

Edinburgh and South East Scotland City Region Deal Update

Report by Dr Grace Vickers, Chief Executive

1.0 Purpose of Report

This report provides a further update to Members on progress towards implementation of the Edinburgh and South East Scotland City Region Deal; with particular reference to the Annual Report and Annual Conversation, as well as the early stages of preparation of a Regional Growth Framework. The report also provides an update of City Deal projects with direct impacts on Midlothian.

2.0 Background

2.1 The most recent update report to Council was submitted on 12 February 2019 and, after consideration, Members agreed to:

- a) *note the progress on the early stages of the implementation of the City Region Deal;*
- b) *note the direct and indirect benefits to Midlothian which are expected to result from the terms of the City Region Deal;*
- c) *note the extent of the previously agreed Midlothian capital budget allocation and revenue budget commitment; and*
- d) *request further regular update reports on the progress of the City Deal as a whole, and on projects that are particularly relevant to Midlothian."*

2.2 A detailed background statement of the City Deal was provided in part two of that report to Council. By the way of a brief summary, the Regional City Deal is a partnership agreement signed in August 2018 under which the UK and Scottish Governments, together with the six Councils in the region (City of Edinburgh, East Lothian, Fife, Midlothian, Scottish Borders, and West Lothian), the universities/colleges, and the business and third sectors, have committed to a programme of projects of some £1.3 billion to drive forward sustainable inclusive growth across all parts of the region, with particular emphasis on growing the overall economy of the region whilst ensuring that all communities in the region, including those currently most disadvantaged, receive the benefits of that economic growth.

2.3 This overall aim of achieving sustainable inclusive growth is to be delivered through projects that are grouped under five main themes:

- **Data Driven Innovation** to increase productivity, and thereby increase levels of employment and income;
- **Employability and Skills** to develop the workforce that is already mainly resident in the region to access new job opportunities provided by an expanding economy;

- **Transport** connectivity improvements (as well as other infrastructure) to enable ease of travel across the region and particularly to maximise the accessibility of labour markets and education/training centres;
- **Housing** to meet demand within the region, particularly in the affordable sector;
- **Culture** related development to reinforce the role and standing of Edinburgh as a major cultural centre that can provide region-wide benefits.

2.4 A full inventory of the individual projects and the extent of progress on each is provided in the form of a regularly updated 'Dashboard' prepared by the City Deal Project Management Office, based in the City of Edinburgh Council offices. A copy of the most recent 'Dashboard' is attached to this report at Appendix A.

2.5 As previously reported to Council, at the top of the governance structure is the City Region Deal Joint Committee whose members are the Council Leaders of the six constituent local authorities together with representatives of the universities/colleges, business and third sectors. A City Region Deal Executive Board, comprising the Chief Executives of the six constituent authorities and senior level representatives of other partners reports directly to the Joint Committee.

3.0 Progress on the City Region Deal

3.1 The City Region Deal is a 15 year programme, although much of the actual investment is front-loaded into the first 10 years. Therefore, the programme is at an early stage in its implementation. Nevertheless, there has been significant progress, most particularly in the preparation and signing off of business cases for projects under the Data Driven Innovation and Integrated Regional Employability and Skills themes. More detail on these projects is included in the 'Dashboard' at Appendix A. In addition to the signing off of business cases under those themes, the Joint Committee, at its most recent meetings in March, June and September of this year, has also received updates on projects under the housing, transport and culture themes; as well as considering the context for preparation of a Regional Growth Framework.

3.2 At its September meeting, the Joint Committee noted the preparation of the first Annual Report. Under the terms of the City Deal agreement, the City Region Deal partners are required to produce an annual report to assess how well the Deal is aligning towards the overall vision and inclusive growth outcomes for the city region. This is required to be submitted to Government. Accordingly, the first Annual Report was prepared, submitted to Government and, following approval, was published on 28 August 2019.

3.3 The Annual Report notes progress between August 2018 and July 2019. It provides an overview, a financial statement, a governance statement, a summary of partners' approach, plans for monitoring and evaluation, and a short summary of progress on each project and programme. As noted above the Annual Report is able to document good progress across all themes, particularly in relation to Data Driven Innovation; and is able to demonstrate significant progress in establishing the new governance structure, including the creation of the Regional Enterprise Council, which advises the Joint Committee.

