ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 17 MARCH 2015

CITY DEAL

REPORT BY RICHARD STIFF, CHIEF EXECUTIVE

ABSTRACT

This report seeks the Committee's agreement to the proposed approach to the council's possible participation in a City Deal for the Tayside area including the contribution of funds towards a phase 1 feasibility study in partnership with Dundee City, Fife and Perth and Kinross Councils.

1. RECOMMENDATION(S)

It is recommended that the Committee:

- note the contents of this report and the initial dialogue to date across the area;
- authorise the Chief Executive and other relevant officers to engage with Dundee City Council and other neighbouring local authorities, HM Treasury and the Scottish Government over the potential operation of a City Deal as required;
- agree to the establishment of an interim governance structure led by the Chief Executives of the participating local authorities;
- agree that further reports are provided at key stages in its development;
- note that an appropriate procurement process will be undertaken to secure technical support as required;
- agree that Angus Council will contribute up to £25,000 in 2015/16 to the anticipated cost of the phase one development work required; and
- note that should the project proceed beyond phase one the council will need to identify a further funding contribution of up to £100,000 later in 2015/16 or in the 2016/17 budget.

2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT/COPORATE PLAN

This report contributes to the following local outcome contained within the Angus Community Plan and Single Outcome Agreement 2013-2016:

- We have a sustainable economy with good employment opportunities.

3. BACKGROUND

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.

Initially eight deals were agreed with the English and Welsh Core Cities. Although 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 being established with funding from a variety of sources (mainly government funding but also including prudential borrowing by the local authority);

- Government in return 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.

A further 20 second-tier English cities have since secured their own deals and in July 2014 the UK Government announced a City Deal worth £1.13 billion for the Glasgow City Region.

Example - The Glasgow City Deal

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.

Eight local authorities across Glasgow and Clyde Valley are involved in the Deal and are providing £130 million of capital funding from 2015/16 - 2034/35. 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;
- lever in 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.

The formal process for agreeing the release of future grant will be a series of 5-yearly Gateway Reviews, commencing in 2019. These reviews will be conducted by an independent Commission. If Glasgow and Clyde Valley meet agreed outputs and outcomes at each review they will unlock the full £1 billion of funding from the UK and Scottish Governments.

Example – Hull and Humber City Deal

The Hull and Humber City Deal is on a different a scale and is less focussed on infrastructure development. Here the Deal aims to unlock and accelerate private sector investment particularly in the renewable energy industry. Hull City Council and three adjacent councils plus the Humber Local Enterprise Partnership are involved in the Deal.

The City Deal has two areas of focus - ensuring the workforce has the skills and ability to access new employment opportunities and ensuring that the natural resources of the Humber enable economic growth.

The Humber Local Enterprise Partnership predicts that the City Deal will deliver:–

- more than 4,000 jobs in offshore wind related industries;
- at least 1,100 unemployed young people supported into work;
- 3,400 construction jobs;
- accelerated development of key growth sites on the Humber Estuary;
- an expected £460m of private sector development on the Humber;

- increased skills capacity of approximately 1,500 additional places over 3 years, with 760 additional people qualified to level 3; and
- engagement with over 3,000 businesses and the provision of intensive support to 500 businesses, creating approximately 400 jobs.

The Hull and Humber City Deal partners will:-

- Create a centre of excellence for energy skills, with providers working together with local businesses to bridge gaps in individual colleges' ability to provide a full energy skills curriculum funded through local college funding and an investment of £1.2m from FE capital budgets.

- Work with BIS, the Skills Funding Agency and local skills providers to develop a payment by results pilot for adult skills. Initially this will focus on providing improved skills support for unemployed adults but may be extended in future years.

- Enable statutory agencies to sign the Memorandum of Understanding with local agency representatives to deliver an improved investor experience and to develop the all agency mitigation / compensation plan in partnership.

- Enable statutory agencies and public sector land owners to work with local partners to develop a transparent mechanism for quantifying mitigation / compensation requirements, including a pricing structure.

- Agree to work with Defra to develop plans for a Humber Environmental Data Observatory, providing rapid and accessible environmental data to future developers, including options for funding this project from 2014/15.

- Commit to deliver an increase in the number of apprenticeships and traineeships with a particular focus on emerging energy sector employers. This increased demand will be met within existing skills budgets.

- Creating the Springboard Programme to reduce unemployment in 18 – 24 year olds. This programme will increase take up of apprenticeships and the youth contract wage incentive through the provision of a personalised budget for unemployed young people. This will be funded through a £1.5m allocation from the Government's Youth Contract.

- Allocate up to an additional £4m UK government funding to Hull & Humber to boost youth employment in 2014 and 2015.

- Launch of an enhanced business support programme that will improve co-ordination of business support services across the Humber, providing a one stop shop for support and targeted support to maximise growth potential. This will be funded through an allocation of £2.5m which will be matched with local public sector and private sector funding.

4. CURRENT POSITION

The council has been invited by Dundee City Council to participate in the development of a proposal for a Tayside area City Deal alongside the City Council, Perth and Kinross Council and Fife Council.

Following the setting up of the Smith Commission the UK Treasury has made it clear that no further bids from Scotland for City Deals will be considered until constitutional matters are decided. This is so that there is clarity over which government (UK or Scottish) local authorities should relate to over this issue. The constitutional position on the further transfer of powers is not currently expected to be clarified until later in 2015. Although this is in effect a moratorium on new City Deals in Scotland until the constitutional outcomes are clear there is every reason for local authorities in Scotland to continue to develop their thinking on the promotion of potential Deals once governmental responsibility has been determined.

