

City Deal for Edinburgh City Region: Progress Update

Report by Kenneth Lawrie, Chief Executive

1.0 Purpose of Report

- 1.1** This report provides an update on progress being made in the preparation of a bid for a City Deal for the Edinburgh City Region.

2.0 Background

- 2.1** A report on City Deal was considered by Council at its meeting on 16 December 2014, and an explanation of what it involves is set out in that report. In summary, City Deals were initiated by the UK Government in 2011. There are already twenty in the UK and more recently one for Glasgow. They empower cities to drive economic growth in the region by putting greater resources and financial freedoms in the hands of local leaders. In practical terms it primarily comprises:

- Local authorities developing a clear programme of infrastructure investment prioritised to deliver Gross Value Added (“GVA”) – GVA is essentially a local measure of jobs and productivity growth;
- An Infrastructure Fund established for the programme with funding from a variety of sources, including significant local authority contributions;
- In return, central government allows the fund to earn back locally funded contributions under a formula linked to economic growth and the increase in total tax revenues (not just non-domestic rates as in Tax Increment Finance schemes). This may take the form of conditional government grants; and
- Robust local governance and delivery arrangements be established across the geographic area over which the investment will be targeted.

- 2.2** Having considered the matter on 16 December 2014, Council resolved to:

- *Note the content of this report and the progress to date led by the Scottish Cities Alliance;*
- *Authorise Midlothian Council to engage with City of Edinburgh Council and neighbouring local authorities; and to negotiate directly with HM Treasury and the Scottish Government over the potential operation of an Infrastructure Fund and wider City Deal;*

- *Delegate to the Chief Executive in consultation with the Leader of the Council authority to establish an interim Governance structure with other potential participating Authorities and authorise the Chief Executive to lead on this;*
- *Agree to authorise the Head of Communities and Economy to act as project sponsor, liaising with colleagues from across the City Region as appropriate;*
- *Agree to receive further reports on the development of the fund at key stages in its development;*
- *Note that a procurement process will need to be undertaken to secure technical support and*
- *Note that a further report will be brought forward to Council in respect of resource implications at an early date.*

3.0 Progress Update

- 3.1** The bid for a City Deal will be a two stage process. The first stage is the submission of a proposal at a strategic level to secure the approval in principle of the UK and Scottish Governments. If that is successful then a much more detailed second stage bid will be required. At present the focus in the Edinburgh City Region is on preparation of the first stage proposal for submission.
- 3.2** A City Region Leaders' Group has been formed to drive the preparation of the bid, at which there is also attendance from the Chief Executive of the six constituent Councils (City of Edinburgh, East Lothian, Fife, Midlothian, Scottish Borders, West Lothian). This Group is supported by an operational group of officers of the six Councils, that meets on a regular basis.
- 3.3** Following a procurement exercise, consultants KPMG have been retained to assist in the preparation and submission of the first stage bid. The timetable is aiming for this submission to be made by the end of March 2015.
- 3.4** The bid document itself is likely to be quite short, but it will be supported by a body of data relating to the demographics and economics of the region, together with a well-developed network of communication links with key stakeholders and those who can add their support to the bid. Whilst individual capital projects are not primarily part of this first stage bid, the proposals need to give some indication of the type of projects which would be expected to come forward to most effectively boost economic growth across the region. Therefore, at the present time, officers of each Council are beginning to prepare provisional lists of infrastructure and other projects for their respective areas. Clearly, such projects will need approval by respective Councils before lists could be finalised; and this would be more relevant at stage two of the bidding process. An indicative timetable for the full process is attached as Appendix 1.

- 3.5** Given the urgency of the timetable for submission of the stage one bid, this report is recommending that the Chief Executive, in consultation with the Council Leader, be authorised to act on behalf of the Council at the City Deal Leaders' Group in agreeing on the content of the bid submission.

4.0 Report Implications

4.1 Resource

Council has previously agreed a budget allocation of £25,000 as this Council's contribution to the preparation of the stage one bid. It is understood that all of the other constituent Councils have contributed the same amount. If the first stage bid is successful, preparations of the second stage proposal could be around £500,000 with costs being shared by the participating Councils.

4.2 Risk

The risks contained in the previous report to Council remain valid.

- **Devolution of taxation powers:** the national debate on the tax raising powers to be devolved to the Scottish Parliament delays the city deal negotiations.
- **Scale of coalition/ geography:** All city deals so far have achieved a degree of scale that cannot be achieved by one local authority alone.
- **Return:** All projects will be prioritised by their contribution to GVA growth and Midlothian's GVA performance is significantly less than the City of Edinburgh's.
- **Repayment Terms:** Each city deal is unique and existing deals are indicative only.
- **Integration of use with other financial tools:** A City Deal is only one of a number of tools available to the Council. It cannot be considered in isolation.
- **Management of project portfolio:** The proposed projects vary considerably in their costing approach and their maturity. Only truly additional projects can be included in the City Deal.
- **Displacement:** The City Deal infrastructure displaces investment from other local authority areas to the detriment of their sustainable economic growth.

4.3 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

4.4 Key Priorities within the Single Midlothian Plan (SMP)

Promoting economic development and supporting business growth is a key priority for the Council. Wide ranging measures, which would be central to the City Deal, which increase GVA and thereby grow the economy and have a direct impact on levels of employment, business start ups and growth, inward investment, as well as increasing the skills base of the workforce and, as a consequence, increasing wage rates. This promotes wider positive socio-economic benefits for Midlothian communities, most particularly in relation to health and quality of life factors as well as reductions in public welfare funding.

4.5 Impact on Performance and Outcomes

The Council will need to be clear about what it expects from City Deal, particularly for any defined sectors and/or geographical areas/localities in Midlothian. As part of this a suite of identified targeted outcomes would be essential in order to monitor and review the performance of the project.

4.6 Adopting a Preventative Approach

The provisions of the City Deal, by driving up GVA, can directly and indirectly seek to address the risks of local economic stagnation or recession, and thereby prevent the negative consequences of such potential economic failure.

4.7 Involving Communities and Other Stakeholders

There has been previous consultation with the Director Resources, Head of Finance and Integrated Service Support and Head of Communities and Economy on the financial and economic implications for the Council arising from the City Deal proposal. As part of the preparation of the stage one bid a comprehensive database of stakeholders has been created.

4.8 Ensuring Equalities

An EqIA checklist is not required because this report does not propose a change or revision to any existing policy or practices.

4.9 Supporting Sustainable Development

If approved by Council the proposals as set out in this report will determine the future strategic involvement of the Council as part of the Edinburgh/South East Scotland City Region.

4.10 IT Issues

There are no IT issues associated with the proposals as set out in this report.

5 Summary

- 5.1** Since reporting to Council in December progress by the six participating Councils has been rapid to meet the timetable of submitting a first stage bid for a City Deal for the Edinburgh City Region. The economic benefits to the City Region and to each of the Councils are potentially very substantial. Therefore it is clearly in the

interests of Midlothian to be a part of the City Deal. There are financial implications which need to be carefully considered, and these can form more detailed considerations in any second stage more detailed set of proposals.

6 Recommendations

6.1 It is recommended that Council

- i) notes the further progress towards submission of a City Deal bid for the Edinburgh City Region;
- ii) authorises the Chief Executive, in consultation with the Council Leader, to act on behalf of the Council in agreeing the terms of the first stage City Deal bid submission; and
- iii) receives further reports on the outcome of the first stage bid and any other matters relevant to City Deal.

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Background Papers: None