

Edinburgh and South East Scotland City Region Deal Update

Report by Dr Mary Smith, Director, Education, Communities and Economy

1.0 Purpose of Report

- 1.1 This report informs Council of the current progress being made to implement the Edinburgh and South East Scotland City Region Deal (ESESCRD), with particular attention to the projects and initiatives which will directly and indirectly benefit communities in Midlothian.

2.0 Background

- 2.1 Council has received regular reports since 2014 on the joint preparation with partner Councils of the City Deal ; specifically on 16 December 2014, 24 March 2015, 12 May 2015, 7 February 2017, 19 July 2017, 7 November 2017 and 26 June 2018. The key milestones have been the signing of the Heads of Terms by the partners in July 2017, and the formal signing of the City Deal itself by all partners and the UK and Scottish Governments in August 2018.

- 2.2 Previous reports have set out in detail the aims, objectives, financing and governance arrangements. In summary the ESESCRD is one of a number of such city deals throughout Britain, the primary aim being to boost investment in the relevant city deal region. The Edinburgh and South East Scotland region has elements of a strong economy but also areas of deprivation and decline; and therefore the overarching central aim is to grow the size and spread of the regional economy by accelerating growth, and to do so in a way that benefits all parts of the region including those more disadvantaged communities, thereby delivering inclusive growth across the region. The ESESCRD seeks to achieve this through five inter-related themes:

- Research, Development and Innovation to increase productivity and thereby increase levels of employment and income.
- Employability and Skills integrated programme to develop the workforce that is already mainly resident in the region to take the job opportunities provided by an expanding economy.
- Transport connectivity improvements to enable ease of travel across the region and particularly to maximise the accessibility of labour markets and training centres.
- Housing developments which can meet demand within the region, particularly in the affordable sector.
- Culture developments to reinforce the role and standing of Edinburgh as a major cultural centre which can provide region-wide benefits in key economic sectors such as tourism, and food and drink.

- 2.3** The ESESCRD partners are the six constituent councils of the region (City of Edinburgh, East Lothian, Fife, Midlothian, Scottish Borders and West Lothian), together with the higher and further education sector, the business community and the third sector. Collectively these partners made the successful bid to the UK and Scottish Governments for city deal status, the agreement being signed in August 2018. The document signed by the partners and the Governments entitled “*City Region Deal : Accelerating Growth*” sets out the overall context and approach to ensuring inclusive growth, summarises the programmes of action within each of the key inter-related themes, and articulates the governance framework for overseeing and delivering the City Deal programme. More detailed supplementary documents cover financial matters and the details of projects and their individual programming.
- 2.4** The total level of investment in the ESESCRD is estimated to be around £1.3bn, to be spent over the 15 year period of the City Deal; though the intended and agreed financial plan is likely to result in most of the investment being made within the first 10 years. The £1.3bn comprises a total of £300m from the UK Government, £300m from the Scottish Government and a contribution of some £730m from the City Deal partners, broken down as follows:

Theme	Governments Contribution (£m)	Partners Contribution (£m)	Total (£m)
Research Development and Innovation	350	441	791
Employability and Skills	25	-	25
Transport	140	16	156
Housing	65	248	313
Culture	20	25	45
Total	600	730	1330

- 2.5** The governance arrangements set out in the ESESCRD comprise the Joint Committee which is the decision making body, supported and informed by a structure of advisory boards/groups, thematic advisory boards and project groups. The five thematic groups relate to the main City Deal themes as noted above. In addition there is the Regional Enterprise Council of business representatives as well as representatives from the third sector, higher/further education, Scottish Enterprise and Skills Development Scotland; as well as the Innovation Advisory Group, and the Higher and Further Education Group. An Executive Board comprising the six Council Chief Executives and a representative of the region’s universities and colleges co-ordinates the management, direction and output of these advisory boards/groups, and reports directly to the Joint Committee. The governance framework includes commitments on community engagement and partnership with the private and third sectors. It also commits to working closely with Government and its agencies to deliver a strong regional partnership.
- 2.6** The Joint Committee comprises the six constituent Council Leaders, and a representative from the university/college, business, and third sectors. The secretariat for this Committee, and for the overall management of the City Deal work is provided by the Project Management Office based in the City of Edinburgh Council offices.