The geographical area over which a fund might be applied is central to City Deal issues 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 that might be experienced. 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 UK 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.

It should be noted that Dundee on its own is unlikely to be able to secure a City Deal due to the likely scale of the fund to be created. Recent consultancy work undertaken for the Scottish Cities Alliance (SCA) examined whether a City Deal for Dundee and Perth together might be feasible and even that was likely to be of insufficient scale hence the aspiration to develop a partnership across a wider city region including Angus and Fife. Fife already has an engagement with the development of the Edinburgh City Deal, but discussion with Fife officers has confirmed the council's interest in participating in a Tay area bid given the relationship between north east Fife in particular and the Tayside region.

A Tayside City Deal

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 £400million. As with Glasgow's City Deal there would be a clear ambition to invest for growth. But as in the case of Hull and Humber significant attention would need to be paid to workforce and skills development. The project would not be a means of funding works related to the Dundee Waterfront, but more a matter of what comes after that investment to the benefit of the wider city region. 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 and Fife ensuring deprived areas and low wage earners benefit from this growth

5. PROPOSALS

Angus can only benefit from a City Deal by collaborating with other authorities. To sit outside a developing partnership would create significant risks for the county as inward investment might naturally gravitate towards locations within the City Deal area ie the displacement referred to above. The key issue at this stage is to get agreement on the extent of the partnership to the benefit of Angus. Although informal discussions have taken place at Chief Executive level, formal engagement is now necessary at political as well as officer level. The geography of Angus participation in a Tayside Deal would need to be determined.

There is a case for arguing that only south Angus should be include in the Deal geography as north Angus has a greater affinity and relationship in economic terms with Aberdeen where an oil and gas based City Deal is also under consideration. Members should note that a letter has been sent to the Chief Executive of Aberdeen City Council asking to be kept updated with the development of proposals for an Aberdeen City Deal and confirming that Angus would be interested in participating in a dialogue about this. The proportion of the Angus population included in the Deal area is likely to be a determinant of the amount of funding required of the council in the further development of a deal bid if it proceeds.

A significant amount of technical work will be necessary to arrive at a long list of projects and activity that will then need to be tested against agreed criteria for project selection to ensure that GVA increases required of a City Deal can be achieved. Initial discussion has indicated that the cost for external advisors could be up to £500,000 to be funded by the four participating authorities in proportion to their populations or that part of their population falling into the Deal area.

This could mean an Angus contribution of up to £125,000 for the development of a full proposal if all of Angus is included, but perhaps only £50,000 if only south Angus burgh towns and their environs are included. Clearly estimated contributions can only be indicative until initial decisions are made and development services are procured. In addition, it is considered likely that the council will need to identify a staffing resource to handle its interests in the negotiations to be achieved either by secondment or by additional limited term external help. At present engagement in development work can be managed within the Economic Development service, but if the Deal proceeds this capacity will quickly be exceeded.

It is proposed that the council should engage with its peers across the city region to develop a phase 1 feasibility study with decisions about participation and the inclusion of all or only part of Angus in the bid area being deferred until that report is available. This will necessitate a financial contribution of £25,000 in the early part of the 2015/16 financial year towards the cost of the required technical services.

It has been proposed by the Chief Executive that an interim governance group should be set up to include the four Chief Executives to oversee the project during this first phase with further reports being provided to the Policy and Resources Committee at key points in the process.

6. FINANCIAL IMPLICATIONS

Participation in the City Deal project brings an immediate requirement to identify up to £25,000 from council budgets in 2015/16. This is a recent development and was not therefore included in planning the 2015/16 council budget. However, it is confirmed that this sum can be accommodated in the budget set aside for additional burdens in 2015/16.

It has been estimated on the basis of development costs in other City Deal scheme that development costs required could amount to £500,000 overall. Therefore, if the Deal bid proceeds a further contribution to development costs of £100,000 is anticipated. The initial proposal is that the councils might either contribute a flat four way split towards these costs, or use a formula based on population within the bid area to identify the amount to be contributed by each council.

Beyond the development phase participation in a City Deal will require the council to review present and future capital plans to align planned investment in the bid area with the aims and objectives agreed between the participating councils and the UK and/or Scottish governments.

7. OTHER IMPLICATIONS

There are risks associated with both participation in the bid process and in not participating. Involvement in the development phase gives rise to a relatively significant financial requirement which may not lead to any tangible outcome if the conclusion of the feasibility work is that the bid as a whole should not proceed, or that Angus Council will terminate its involvement. Conversely, standing apart from this opportunity may be damaging to the local economy of Angus as significant funds will be targeted at the bid area over the lifetime of the Deal making location and operation in the bid area much more attractive to private sector business. There is also a considerable risk of the displacement of existing economic activity into the bid area.

8. CONSULTATION

The Chief Executive, the Executive Management Team, Head of Corporate Improvement and Finance and the Head of Legal and Democratic Services have been consulted and are in agreement with the contents of this report.

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

REPORT AUTHOR: RICHARD STIFF, CHIEF EXECUTIVE
EMAIL DETAILS: stiffr@angus.gov.uk