

## PERTH AND KINROSS COUNCIL

25 March 2015

## City Deal Funding

## Report by Executive Director (Environment)

The report seeks to advise the Council of a proposed approach to the Council's participation in a City Deal as a means to contribute to the funding of future economic infrastructure in the Tayside area.

**1. BACKGROUND/MAIN ISSUES**

- 1.1 The "City Deal" process was initiated in late 2011 as part of the UK Government's "localism" agenda. City Deals seek to empower cities to drive economic growth by putting greater resources and financial freedoms in the hands of local authorities.
- 1.2 Initially eight deals were agreed with the English Core Cities. Whilst each City Deal is unique, the key features of these deals were:
- Local authorities developing a clear programme of infrastructure investment prioritised to deliver Gross Value Added (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 Prudential Borrowing by the local authority);
  - 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); and
  - Robust local governance and delivery arrangements established across the geographical area over which the investment will be targeted.
- 1.3 A further 20 second-tier English cities have since secured their own deals and on 4 July 2014 the UK Government announced a City Deal worth £1.13 billion for the Glasgow City Region.

The Glasgow City Deal

- 1.4 The Glasgow City Deal provides for a £1.13 billion Glasgow and Clyde Valley Infrastructure Fund. The UK Government have committed to providing £500 million of this funding, a further £500 million will be provided by the Scottish Government and a minimum of £130 million will come from local authorities across Glasgow and Clyde Valley. The funding will be used to:
- improve the transport network across Glasgow and the Clyde Valley
  - unlock key development and regeneration sites
  - improve public transport
  - support further growth in the life sciences sector

- provide additional business incubator space
- target youth unemployment and
- test new ways to boost the incomes of people on low wages.

1.5 This City Deal is one of the largest ever agreed. It is an agreement between the UK Government, the Scottish Government and the eight local authorities across Glasgow and Clyde Valley. Over its lifetime local leaders in Glasgow and the Clyde Valley estimate this City Deal will:

- Support an overall increase in the economy of around 29,000 jobs in the city region;
- Work with 19,000 unemployed residents and support over 5,500 back into sustained employment;
- Leverage an estimated £3.3 billion of private sector investment into the proposed infrastructure investment programme; and
- Spread the benefits of economic growth across Glasgow and Clyde Valley, ensuring deprived areas benefit from this growth.

#### Scottish Cities Alliance (SCA)

1.6 The SCA has set as one of its most important objectives the development of new ways to fund infrastructure development. This is being driven by the need to achieve economic growth and unlock opportunities for all. In April this year the SCA Leadership Group agreed to earmark a percentage of overall revenue spend to economic investment.

1.7 At its meeting on 17 June 2014, the city leaders considered a report from technical advisors which outlined the applicability of a Strategic Infrastructure Fund model for the Scottish Cities. Having considered this the group agreed to pursue, with their regions, the appropriateness of creating such funds for longer term investment in economic infrastructure. It was also agreed that economic impact (GVA return for each £ of public sector investment) at the regional level should be used as the primary method for prioritising the use of such funds, with the city regions identifying appropriate secondary prioritisation metrics to ensure that further outcomes are delivered, such as reduced carbon emissions or a broader spread of employment opportunities, where appropriate.

1.8 The geographical area over which a fund might be applied is central to City Deal questions regarding the scale and size of interventions, the way in which economic outcomes are measured, the population across which costs will be shared and the level of displacement. A larger geography implies a better measure of success since the economic impacts of investment are closer in size to those at a national level, allowing Treasury / Scottish Government to see local and national objective alignment. There is also less scope for displacement of economic activity from one local area to another. Perth on its own is unlikely to be able to secure a City Deal due to the likely scale of the fund to be created. The consultancy work undertaken for the SCA examined whether a City Deal for Dundee and Perth together might be feasible and even that was likely to be of insufficient scale. Subsequently there have been

early discussions with Angus and Fife about a wider joint approach and interest has been expressed from all parties in exploring the potential for this. There is already an established framework for working with these authorities on strategic land use planning across local authority boundaries through Tayplan.

### A Tayside City Deal

- 1.9 The analysis undertaken by the SCA indicates that the potential for a City Deal between Dundee, Angus, Perth & Kinross and Fife would be a fund of around £400 million. As with Glasgow's City Deal there would be a clear ambition to invest for growth. The overall aims would be to:
- Improve the regional transport network including public transport
  - Unlock strategic development areas and sites
  - Support key growth sectors
  - Support a significant overall increase in the number of jobs in the area
  - Work with the long term unemployed and support them back into sustained employment
  - Spread the benefits of economic growth across Tayside ensuring deprived areas and low wage earners benefit from this growth

### Next Steps for a City Deal

- 1.10 Perth can only benefit from a City Deal by collaborating with other authorities. The key issue is to get agreement on the extent of the partnership and governance arrangements. Whilst informal discussions have taken place, formal engagement is necessary at political as well as officer level.
- 1.11 Once such engagement is achieved, much technical work will be necessary to arrive at a long list of projects that will then need to be tested against agreed criteria for project selection to ensure that performance measures can be achieved.
- 1.12 The Council has agreed to increase its capacity to support city development work through the creation of a City Development Manager post as part of the budget process. Work is ongoing in relation to revisions to the Perth City Plan, in collaboration with the Perth City Development Board. The revised Plan will identify key priorities for securing city growth, potential additional projects and areas of activity not currently identified within the City Plan, and a revised performance management framework focused on outcomes. The predicted economic, social and environmental outcomes, along with costs and funding (including potential additional external funding from Europe, government agencies, developer contributions or private investment) derived from the proposed project and actions will be critical to demonstrate potential economic benefits, and interaction with adjoining areas to make a case for funding on the basis of eventual earnback derived from growth or other priority outcomes.

