

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

### **Report by Chief Executive**

#### **1.0 Purpose of Report**

- 1.1** This report seeks Council approval of the final City Deal proposal documents to go forward for formal signing by the Council together with the other regional partner organisations and the UK and Scottish Governments, thereby confirming the formal establishment of the Edinburgh and South East Scotland City Region Deal.

#### **2.0 Background**

- 2.1** Reports to Council on progress towards a City Deal for Edinburgh and South East Scotland have been submitted at regular intervals since December 2014. In July 2017 a report to a special meeting of the Council notified of the Heads of Terms offer from the UK and Scottish Governments. Council agreed to delegate authority to the Chief Executive, in consultation with the Council Leader and in liaison with the other five partner Councils, to accept and endorse in principle the Heads of Terms. Subsequent to that the Heads of Terms were formally signed by all regional partners and the two Governments on 20 July 2017.
- 2.2** A further report to Council in November 2017 provided a further update on the City Deal and specifically on the proposed governance arrangements whereby the Council agreed to establish with the other Councils and regional partners a Joint Committee, with the Leader of this Council appointed to represent the Council on that Joint Committee.

#### **3.0 City Deal Summary**

- 3.1** Previous reports to Council have included information on the nature, scale and content of the City Deal. Its primary aims are to grow the size and spread of the regional economy by way of accelerating growth, and to do so in a way that benefits all parts of the region including the more disadvantaged communities, thereby delivering inclusive growth across the region. The City Deal seeks to do this under five main themes:-

Innovation:	increasing productivity with a consequent increase in jobs and income levels.
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Employability and Skills:	to ensure that there is a suitably-trained workforce, mainly already resident in the region, that can take up the increase in job opportunities provided by an expanding regional economy.
Connectivity:	improved transport links to maximise accessibility across the region between residential and employment areas including training centres: and improved digital connectivity across the region.
Housing:	tackling the significant barrier to economic growth of a housing market which has insufficient levels of affordable housing.
Culture:	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.

**3.2** Although the formal process is one where the six constituent Councils in the region (City of Edinburgh, East Lothian, Fife, Midlothian, Scottish Borders and West Lothian) apply to the Governments for a City Deal, the normal practice is for there to be regular engagement with Government officials in the preparation of the bid, including on the likely levels of Government investment. The Heads of Terms agreed by all parties in July 2017 set the level of Government funding at £600m, this being £300m from the UK and Scottish Governments respectively. That funding is directed into the five main themes outlined above in the following terms.

Innovation	£350m
Employability and Skills	£25m
Connectivity	£140m
Housing	£65m
Culture	£20m

**3.3** The regional partners comprise the six constituent Councils, the higher and further education sector, the business community, and the third sector. It is expected that the regional partners will bring around £700m to the City Deal giving an overall funding total of £1.3bn. Although the City Deal programme is to be implemented over a 15 year period the intention is that, in ensuring accelerated growth, the majority of projects and interventions will take place in the first half of that period.

## **4 Formalising the City Deal**

**4.1** The Heads of Terms signed in July 2017 has now been taken forward into a fully developed City Deal document; attached to this report at Appendix A. It is this document, which, if approved by all City Deal regional partners, and subject to final approval from Governments' Ministers, will be formally signed to confirm the City Deal. It provides the overall context and describes the key elements and main themes, before outlining the governance framework to oversee the implementation of the Deal.

- 4.2** The terms of the formal Financial Agreement between the UK Government, the Scottish Government, and the regional partners is attached to this report at Appendix B.
- 4.3** The prospective governance arrangements were, as noted above, the subject of a report to this Council in November 2017, and remain in the current final document; namely a Joint Committee of the regional partners is the supreme body making the final decisions on all matters concerning the City Deal, advised by a Regional Enterprise Council of voices from the business private sector, and supported by an Executive Board of Council Chief Executives/ Directors and a representative from the higher/further education sector. The final deal document has developed further these arrangements to include additional advisory groups of finance directors of the regional partners, innovation, and higher/further education. In addition the governance proposals include subordinate boards for each of the main themes, which would make recommendations to the Joint Committee.

## **5.0 Midlothian Context**

- 5.1** Members have previously been briefed on the potential for the Midlothian area to gain substantially from the City Deal, despite it being the smallest local authority in the region. There are a number of factors that are relevant.

- a) Regional centrality: geographically Midlothian lies close to Edinburgh in the heart of the City Deal area, such that in addition to projects directly within its area, it also derives benefit from many other projects in close proximity. This is expanded in section 6.0 below.
- b) Socio-Economic Profile: the primary aim of the City Deal is to drive inclusive growth across the region such that its more disadvantaged communities can fully share in that economic growth. Midlothian contains a number of localities which in regional terms are particularly disadvantaged, and it would be expected that they could benefit notably from City Deal funded investment in skills, innovation, housing, employability and education.
- c) Housing and Construction: the high costs of private sector housing combined with a relatively low income economy has resulted in significant unmet demand for affordable housing in Midlothian. These circumstances are likely to remain despite the previous and continuing significant contributions to the affordable sector being made through the Council's housing programme and planning agreements with private developers. Therefore, the provisions of the City Deal to increase the amount and rate of supply of affordable housing, although more limited in scope than the regional partner Councils had hoped for, should have a notably beneficial impact in Midlothian. A consequence of the buoyant construction sector in Midlothian, which is expected to remain so for at least the next 12 years, provides a basis for local training and employment opportunities through City Deal investment in skills and employability.

- d) Easter Bush: the University of Edinburgh has a major programme of development at Easter Bush which will be augmented by a substantial level of direct City Deal funding under its data division innovation theme. This has particular benefits for Midlothian not only in terms of new employment opportunities at all levels, but also transport infrastructure new routes and upgrades.