- 2.7 Individual projects will require to be approved by the Joint Committee, and are required to adhere to a defined preparation process, comprising business case development, the final stages of which require approval of the Joint Committee following which formal Government approval will be sought to allow City Region Deal funds to flow to the project for its implementation.
- 2.8 Two particular assurances are provided for in the signed City Deal Agreement. The first is that, *“The Joint Committee will be the ultimate decision-making body for all City Region Deal activity.”* The document also states that, *“Each constituent partners’ decision making in relation to its own financial commitments are not subject to Joint Committee approval. The Joint Committee does however have a monitoring and assurance role with respect to City Region Deal funding to ensure that it is spent in line with the City Region deal objectives.”*

3.0 Current Progress

- 3.1 It is relevant to note that the City Deal is still in its early stages of operation and is within its first year of a 15 year programme. Accordingly, it is only now that the first few business cases are coming before the Joint Committee for approval. In terms of the governance framework the Joint Committee is established and has met twice. The Regional Enterprise Council held its first meeting in December 2018. The thematic groups for delivery of data driven innovation, and for skills and employability are established, whilst those for transport and housing are programmed to commence work in the next few months.
- 3.2 The establishment and operation of the Transport Appraisal Board (TAB) is particularly relevant to Midlothian. The City Deal Joint Committee is due to consider the establishment of that officer level Board at its meeting in March 2019, with the Board expected to be operational by the summer of 2019. The Joint Committee is to be recommended to appoint this Council’s Chief Executive to chair the TAB. Major agenda items for that Board will include the A720 Sheriffhall Junction Improvement, proposals at West Edinburgh, and the A701/A702 road scheme which forms part of the Easter Bush data driven innovation project. Membership of the Board, as defined in the City Deal agreement will comprise representation from the six constituent Councils, Transport Scotland and the existing regional transport body SESTRan. In addition to the major projects noted above, the Board will also consider the transport elements of other City Region Deal projects, particularly in the Housing and Innovation themes. A further significant task for the Board will be to provide input at a regional level into national programmes including the Scottish Government’s National Transport Strategy, and Strategic Transport Projects Review 2.
- 3.3 As reported previously there are projects in the ESESCRD which will benefit Midlothian directly, as well as projects which through their nature, scope and proximity can be confidently expected to provide notable indirect benefits to Midlothian.
- 3.4 The current position of those projects which can be regarded as providing direct benefits to Midlothian is as follows:
- i) **A720 Sheriffhall Junction Improvement.** Members may be aware of progress to date on this scheme which is due to be implemented by Transport Scotland as trunk roads authority. A public consultation on route/junction options was undertaken by Transport Scotland in December 2016, and the draft orders for the preferred route are due to be published in 2019. As part of its City Deal funding commitment Scottish Government has allocated £120m for this scheme; and which is expected to cover the full costs of the project. At its meeting in December 2018 the Joint Committee expressed concern over the need to have a clear statement

from Transport Scotland on the programme timescale for this project. A meeting at officer level with Transport Scotland is currently being arranged, the result of which can be included in the overall report on transport to be submitted to the next meeting of the Joint Committee. Regular reports on the progress of this scheme can also be submitted to this Council.

