programme, which will incorporate clear indicators to align with the Scottish Government Inclusive Growth Framework, also under development.
- 5.5 Partners recognise the importance to ensuring that inclusive growth ambitions are embedded in their plans and aligned with the Scottish Government's Economic Strategy ambitions, responding to the particular challenges faced across the region. A detailed analysis of the region's

economy, accredited by the Scottish Government, took place and identified six key inclusion challenges:

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

5.6 An inclusive growth framework was developed to ensure that the city region deal projects can address these issues. Five thematic interventions to target these challenges will go some way towards ensuring that the benefits of the city region deal investment are shared as widely as possible:

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

5.7 A City Region Deal will also provide a mechanism to help drive forward investment in sustainable place making. A holistic approach to sustainable growth is at the heart of the City Region Deal.

## **6 RESOURCE IMPLICATIONS**

6.1 Financial - The contribution required by East Lothian Council towards the QMU Innovation Park is approximately £10M and although this is partly provided for within the existing capital plan, a further revision to this will be required with a potential call being made upon the established Capital Fund. A city deal supported housing programme would supplement the already approved HRA Capital Investment Plan that may require some re-alignment to accelerate the further development of Blindwells.

6.2 Personnel – a significant amount of resource (both staffing and funding) has been spent preparing and negotiating the Deal bid over the last 3 years and in order to best serve the Council's interests there will be a requirement to provide potentially significant resourcing to support implementation and delivery of this programme. In this context Council agreed in August 2017 to set aside up to £0.5M of Council balances for this purpose. A further Service Review report lodged in the Members Library notes the creation of 2 Project Manager – Growth Delivery posts who will be directly involved in taking the City Region Deal through to delivery.

6.3 Other – none at this time.

## 7 BACKGROUND PAPERS

- 7.1 Appendix 1 - Edinburgh and South East Scotland City Region Deal – Deal Document
- 7.2 Members’ Library Service Report, Reference 90/18 – June 2018 Bulletin - Edinburgh and South East Scotland City Region Deal – Deal Implementation Plan; Financial Plan and Agreement
- 7.3 Members’ Library Service Report, Reference 91/18 – June 2018 Bulletin - Edinburgh and South East Scotland City Region Deal – Food & Drink Innovation Hub, Outline Business Case
- 7.4 Members’ Library Service Review Report, Reference 68/18 – May 2018 Bulletin – Establishment of Growth Delivery Team
- 7.5 Members’ Library Service Report, Reference 92/18 – June 2018 Bulletin – Edinburgh and South East Scotland City Region Deal – Establishment of Joint Committee - Minute of Agreement
- 7.6 Edinburgh and South East Scotland City Region Deal – Governance and Project Management Arrangements - Report to East Lothian Council 31 October 2017  
[https://www.eastlothian.gov.uk/meetings/meeting/6062/east\\_lothian\\_council](https://www.eastlothian.gov.uk/meetings/meeting/6062/east_lothian_council)
- 7.7 Edinburgh and South East Scotland City Region Deal – Report to East Lothian Council 11 August 2017 (includes Heads of Terms)  
[https://www.eastlothian.gov.uk/meetings/meeting/6061/east\\_lothian\\_council](https://www.eastlothian.gov.uk/meetings/meeting/6061/east_lothian_council)
- 7.8 East Lothian Council Summer Recess Arrangements – Standing Order 15.5 Members Library Report – Edinburgh and South East Scotland Region - City Deal Proposition – 19 July 2017
- 7.9 Edinburgh and South East Scotland City Region Deal – Report to East Lothian Council 28 June 2016  
[https://www.eastlothian.gov.uk/meetings/meeting/5696/east\\_lothian\\_council](https://www.eastlothian.gov.uk/meetings/meeting/5696/east_lothian_council)

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