## **6.0 Direct and Indirect Benefits for Midlothian**

- 6.1 In respect of item 5.1 d) above the University of Edinburgh is committing to the building of a World Class Data Infrastructure Hub at Easter Bush, as well as its Easter Bush Innovation Campus. Essential to the implementation of these proposals is the building of the new A701 relief road and A702 spur road, together with improvements to non-car based modes of transport along the existing A701 road: all of which are due to benefit from City Deal funding.
- 6.2 Under the terms of the Deal the Scottish Government is committing to fully funding the major improvement to the A720 Sheriffhall junction. Members may be aware of public consultations undertaken by Transport Scotland in December 2016 and that draft road orders are due for publication by Transport Scotland in Summer 2019.
- 6.3 Midlothian can expect to benefit proportionately from the City Deal investment in the integrated regional skills programme; and potentially with the provision of new secondary school 'centres of excellence', similar to that of the digital centre of excellence recently provided at the new Newbattle High School, and which involves close collaboration with another City Deal regional partner, the University of Edinburgh.
- 6.4 Similarly, Midlothian can expect to benefit in proportionate terms from the City Deal investment in a range of measures to increase the availability of land for, as well as the scale and rate of construction of, affordable housing.
- 6.5 Having regard to the context of regional centrality outlined in paragraph 5.1 a) above, the indirect benefits to Midlothian of City Deal investment are potentially substantial. They include the new food and drink innovation hub at Queen Margaret University just to the east of Shawfair, major investment at the Edinburgh Bioquarter located near the Edinburgh Royal Infirmary, and transport improvements at West Edinburgh including better access to Edinburgh Airport.

## **7.0 Report Implications**

### **7.1 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 final City Deal document identifies a sum of £4.7m as contribution from Midlothian Council towards the A701 relief road/A702 spur road scheme, with some £10.9m coming from City Deal, and the remainder in the form of developer contributions. This sum of £4.7m may increase to about £7.0m (although this is not documented) once more precise

costs for the linking of the new A701 relief road into the A720 City Bypass are known. The draft Capital Strategy, also on today's Council agenda, incorporates this higher figure. The final City Deal document does not include any other specific funding requirements for Midlothian Council.

At its meeting in November 2017, referred to above, Council note that it would need to make a contribution to the costs of the running of the Project Management Office based in City of Edinburgh Council; that Council being the named Accountable Body for the City Deal programme. At that time the annual contribution was assessed at £28,000; although final costs will be known in due course as determined by the City Deal Joint Committee. The expectation is that the level of contribution may reduce after the initial few years of greatest City Deal activity.

## **7.2 Risk**

Although there may be views about the size of the City Deal offer from the UK and Scottish Governments, it is the case that this is funding that would not otherwise come to the region or only a minority of which would come to the region. Accordingly, if a City Deal were not to be agreed this Council, along with all other regional partners, would lose out on some level of financial investment, with a consequent adverse impact on driving inclusive growth and delivering on major projects.

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 funding drawdown from the Governments.

## **7.3 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

## **7.4 Impact on Performance and Outcomes**

The impact of City Deal in achieving levels of inclusive growth can be measured both internally through the Project Management Office, and through Midlothian's own Single Midlothian Plan indicators.

## **7.5 Adopting a Preventative Approach**

The provisions of the City Deal, proportionately in the areas of skills, employability and housing, aim to intervene so as to prevent economic decline, most notably amongst the more disadvantaged communities.

## **7.6 Involving Communities and Other Stakeholders**

Proposals for the A701 relief road and A702 spur road have been the subject of extensive public consultation and public examination through the statutory local development plan preparation process. The A720 Sheriffhall junction proposals have to date been the subject of full public consultation by Transport Scotland. All relevant stakeholders have had an opportunity to input on the five primary City Deal themes.

The Regional Enterprise Council to be established as part of the governance arrangements will provide a sound basis for input from the business sector, third sector, and social enterprises into the implementation of the City Deal.

It is expected that the Joint Committee will decide upon further measures to engage fully with stakeholders and the public, potentially involving an annual conference/seminar, an annual online consultation, and regular roadshow consultations on major impending projects.

## **7.7 Ensuring Equalities**

The central aim of the City Deal is to drive forward inclusive growth which, by its very nature, seeks to address inequalities across the full range of factors. It is expected that the Project Management Office will co-ordinate any and all required equalities assessments at strategic level, and that individual full business cases for individual projects will account for the requirements of equalities legislation. For completeness an equalities assessment to accompany this report is attached at Appendix C.

## **7.8 Supporting Sustainable Development**

Sustainable place making and a sustainable regional economy are two primary outcome targets for the City Deal. The housing programme and skills gateway for construction aim to influence capacity for new innovation construction methods to deliver new low carbon homes.

## **7.9 IT Issues**

None.

## **8.0 Summary**

- 8.1** Following the publication of the agreed City Deal Heads of Terms in July 2017, further progress has now reached the stage where the two Governments and the regional partners are ready to consider the final draft full City Deal proposals. If agreed by all of these stakeholders the City Deal can be concluded formally next month. Thereafter the Joint Committee can be established and begin to oversee the implementation of the proposals to drive inclusive economic growth in the region.

## **9.0 Recommendations**

### **9.1** It is recommended that Council;

- i) approves the content of the Edinburgh and South East Scotland City Region 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; and
- ii) receives regular update reports on the progress and performance of the City Deal, particularly as it relates to Midlothian.

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**Background Papers:**      Accelerating Growth, Edinburgh and South East Scotland City Region Deal, June 2018

**Appendix A**                    ESESCR Deal Document

**Appendix B**                    Edinburgh and South East Scotland Region City Deal Financial Agreement

**Appendix C**                    Integrated Impact Assessment Form