- ii) ***A701 Relief Road/A702 Link Road.*** This is an integral part of the wider Easter Bush project within the Research, Development and Innovation theme. That project seeks to leverage existing world-class research institutes and commercialisation facilities to make Easter Bush a global location of Agritech excellence. This will involve a substantial amount of new development at Easter Bush as part of the ongoing programme of new and extended facilities by the University of Edinburgh and others in that area. For that development to have an acceptable level of strategic road access, it will require the implementation of the new A701 relief road/A702 link road as included in the Council's Midlothian Local Development Plan (2017). That road scheme has been agreed not only to ensure unconstrained road access to Easter Bush, but also to provide road capacity to accommodate additional demand arising from new housing developments in that A701 corridor, and to enable the existing A701 to become a dedicated route for public transport and a safer route for cyclists/pedestrians. Recently completed ground investigations along the proposed route option alignment, commissioned by the Council, show that there are no significant constraints. The next stage currently being undertaken is to commission work to prepare for the issue of a design and build contract later this year. The current projected date for completing the road scheme is 2022. Although the City Deal Easter Bush project includes the A701/A702 road scheme, the funding arrangements are identified separately in the business case. The total cost of the A701/A702 scheme is estimated at approximately £30m, comprising £20m for the new roads, and an estimated up to £10m for the revised junction of the A701 with the A720 City Bypass. Committed City Deal funding amounts to £10.9m, the remainder to come from developer contributions and the Council's capital budget. Discussions involving Transport Scotland, Council officers, and the University of Edinburgh are ongoing to agree the form of the new A701/A720 junction. These should be completed in time for the sign off of the Easter Bush business case by the City Deal Joint Committee in September 2019.
- iii) ***Integrated Regional Employability and Skills (IRES).*** This programme will operate across the whole region to support the primary inclusive growth ambitions of the City Deal. The overall programme was approved by the City Deal Joint Committee in December 2018, and has the following key elements:
- Accelerating inclusive growth through unlocking new talent pods for business, promoting fair work, and equipping disadvantaged citizens with the skills they need to succeed.
 - Removing the barriers to growth by putting in place intensive family supports and targeted skills development to help disadvantaged individuals access and progress in work.
 - Community benefits through procurement by integrating the approach to employer engagement and procurement that increases the value achieved from collective investments.
 - Targeted skills interventions that build workforce capacity and capability in the key City Deal employment sectors of data driven innovation, and housing construction/infrastructure.

- Social benefit through innovation through close working with the data driven innovation programmes to fully utilise the technological and employment opportunities that will be generated by the sector.

Within the overall IRES theme the Council has maintained and voiced a view that some provision be set aside for the development of further secondary school centres of excellence, similar to the digital centre within Newbattle High School. One potential opportunity would be for a science based centre of excellence within the A701 corridor in collaboration with the University of Edinburgh.

- iv) **Housing.** The regional housing programme aims to accelerate the delivery of affordable housing and housing across all tenures. One specific element of the programme is the commitment of £50m of City Deal funding from Scottish Government “to stimulate creative ideas, fresh thinking and innovation in the provision of housing” at seven strategic major development sites across the region, including Shawfair.
- v) **World Class Data Infrastructure Project.** This provides the enabling data infrastructure for the wider data driven information programme. Although a regional project, and not providing any notable amount of new jobs, the hardware element is to be provided at Easter Bush, and thereby reinforcing the significance of this location to the overall City Deal programme. Total budget for the project is approximately £110m.

3.5 The geographical position of Midlothian, close to Edinburgh and central within the City Deal area, means that it can be expected to benefit indirectly from other City Deal projects, including the new food and drink innovation campus at Craighall next to Queen Margaret University, the Usher Institute centre in Edinburgh for the development of innovative and financially sustainable models of health and social care, and transport improvements at West Edinburgh.

4.0 Report Implications

4.1 Resources

At its meeting in June 2016 the Council approved in principle to set aside up to £12m from the Capital Fund as a contribution to specific City Deal projects that would benefit Midlothian. The relevant parts of the City Deal Implementation Plan as reflected in the emerging Easter Bush business case identified a Council contribution of £4.7m towards the A701/A702 road scheme. In June 2018 Council was advised that this level of contribution could rise to about £7.0m once the more precise costs of the scheme are known, particularly in relation to the new A701/A720 junction. This is identified in the Council’s Capital Strategy.