- 1.13 Funding options would be considered within the context of adjoining areas' own key economic development projects to establish the basis for project selection based on economic interaction, contribution to growth or other agreed metrics. It is fundamental that there is an acceptance by participating authorities that they contribute to borrowing costs to projects that contribute to growth of the city region, but that may not necessarily be located within their administrative area.
- 1.14 Other city deals have been assisted by the appointment of competitively procured specialist external advisers to evidence economic interaction, through economic modelling and earnback from proposed projects and other outcomes, as a first phase of establishing the potential for a city deal. The specification for this work would be agreed collaboratively with adjoining areas. Given the specialist nature of this work and previous work to support the development of city deals, initial discussion has indicated that the cost for external advisors could be up to £500,000 to be funded by participating authorities in proportion to their populations. In the longer term, this could mean a Perth contribution of up to £150,000 for the development of a proposal. Clearly this is only indicative until such time as such services are procured. However, it is considered essential to help secure potential support for a city deal on the basis of previous funding awards and the work that has been undertaken to date.

## **2. POLICY IMPLICATIONS**

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

## **3. RECOMMENDATIONS**

It is recommended that the Council:

- 3.1 Notes the contents of this report and the initial dialogue to date across the area.
- 3.2 Remits the Chief Executive to liaise with the neighbouring authorities of Angus, Dundee City and Fife to prepare a bid for a City Deal that will assist in bringing forward key economic infrastructure projects in the Tayside area.
- 3.3 Agrees that an interim governance structure is established with Perth and Kinross Council's neighbouring Authorities led by the relevant Chief Executives, with the Leader of the Council and Convener of the Enterprise and Infrastructure Committee nominated to participate in emerging governance arrangements on behalf of this Council.
- 3.4 Allocates up to £150,000 from the approved earmarked reserve for the Transformation Programme towards the phase 1 cost of appointing external advisors to work on the detail of a City Deal proposal and to facilitate negotiations with Government subject to progression of agreement on future governance and match funding contributions from participating authorities.

**Author(s)**

<b>Name</b>	<b>Designation</b>	<b>Contact Details</b>
John McCrone	City Development Manager	<a href="mailto:JMcCrone@pkc.gov.uk">JMcCrone@pkc.gov.uk</a> Ext 75385

**Approved**

<b>Name</b>	<b>Designation</b>	<b>Date</b>
Jim Valentine	Executive Director	17 March 2015

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	<b>Yes / None</b>
Community Plan / Single Outcome Agreement	<b>Yes</b>
Corporate Plan	<b>Yes</b>
<b>Resource Implications</b>	
Financial	<b>Yes</b>
Workforce	<b>Yes</b>
Asset Management (land, property, IST)	<b>Yes</b>
<b>Assessments</b>	
Equality Impact Assessment	<b>N/A</b>
Strategic Environmental Assessment	<b>N/A</b>
Sustainability (community, economic, environmental)	<b>N/A</b>
Legal and Governance	<b>Yes</b>
Risk	<b>N/A</b>
<b>Consultation</b>	
Internal	<b>Yes</b>
External	<b>N/A</b>
<b>Communication</b>	
Communications Plan	<b>N/A</b>

### 1. Strategic Implications

#### Community Plan / Single Outcome Agreement

1.1 This section should set out how the proposals relate to the delivery of the Perth and Kinross Community Plan / Single Outcome Agreement in terms of the following priorities:

- (i) Giving every child the best start in life
- (ii) Developing educated, responsible and informed citizens
- (iii) Promoting a prosperous, inclusive and sustainable economy
- (iv) Supporting people to lead independent, healthy and active lives
- (v) Creating a safe and sustainable place for future generations

#### Corporate Plan

1.2 This section should set out how the proposals relate to the achievement of the Council's Corporate Plan Priorities:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

1.3 This report supports:-

- (ii) Developing educated, responsible and informed citizens;
- (v) Creating a safe and sustainable place for future generations.

## 2. Resource Implications

### Financial

2.1 This would be resourced from the approved earmarked reserve for the Transformation Programme (including Workforce Management).

### Workforce

2.2 There are no immediate workforce implications arising from the proposed recommendations although additional resources may be required in the future to support the development and delivery of priority projects in the area in event that a city deal is progressed

### Asset Management (land, property, IT)

2.3 There are no asset management issues arising from the proposed disposal.

## 3. Assessments

### Equality Impact Assessment

3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

3.2 The proposals have been considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:

- (i) Assessed as **not relevant** for the purposes of EqIA

### Strategic Environmental Assessment

3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.

3.4 The proposal recommended in this paper has been considered under the Act and the pre-screening has identified that the proposal will have no environmental effects, it is therefore exempt. The reason for concluding this is that the recommendation in this report will have no direct environmental effects.

### Sustainability

- 3.5 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.
- 3.6 The proposals and recommendation in this report will not have direct impacts, however, any subsequent proposals or recommendations for investment or disposal will have to be fully assessed for community, environmental and economic impacts.

### Legal and Governance

- 3.7 The Head of Legal Services has been consulted on the issues contained in this report.

### Risk

- 3.8 Not applicable.

## **4. Consultations**

### Internal

- 4.1 The Chief Executive, the Head of Finance and the Heads of Democratic and Legal Services have been consulted and are in agreement with the contents of this report.

### External

- 4.2 Not applicable.

## **2. BACKGROUND PAPERS**

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied on to any material extent in preparing the above.