

## **The Edinburgh and South East Scotland City Region Deal**

### **Report by Chief Executive**

#### **1.0 Purpose**

- 1.1** This report provides a further update on the Edinburgh and South East Scotland City Region Deal, and specifically seeks approval for the proposed governance arrangements.

#### **2.0 Background**

- 2.1** Members may recall that at a Special Meeting of Council on 19 July 2017 they were informed of the Heads of Terms of the City Deal that had been offered by the Scottish and UK Governments to the six constituent Councils. Council agreed to:

- “a) note today’s notification of the Heads of Terms offer from the UK and Scottish Governments and;*
- b) accept and endorse, in principle, the Heads of Terms Agreement subject to any final revisions.”*

- 2.2** Following similar endorsement by the other five Councils (City of Edinburgh, East Lothian, Fife, Scottish Borders, and West Lothian) the Heads of Terms were formally signed on 20 July 2017. For ease of reference a copy of the Heads of Terms is attached at Appendix A.

- 2.3** In summary the Heads of Terms confirm that both Governments are committed to jointly investing up to £600m over the next 15 years which, when added to the expected contributions from regional partners, will represent over £1.1bn of investment. That investment will seek to provide for economic growth across the region, a key element of which will be the opportunity to address inclusion across the region by ensuring that all communities, including the more and most disadvantaged benefit from economic growth.

- 2.4** The Heads of Terms are relatively high level in nature, being the basis for more intensive and detailed work on the following items:

- preparation and approval of final business cases for all projects and programmes;
- development of a final city deal document and implementation plan; and
- establishment of clear and robust governance arrangements.

The Governments have subsequently set out the more extensive suite of supporting documents that will be required, including a Financial Plan, a Risk Management Strategy and a Communications/Stakeholder Management Plan.

## 2.5 Commitments in the Heads of Terms are given under five broad areas for investment, these being:-

- research, development, and innovation;
- employability, and skills;
- transport;
- culture; and
- housing.

Amongst the itemised commitments in the Heads of Terms, those of most relevance and benefit to Midlothian are:-

- Data storage and analysis technology investment at Easter Bush.
- Scaled up incubation space for bioscience businesses and specialist facilities at Easter Bush, delivering alignment with the Roslin Institute's research excellence in agritech and extensive industry partnerships.
- Investment in economic infrastructure including industrial and business premises to ensure maximum impact from the innovation investment.
- Investment in the delivery of an Integrated Regional Employability and Skills Programme.
- Improvements to the A720 City Bypass to provide for grade separation of the Sheriffhall Roundabout.

## 3.0 The Midlothian Context

**3.1** The Heads of Terms provide only a high level summary of the scope and direction of the City Deal. At a more detailed level there are particular projects and initiatives being developed across the region, some specific to particular geographical locations, and others of a more region-wide nature. In respect of Midlothian the following are particularly relevant.

**3.2 Infrastructure:** the Heads of Terms commit to improvement of the A720 City Bypass with specific reference to the Sheriffhall junction. As part of the additional investment at Easter Bush to drive major innovation projects, associated infrastructure in the form of the A701 relief road and A702 spur road are included. These proposed roads are included in the soon to be adopted Midlothian Local Development Plan. In September 2017 the first contract for ground investigation work along the route was let, and a second contract to cover traffic/transportation/preliminary road design is due to awarded before the end of 2017: both contracts being fully developer funded. The full costs of the scheme are due to be funded by a combination of City Deal, developer contributions, and allocated Council monies. In order to secure the City Deal funding an outline business case will need to be prepared and submitted to Government.

**3.3 Centres of Excellence in Schools:** these are a key part of Midlothian's vision to create a world class education system. Based primarily within secondary schools, Centres of Excellence would offer opportunities for deeper learning through an enhanced curriculum, specialist teaching, dedicated resources and high quality vocational experiences. City Deal funding would be expected to contribute to a three phase programme. The first phase will be the establishment of a Centre of Excellence in Digital which will be based at the Newbattle Community High School. The second phase will be the building of a new facility linked to the Easter Bush (Midlothian Science Zone) to deliver a Centre of Excellence in STEM (science, technology, engineering, and maths) subjects. The third phase will be the building of a new secondary school within the newly developing Shawfair community, to include a Centre of Excellence in the Creative Industries by 2025.

- 3.4 Skills Development:** this is a region-wide programme, but is of particular relevance to Midlothian due to its relatively low skill/low wage labour force when compared with the remainder of the City Deal region. Skills development is a core component of the City Deal to provide maximum impact and opportunity for those taking their first steps into employment and those seeking career progression in economic growth areas where skills shortages are likely to exist. A range of measures will be implemented comprising labour market analysis, integrated business support/employer offer, intensive family support service, integrated knowledge management, targeted skills development, talent banks, digital enablement, and concessionary travel.
- 3.5 Housing:** although the Heads of Terms did not include the levels of new investment and provisions that the six partner Councils had been seeking, they did provide for greater region-wide collaboration on the key themes of infrastructure, affordable housing, housing delivery vehicles, strategic use of public sector land and property, and skills and innovation. There is expected to be City Deal support in the development of major new housing sites across the region, including Shawfair. A housing infrastructure fund of up to £50m of predominantly private sector loans will be provided to unlock housing in such strategic development sites.