3.4 The Annual Report also essentially forms an agenda for the required Annual Conversation between the City Deal partners and the UK and Scottish Governments. The meeting, at senior officer and senior civil servant level, took place on 12th September 2019. The City Deal partners were represented by the current chair and vice chair of the City Deal Executive Board as well as a senior representative of the regional higher and further education consortium. At the meeting both Governments indicated that they were encouraged with progress, mostly notably:

- the comprehensive business cases that have been approved;
- the work of the programme management office in developing, with Government, the monitoring and evaluation framework;
- the arrangements to ensure ease of flow of approved funding from Government to the accountable body (City of Edinburgh Council) and then on to partners; and
- the relationships that the Deal is helping to create and strengthen.

3.5 The Governments also noted two areas for more focus and attention, these being improved communication on progress of the Deal to business communities and the general public; and the development of a Regional Growth Framework to ensure that there is a consistent regional approach to planning, housing, transport, and economic development, and which broadly aligns with current and emerging Government policy.

4.0 Regional Growth Framework

4.1 At its meeting on 3rd September 2019, the Joint Committee approved a report recommending the preparation of a Regional Growth Framework (RGF) in order to assist delivery of greater alignment across planning, housing, transport, and economic development, and thereby maximise the regional inclusive growth outcomes that are at the heart of the City Region Deal. The need for a Regional Growth Framework is, in part, driven by three particular factors as set out below.

4.2 Firstly, in respect of planning at a regional level, Members may recall that in May of this year, Scottish Ministers rejected the submitted Strategic Development Plan for South East Scotland (SESplan2). As a consequence, the current strategic plan (SESplan1) remains in force, yet is now more than five years old. It is relevant to note that the primary reason for rejection of SESplan2 was the inadequacy of transport appraisal of the impact of new development proposals. In 2019, Scottish Government has enacted new planning legislation which makes major changes to the planning system in Scotland. Of particular significance to strategic planning is the replacement of strategic development plans with regional spatial strategies. These strategies will be required to accord with the provisions of the statutory National Planning Framework No. 4 (NPF4) currently being prepared by Scottish Government for publication in mid-2020. The new Planning Act also requires NPF4 to include regional housing targets which the regional special strategies will need to address.

- 4.3** Secondly, in relation to transport there are significant changes. Scottish Government issued for consultation in July this year its draft National Transport Strategy which, in addition to a strong priority focus on sustainable travel, also places an emphasis on regions taking responsibility for addressing the particular transport issues and challenges for their respective areas. That region-centred approach is also being taken forward by Transport Scotland in its preparation of the Scottish Government's Strategic Transport Projects Review No. 2 (STPR2); whereby it has established Regional Transport Working Groups across Scotland, with the South East Scotland regional group being specifically based on the City Deal, and working closely with the City Region Deal Transport Appraisal Board as well as the Regional Transport Partnership (SEStrans).
- 4.4** Thirdly, whilst each of the six constituent Councils has a developed approach to promoting economic development in their area, with many common themes, there is not at present an overall economic strategy for the region. Recent changes in the operation of Scottish Enterprise to work significantly at a regional level can provide a further impetus towards a regional strategic approach.
- 4.5** Taking these three factors together suggests a reasonably compelling case for the preparation of a Regional Growth Framework under City Deal governance arrangements yet ensuring full integration with the work of existing regional groups including the strategic development planning authority (SESplan) and the regional transport partnership (SEStran). The RGF would be regarded as having a significant influence on the context of the Regional Spatial Strategy, and initial work on that strategy has recently been instigated by the SESplan Joint Committee.
- 4.6** In approving the preparation of the RGF, the City Region Deal Joint Committee agreed to the establishment of a project team to be led by a Programme Director, to work on the RGF to inform key local, regional, and national policy developments, most notably NPF4. Once prepared, the RGF would be reported to each City Deal partner Council for consideration. The Joint Committee also agreed governance arrangements for preparation of the RGF, and these include an Elected Member Oversight Committee to oversee both the RGF and the Regional Spatial Strategy, and to advise the City Region Deal Joint Committee. The Oversight Committee would consist of two Elected Members from each of the six Councils.

5.0 Midlothian Area Projects

- 5.1** As noted in previous City Region Deal reports to Council, the majority of the projects, and particularly those relating to employment, skills and housing, are of a region-wide nature with expected benefits for all parts of the region. It has also been previously noted, that it is because of its central location within the region, and its proximity to Edinburgh, that Midlothian is close to the majority of the overall planned City Deal investment. Notwithstanding that, there are two projects which can be regarded as directly relating to Midlothian; these being the A720 Sheriffhall junction upgrade, and the A701/A702 road proposals as part of the Easter Bush project.