In terms of revenue budget, Council has previously noted the requirement for contribution to the costs for the central Project Management Office, based in the offices of the City of Edinburgh Council, that Council being the named Accountable Body for the City Deal. City of Edinburgh Council has advised that partner contributions of £43k per annum are required for the discharge of operational, secretariat and financial management of the City Deal. Accordingly, and to account for any other relatively minor unforeseen costs, an allocation of £50k is provided in the revenue base budget for 2019/20. It is expected that this level of contribution will reduce after the first few years of the operation and implementation of the City Deal.

4.2 Risk

Regular liaison with Transport Scotland will continue to ensure that the A720 Sheriffhall Improvement project is delivered within a reasonable timescale. Such liaison with Transport Scotland on the junction solution of the new A701 road with the A720 City Bypass will also continue to mitigate the risk of any delay to the Easter Bush business case sign off and implementation. Council officers will engage fully at all levels of the City Deal governance framework to ensure that Midlothian's interest and fair share of the City Deal benefits are secured. On a specific matter, whilst the overall terms relating to the road infrastructure element of the Easter Bush project are acceptable, attention will need to be paid to the profiling of the spending of the Council's financial contribution to be aware of any potential upfront borrowing costs which may be consequent on the profile of committed funding contributions from the Governments and developers.

4.3 Single Midlothian Plan and Business Transformation

- Adult health, care and housing
- Getting it right for every Midlothian child
- Improving opportunities in Midlothian
- Sustainable growth

4.4 Impact on Performance and Outcomes

The impact of City Deal investment through projects and initiatives can be assessed through a range of indicators included within the business cases and audit by others. For Midlothian, assessment can be made in relation to Single Midlothian Plan indicators.

4.5 Adopting a Preventative Approach

The fundamental aim of the City Deal is to achieve inclusive growth across the whole region, including the more disadvantaged communities, thereby arresting and reversing economic decline; particularly in the areas of skills, employability and housing.

4.6 Involving Communities and Other Stakeholders

Proposals for the A701/A702 roads scheme were subject to extensive public consultation through the preparation of the Midlothian Local Development Plan. The A720 Sheriffhall junction proposals were the subject of consultation by Transport Scotland in 2016.

The signed City Deal document states under community engagement,

“Throughout the process, engagement will take place with communities on projects and programmes. This will occur through existing statutory and informal community engagement structures, such as community planning, planning consultations and local authority budget engagement processes.”

4.7 Ensuring Equalities

At an overall collective level the City Deal partners have been engaging directly with the Equalities and Human Rights Commission to ensure that the terms of the City Deal ensure equalities; this is being co-ordinated through the Project Management Office. At Midlothian level an equalities assessment accompanied the report to Council in June 2018, and remains relevant.

4.8 Supporting Sustainable Development

Sustainable place making and a sustainable regional economy are two primary outcome targets of the City Deal.

4.9 IT Issues

None

5.0 Summary

5.1 It is important to recognise that the ESESCRD is still in its early stages of implementation. Business cases for the first of the projects are only now being agreed by the City Deal Joint Committee, following which the agreed funding from Governments will be released. Accordingly, it will be some time before the tangible benefits of City Deal investment will be realised. The primary governance arrangements are in place, with remaining elements due to become established over the next few months. There is a detailed implementation plan for the agreed projects and initiatives, and one of the early business cases to be approved is the overall programme for Integrated Regional Employability and Skills. The interests of Midlothian are being represented through the governance arrangements, and ensuring that it receives at least its proportionate share of the benefits.

6.0 Recommendations

6.1 It is recommended that Council:

- i) notes progress on the early stages of the implementation of the Edinburgh and South East Scotland City Region Deal;
- ii) notes the expected direct and indirect benefits to Midlothian which are expected to result from the terms of the City Region Deal;
- iii) notes the extent of the previously agreed Midlothian capital budget allocation and revenue budget commitment; and
- iv) requires further regular update reports on the progress of the City Deal as a whole, and on projects that are particularly relevant to Midlothian.

21 January 2019

Report Contact:

Ian Johnson, Head of Major Projects

T. 0131 271 3002

E. ian.johnson2@midlothian.gov.uk

Background Papers: None