

FINANCIAL AGREEMENT

July 2018

ACCELERATING
GROWTH

EDINBURGH AND SOUTH EAST SCOTLAND
CITY REGION DEAL

Edinburgh and South-East Scotland City Region Deal Financial Agreement

Financial Agreement

1. This Financial Agreement underpins the City Region Deal agreed for Edinburgh and South-East Scotland. It forms part of the overall deal documentation and should be read in context with all other corresponding deal information. The partners involved in the deal are the UK Government, the Scottish Government, and the City of Edinburgh Council as Accountable Body, which provides the link for all other regional partners involved in the deal. The other regional partners comprise: East Lothian Council, Fife Council, Midlothian Council, Scottish Borders Council, West Lothian Council, Heriot-Watt University, Queen Margaret University, and the University of Edinburgh.
2. The UK Government's financial contribution will be up to a maximum of £300 million and the Scottish Government's financial contribution will also be up to a maximum of £300 million – these figures were set out in the agreed Heads of Terms. The profile of payments over the fifteen-year timeline of the deal is set out in Table 1. Regional Partners will contribute up to a maximum of £730 million. This is an increase of £229 million from the original sum of £501 million set out in the agreed Heads of Terms. The profile of regional partner funding over the fifteen-year timeline of the deal is set out in Table 2. The detail and funding profile for each project can be referred to in the Edinburgh and South-East Scotland City Region Deal Financial Plan.
3. The delivery timeline of capital and revenue investment in the Edinburgh and South-East Scotland City Region Deal is over a fifteen-year period. The funding commitment from both the UK and Scottish Government's will be disbursed over the agreed funding profile set out in Table 1 and this also covers a fifteen-year period however, during the lifetime of the deal the lead authority with the agreement of both governments may review the profiling ensuring that it still meets the overarching commitments outlined in the deal of total investment by both governments of £600 million.
4. Government and Regional Partner funding will be used to deliver on project outcomes as detailed in each approved project specific Business Case. The success of each project will be measured by specific key milestones which are also set out in the project business cases. A summary of all projects can also be referred to in the Edinburgh and South-East Scotland City Regional Deal Implementation Plan.

Managing the financial considerations of the City Region Deal

5. The Edinburgh and South-East Scotland City Region Deal Documentation sets out the comprehensive arrangements for managing the City Region Deal including; the purpose of the deal and an inclusive growth and governance framework, implementation plan setting out the range and detail of projects being undertaken, a financial plan setting out project delivery timelines and costs, and the commitment of funding from both the UK and Scottish Governments and Regional Partners. Disbursement of government grant monies will be the subject of a grant offer and acceptance procedure including an annual statement. The investment of the UK Government up to £300 million and the investment of the Scottish Government up to £300 million, will be the maximum available funding to support City Region Deal projects over the fifteen-year timeline and will not increase relative to the cost of inflation for the delivery of infrastructure projects.
6. The total UK and Scottish Government City Region Deal grant funding will be directed entirely through the Scottish Government. Grant payments will then be channelled through the City of Edinburgh Council, who will coordinate all financial aspects of the City Region Deal through its role as the Accountable Body. The only exception to this arrangement is the funding specifically allocated for the Sheriffhall Roundabout improvements which will be managed and delivered by Transport Scotland. However, the delivery and finances of the project will still require to be submitted to the Accountable Body and reported as part of the total City Region Deal.
7. The UK and Scottish Government funding will be paid to the City of Edinburgh Council quarterly in arrears - unless otherwise agreed with government, and will be supported by grant claims and evidence based expenditure collated from regional partners.
8. It is noted that the re-phasing of the grant profile has resulted in a mismatch in yearly grant income against expenditure. To recognise University partner upfront capital contributions, future expenditure claims can be supported by the cumulative expenditure on a project to the claim date, provided the total amount claimed and the phasing matches the agreed profile.
9. Transport Scotland will fund up to £120 million for the A720 City Bypass grade separation of Sheriffhall Roundabout. Transport Scotland will be solely responsible for delivering this project
10. Transport Scotland will also provide funding of at least £20 million to support public and active travel improvements to West Edinburgh. This project will be delivered as part of a collaboration between Transport Scotland, the City of Edinburgh Council, and West Lothian Council.

Summary of agreements

11. There will be no accrual of central government grant.

UK Government (HM Treasury)

12. The Scottish Government's Capital Departmental Expenditure Limit (the capital block grant) from the Treasury will be increased to reflect the UK Government funding allocations to the Edinburgh and South-East Scotland City Region Deal in the appropriate years. The annual amounts of UK Government grant are set out in Annex A.

Scottish Government

13. Additional Capital Departmental Expenditure Limit (CDEL) budget allocated by the Scottish Government for the Edinburgh and South-East Scotland City Region Deal must be paid to the deal.

14. The additional CDEL budget allocations from the UK Government ringfenced for the Edinburgh and South-East Scotland City Region Deal must be paid to the deal by the Scottish Government as capital grant.

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Head of Scotland and Wales branch, HM Treasury
Signed on behalf of the UK Government

Date:

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Director of Financial Strategy
Signed on behalf of the Scottish Government

Date:

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Chief Executive Officer
Signed on behalf of the City of Edinburgh Council and Regional Partners

Date:

Annex

Table 1 – City Region Deal - Government Funding *

Year	UK Government £000	Scottish Government £000	Total Grant £000
2018-19	35,000	7,738	42,738
2019-20	35,000	33,557	68,557
2020-21	35,000	31,714	66,714
2021-22	35,000	53,702	88,702
2022-23	35,000	16,287	51,287
2023-24	25,000	10,303	35,303
2024-25	25,000	11,432	36,432
2025-26	25,000	5,485	30,485
2026-27	25,000	4,554	29,554
2027-28	15,400	2,738	18,138
2028-29	9,600	739	10,339
2029-30	0	500	500
2030-31	0	500	500
2031-32	0	750	750
Total	300,000	180,000	480,000

**The £120m commitment to Sheriffhall is additional to the above figures.*

Table 2 – City Region Deal – The City of Edinburgh Council and Regional Partner Funding

Year	Regional Partners £000
2017-18	61,508
2018-19	99,264
2019-20	123,180
2020-21	160,451
2021-22	125,808
2022-23	71,390
2023-24	21,834
2024-25	22,973
2025-26	19,800
2026-27	22,453
2027-28	-6,349
2028-29	4,229
2029-30	499
2030-31	0
2031-32	3,071
Total	730,111