- 5.2 A720 Sheriffhall Junction Upgrade.** As the A720 is a trunk road Transport Scotland is undertaking this project as part of the Scottish Government's contribution to the City Region Deal. Transport Scotland has provided regular updates on this scheme, most recently to the City Deal Transport Appraisal Board in October 2019. It advised that the project is on target with publication of draft Orders by the end of 2019, although it is not currently advising of a project completion date for the scheme. As previously reported to Council, Scottish Government has allocated up to £120 million for this project. Transport Scotland have committed to provide regular updates on progress to the City Region Deal Joint Committee and Transport Appraisal Board.
- 5.3 A701 Relief Road/A702 Link Road.** This is an integral part of the wider Easter Bush project within the Data Driven 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, known as an 'active travel' corridor. Recently completed ground investigations along the proposed route option alignment, commissioned by the Council, show that there are no significant constraints. 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. Committed City Deal funding from Government amounts to £10.9m, release of capital funding from the Council's Capital Fund of £7.694m, with the remainder to come from developer contributions.
- 5.4** In addition, the Council has also commissioned work to establish a design and costing for the upgrade of the junction of the A702 with Bush Loan, which is a current constraint to further development at Easter Bush. It is expected that the upgrade of that junction can be included as part of the transport elements of the overall Easter Bush business case. Discussions are also taking place with SEStran and the University of Edinburgh in respect of the details of the 'active travel' corridor along the existing A701 road, for implementation once the new A701 relief road is open. It is intended that all of these discussions will be completed with firm costings identified prior to the scheduled sign off of the Easter Bush project business case by the City Region Deal Joint Committee at its March 2020 meeting.

6.0 Report Implications

6.1 Resource

At its meeting in June 2016 the Council approved in principle to set aside up to £12 million from the Capital Fund as a contribution to specific City Deal projects that would benefit Midlothian. Details of some of this capital funding towards the A701/A702 road scheme are provided at paragraph 5.3 above.

The majority of the revenue budget allocation of £50,000 is the Council's contribution to the costs of the central Project Management Office based at the offices of the City of Edinburgh Council, that Council being the appointed Accountable Body for the City Deal. All revenue costs are expected to be within the allocated budget for 2019/20.

6.2 Risk

The overall top three risks for the City Deal are set out on page one of the Dashboard at Appendix A. In relation to specific Midlothian based projects, the more recently established improved liaison arrangements with Transport Scotland will reduce potential risks to communications over the progress on the A720 Sheriffhall upgrade. In respect of the Easter Bush project there is an urgent need to work closely with all partners over the next few months, particularly the University of Edinburgh, Transport Scotland, and SEStran to ensure that all necessary information on the transport elements of the Easter Bush project is available to ensure sign off of the overall business case by the Joint Committee at the scheduled date of March 2020. Also, in relation to the A701/A702 road scheme, 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 developers.

6.3 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

6.4 Key Priorities within the Single Midlothian Plan

As a central aim of the City Region Deal is to achieve sustainable inclusive growth across the whole region, including all communities, it accords fully with the Single Midlothian Plan priorities of reducing the gaps in learning outcomes, health outcomes, and economic circumstances.

6.5 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.

6.6 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.

6.7 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.”

6.8 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.

6.9 Supporting Sustainable Development

Sustainable place making, recognition of climate change and the low carbon agenda, and a sustainable regional economy are all central to the defined outcomes of the City Region Deal.

6.10 IT Issues

None.

7.0 Summary

7.1 Although the City Region Deal is still in its early stages, the partners have made significant progress, as evidenced by the number of project business cases that have been signed off by the Joint Committee for implementation, as well as establishment of the governance structure including the Regional Enterprise Council, and work on the monitoring and evaluation framework. This has been recognised by both the UK and Scottish Governments in their assessment of the first Annual Report and at the first formal Annual Conversation. Furthermore, the City Region Deal is emerging as a sound basis for regional level working between the six Councils together with key partners in the further/higher education, business, and third sectors. This is particularly relevant at a time when policies, plans and projects are being developed at national level. The expectation is that the intended Regional Growth Framework will ensure that the collectively agreed strategy to address

key issues affecting the region in order to drive sustainable inclusive growth is both documented and promoted.

8.0 Recommendations

8.1 Council is recommended to:

- i) note the overall progress in these early stages of implementation of the Edinburgh and South East Scotland City Region Deal;
- ii) note the decision of the Edinburgh and South East Scotland City Region Deal Joint Committee on 3rd September 2019 to approve a project brief for the production of a Regional Growth Framework; and
- iii) require further regular update reports on the progress of the City Deal and preparation of the Regional Growth Framework, as well as on projects that are particularly relevant to Midlothian.

31 October 2019

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Background Papers: None