



REPORT TO: TAY CITIES REGION JOINT COMMITTEE - 8 DECEMBER 2017

REPORT ON: TAY CITIES DEAL UPDATE

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REPORT NO: (TCRJC 1-2017)

1.0 PURPOSE OF REPORT

This report provides Committee Members with an update on progress since the submission of the Tay Cities Deal in March 2017 and the anticipated timescale for its conclusion. This report is for information.

2.0 RECOMMENDATIONS

It is recommended that the Joint Committee:

- i) Notes the contents of this report; and
- ii) Requests a further report on the progress of negotiating the Tay Cities Deal at its next meeting.

3.0 FINANCIAL IMPLICATIONS

None.

4.0 TAY CITIES DEAL UPDATE

4.1 Introduction

The Tay Cities Deal bid, supported by a new Regional Economic Strategy, was approved by Angus, Dundee City, Fife and Perth & Kinross Councils in February 2017 and submitted to the Scottish and UK Governments on 1 March. This report provides Committee Members with an update on progress since then, and the anticipated timescale for the conclusion of the Tay Cities Deal.

4.2 Background

- 4.2.1 In the autumn of 2015 Angus, Dundee City, Perth & Kinross and Fife Councils agreed to collaborate on the preparation of a single regional deal recognising the inter-connected nature of the economy. To reflect the economic geography (of which North East Fife is part) and to recognise the uniqueness of having two cities within it, Tay Cities was chosen as the descriptor. As an economic region, the Tay Cities has a population of 500,000 and around 15,500 businesses. The overall challenge for the region is to improve its economic productivity through the creation of a greater number of higher value jobs over time and, in doing so, also reduce inequality.
- 4.2.2 Over the remainder of the year work was undertaken to identify what would be the key components of a city region deal bid based on the economic challenges faced by the region and the potential opportunities to address them. During spring 2016 a series of workshops

were held throughout the region to give key stakeholders, particularly business leaders, an opportunity to contribute their initial thoughts on what types of investment would deliver economic growth.

- 4.2.3 An outline proposal was then submitted to the Scottish Government focussing on the theme of promoting Inclusive Growth through investment in skills, innovation, internationalisation and connectivity. The outline proposal was well received and it was agreed to commence preparation of a full city deal proposal underpinned by a new regional economic strategy.
- 4.2.4 In September 2016 a Programme Management Office (PMO) was established and work on the new regional strategy was started. In parallel, project ideas to deliver the key themes of Inclusive Tay, Innovative Tay, International Tay and Connected Tay were invited from public, private and third sector organisations and individuals across the region. Over 100 project proposals were received from local authorities, businesses, third sector organisations and individuals from across the region and beyond. Following the submission deadline proposals were assessed in relation to their potential regional/national economic impact, deliverability and cost. Professional services firm EY was engaged to assist with this process bringing to the table their wide experience of city deals across the UK.
- 4.2.5 There is no defined process for the preparation of city deals with each being designed and managed differently. However based on the experience of earlier city deals and the length of time taken to conclude them, an agreement was reached with HM Treasury and the Scottish Government to standardise the way information was presented by project owners using the Treasury Green Book appraisal methodology. This requires up to three levels of business case to be prepared during the progression of a project towards implementation with the first level being the Strategic Outline Case focussing on the strategic and economic case for the investment, with less need at the early stage for too much detail required on how the project would be managed or procured. In October 2016 Strategic Outline Cases (SOCs) were requested for just over half of the project ideas submitted. EY assisted with a template project owners could use to prepare their SOC's prior to the submission deadline of mid-January 2017. They also selected a number of the higher risk, higher cost projects and, with PMO Theme Leads, met with project owners to provide constructive comment on the emerging SOC's, particularly on how projects would help deliver the objectives of the regional economic strategy and to discuss how risks could be mitigated.
- 4.2.5 Uniquely amongst Scottish City Deals, the 4 Council Leaders and Chief Executives agreed that in the spirit of partnership and transparency a high level summary of each shortlisted project would be published as would the overall financial ask of both Governments. Equally importantly, the Tay Cities Deal also proposed to Government that the local authorities would commit to working together differently – to join up economic development regionally and to align other functions such as strategic planning and infrastructure to support inclusive economic growth. To provide appropriate scrutiny and governance a new regional joint committee was proposed and a commitment made to strengthening partnership working by widening its membership to include representatives of the business, tertiary education and third sectors along with Scottish Enterprise and Skills Development Scotland. On March 1 2017 the Tay Cities Regional Economic Strategy and City Deal Proposal were formally submitted to Scottish Government Cabinet Secretary Keith Brown and the (former) Scotland Office Minister Lord Dunlop on behalf of HM Treasury.

4.3 Post Submission Progress

- 4.3.1 The principal drivers for submission in early 2017 were to ensure the Tay Cities Deal could formally be reflected in both Governments' spending and budget reviews as quickly as possible given the wider context of public sector expenditure pressure and any consequential impacts from the decision to exit the European Union. What could not have been foreseen was the decision of the Prime Minister to hold a General Election in June. This inevitably introduced a new set of priorities for senior civil servants and progress on the Tay Cities Deal was not as rapid as anticipated given the depth of detail provided with the submission.
- 4.3.2 Over the summer, the opportunity was taken to review SOC's and identify those that could benefit from revision. Colleagues from Scottish Enterprise and the Scottish Futures Trust supported this process. Policy leads in both Governments commenced their appraisal

process in August. The outcome of this review was shared with the Tay Cities Deal PMO in a series of themed workshops which took place during September, October and November. Written feedback from the Governments' policy leads is currently being shared with project owners alongside feedback offered by the members of the Executive of the Tay Cities Enterprise Forum. This feedback has proven to be particularly helpful to project owners in either sharpening their business cases or considering alternative routes to funding.

- 4.3.3 Both Governments are now satisfied that enough work has been done by the public, private and third sectors across the region to allow the formal negotiation process to commence. A series of meetings will be held with senior civil servants between now and February led by the Chief Executives of the 4 Councils and the Chair of the Tay Cities Enterprise Forum. If sufficient progress can be made, it is anticipated that the Heads of Terms of the Tay Cities Deal will be agreed by March 2018. The Heads of Terms will set out what projects and programmes both Governments wish to support financially and over what timescale, and what the match funding commitment of regional partners will be.

4.4 Beyond Heads of Terms

- 4.4.1 After the Heads of Terms have been agreed, project owners will be invited to work on more detailed business cases referred to as Outline Business Cases (OBCs). The Joint Committee will have the opportunity to consider these OBCs and agree whether or not to approve them for submission to the relevant Government for sign-off. It is only at that time that funding will be committed by Government.
- 4.4.2 The PMO will support this process, ensuring that robust business cases are produced and project monitoring processes are in place. This is important as it is likely that Government funding will only be released on achievement of agreed milestones that demonstrate progress towards achieving economic growth.

5.0 POLICY IMPLICATIONS

- 5.1.1 This report has been screened for any policy implications in respect of Sustainable Development, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

6.0 CONSULTATIONS

- 6.1.1 The Chief Executives and lead Directors of each Council have been consulted during the preparation of this report.

7.0 BACKGROUND PAPERS

- 7.1.1 The Regional Economic Strategy and Tay Cities Deal submission can be viewed and downloaded at www.taycities.co.uk