#### **4.0 Proposed City Deal Governance Arrangements**

- 4.1** To ensure the proper implementation of the City Deal there needs to be a definitive governance arrangement that is adequately supported and resourced. During the preparation of the City Deal bid there has been a Council Leaders' Group, meeting effectively as an informal joint committee since June 2016, with input from representatives of the business and higher education sectors. In support of that Group has been a Chief Executives' Group of the six constituent councils.
- 4.2** Now that the City Deal Heads of Terms have been signed there is a need to establish more formal arrangements. The proposals are for:-
- a) a Joint Committee which is the supreme body making the final decisions on all major matters concerning the City Deal;
  - b) a new cross-regional Business Leadership group to bring together voices from across the private sector to play a full role in the development and delivery of the City Deal; and
  - c) an Executive Board comprising the six regional local authority chief executives, and the six regional local authority directors with a remit for the economy, with a representative from the region's universities and colleges; its remit being to support the Joint Committee in the delivery of the City Deal Programme.
- 4.3** Details of the proposed arrangements for the Joint Committee comprise Appendix B to this report. The proposed remit provides the Joint Committee with decision making powers, but would require any decision to commit funds and resources to be undertaken by individual governing bodies rather than the Joint Committee. The proposals include non-council members, although the relevant legislation requires that the Joint Committee must consist of at least two-thirds councillors.

**4.4** Throughout the period of the City Deal, and particularly in its early stages there will need to be a Programme Management Office to undertake essential work to support the Joint Committee and Executive Board. This would comprise a number of full-time officers, primarily seconded from the partner Councils. Each Council would therefore need to provide financial and/or staff contribution to the Programme Management Office.

**4.5** To formalise the process it is proposed that a minute of agreement be prepared to set the arrangements for the role, remit, powers and operation of the Joint Committee. The details set out in at Appendix to this report would form the basis of the minute of agreement.

## **5.0 Report Implications**

### **5.1 Resource**

There are no specific financial resource implications arising from the establishment of the Joint Committee. However, the total governance structure includes a project management office which will require a contribution towards its running costs. The proposed arrangement will require a maximum contribution from Midlothian of £28,000. Additional costs, estimated at about £20,000 will be incurred in the preparation of the outline business case for the A701/A702 roads project. These costs, amounting up to £48,000 will be met from General Fund Reserve set aside to fund costs associated with transformation.

### **5.2 Risk**

Without a definitive and properly resourced governance structure the implementation of the City Deal will risk being less effective through lack of co-ordination and direction.

### **5.3 Single Midlothian Plan and Business Transformation**

Themes addressed in this report:

- ☐ Community safety
- ☐ Adult health, care and housing
- ☒ Getting it right for every Midlothian child
- ☒ Improving opportunities in Midlothian
- ☒ Sustainable growth
- ☐ Business transformation and Best Value
- ☐ None of the above

### **5.4 Impact on Performance and Outcomes**

Proper governance of City Deal will maximise achievement of outcomes.

### **5.5 Adopting a Preventative Approach**

Not applicable to this report.

### **5.6 Involving Communities and Other Stakeholders**

Not applicable to this report.

### **5.7 Ensuring Equalities**

This report is not proposing any new policies or strategies and has therefore not been assessed for equalities.

### **5.8 Supporting Sustainable Development**

This is a primary outcome of the City Deal.

### **5.9 IT Issues**

None.

## **6.0 Summary**

- 6.1** With the formal signing of the City Deal Heads of Terms on 20 July 2017 attention can now turn to its implementation. It is important to establish at an early date a definitive governance structure. It is equally important to ensure that there is sufficiently resourced programme management in place to support the Joint Committee; most particularly over the next 9 to 12 months when a substantial amount of work is required on the preparation of detailed documents to underpin the overall range of City Deal programmes and projects.

## **7.0 Recommendations**

- 7.1** Council is recommended:-

- a) to agree to establish a Joint Committee under Section 57 of the Local Government (Scotland) Act 1973 with City of Edinburgh, East Lothian, Fife, West Lothian and Scottish Borders Council, representatives from the higher and further education sector, and business to oversee the governance arrangements for the Edinburgh and South East Scotland City Region Deal;
- b) to agree that the Leader of the Council be appointed to represent the Council on the Joint Committee;
- c) to delegate authority to the Chief Executive, in consultation with the Leader of the Council, to negotiate and agree the minute of agreement establishing the Joint Committee, with reference to the principles set out in Appendix B to this report;
- d) to note the costs of project business case preparation, and the financial contribution that will be required towards the project management office, and to delegate the Chief Executive to finalise the necessary arrangements.; and
- e) to require further and regular update reports on the progress of the City Deal.

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**Background Papers:** None