

ANGUS COUNCIL

SCRUTINY & AUDIT COMMITTEE – 3 MARCH 2020

SCOTLAND'S CITY REGION AND GROWTH DEALS – AUDIT SCOTLAND – JANUARY 2020

**REPORT BY
DIRECTOR OF STRATEGIC POLICY, TRANSFORMATION & PUBLIC SECTOR REFORM**

ABSTRACT

This report presents Audit Scotland's Report on Scotland's City Region and Growth Deals published in January 2020 and its findings and recommendations for Scottish Government and Councils working on City Region and Growth Deals.

1. RECOMMENDATIONS

It is recommended that the Scrutiny & Audit Committee:

- (i) Consider Audit Scotland's Report on Scotland's City Region and Growth Deals published in January 2020; and its findings and recommendations for Scottish Government and Councils working on City Region and Growth Deals:
- (ii) have awareness of the scrutiny tool that is available for councillors to understand the council's current position within the Tay Cities Deal and scrutinise performance: and
- (iii) note that the Tay Cities Joint Committee will consider the implications of the report.

2. ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN/CORPORATE PLAN

- 2.1 This report contributes to the outcomes contained within the Angus Community Plan, Locality Plans and Council Plan, which focus on Economy, People, and Place.

3. BACKGROUND

- 3.1 The UK Government introduced City Deals in England in 2011, working with city councils and other councils within city regions. Under these deals, national government agreed to give additional funding and powers to cities and their regions to allow them to play a leading role in promoting the growth of city region economies.
- 3.2 In August 2014, the UK Government and the Scottish Government jointly announced the first City Region Deal in Scotland for the Glasgow City Region. Under the deal, the eight councils in the Glasgow City Region agreed to work together to manage an infrastructure investment programme. This featured an initial list of projects, at a total cost of £1 billion over 20 years, to promote the growth of the local economy. Since then, all areas of Scotland have signed, or are working towards signing, either a City Region Deal or, for regions that do not have a city, a Growth Deal. In this report, we refer to them all as 'deals'.
- 3.3 All deals are different and are intended to be based on local circumstances and priorities. In Scotland, all signed deals are agreements between the UK Government, the Scottish Government, councils and sometimes other partners, such as local business representatives, and universities. They are long-term programmes, with funding committed for 10-20 years.
- 3.4 Audit Scotland's report will be considered by the Tay Cities Joint Committee as part of the Joint Committee Governance Agreement approved by Angus Council (Report 89/16).

4. KEY MESSAGES

- 4.1 Key Messages for Audit Scotland's report are as follows:-

- 4.2 £5.2 billion has been committed so far to supporting economic development in all parts of Scotland through City Region and Growth Deals. This money comes from the UK and Scottish governments, councils and their partner organisations. Four deals have been signed to date and eight are in development.
- 4.3 Deals bring additional long-term funding for regional economic development. They have enabled economic development projects that may otherwise not have gone ahead. Deals have also been a catalyst for increased collaboration between councils and their partners.
- 4.4 Deals have been developed against an evolving policy backdrop. All individual deals include output measures, such as new jobs created. But, five years after signing the first deal, the Scottish Government has not set out how it will measure their long-term success, how it will know if deals are value for money, or how deals will contribute to the outcomes in the National Performance Framework. This means opportunities for the deals to take account of the national outcomes may have already been missed, although there is still scope to make sure existing and future deals contribute to national outcomes.
- 4.5 Each deal is made up of a number of projects, largely comprising infrastructure improvements. It is not clear why some projects are selected and approved for funding and others are not. Local communities have also had very little involvement in the deal process. These factors limit transparency and the ability to hold public bodies to account for their deal spending.
- 4.6 Governance and scrutiny arrangements are in place at national and deal level. Accountability and scrutiny arrangements are still evolving and it remains untested how accountability will work in practice. There is also a risk around the capacity of councils and their partners to deliver deal projects against a challenging backdrop for the public sector.
- 4.7 As the City and Growth deals are developing across Scotland, Tay Cities Deal received a positive mention within the report in regard to engagement with business community, charities and voluntary organisations, and public agencies that operate across the region in the development of projects. This with the development of the Tay Cities Regional Economic Strategy has been used as a case Study within the document.

5.0 AUDIT SCOTLAND RECOMMENDATIONS

5.1 Audit Scotland recommends that the Scottish Government should:

- set clear aims and objectives for the overall deals programme, including how it will help to deliver inclusive growth
- explain in medium- and long-term financial plans how it will fund deals from its budget and how this relates to ongoing financial support for local government
- develop arrangements for measuring the impact of the overall deals programme, in particular how it has taken account of outcomes set out in the National Performance Framework and whether it has achieved value for money
- clarify for partners how they should plan for and then measure and report on the impact of individual deals, including their delivery of inclusive growth. This is especially urgent for shorter-term deals that are already in the delivery stage

5.2 Audit Scotland recommends that Councils should:

- work with partners to agree clear and commonly understood lines of accountability, and how information on the progress of deals is reported to elected members and council partners
- ensure deals are aligned with an agreed regional economic strategy, with input from a wide range of partners, and can demonstrate how they will help deliver national and local priorities for economic development
- regularly review their governance, monitoring and risk management arrangements to ensure they are clear and operating effectively, and consider the ways that internal audit can provide assurance on this

- regularly monitor the risk of partner funding not materialising as agreed and be aware of their own financial implications if that risk is realised
- ensure a wide range of partners and stakeholders, including local businesses, voluntary organisations, communities and community planning partners, are involved in the deal development and agreement process and as the deal progresses
- consider how they will measure the full long-term impact of the deal and whether it has achieved value for money. This should include consideration of arrangements for collecting and analysing data on different groups in their communities to allow the impact of deals on minority and disadvantaged groups to be evaluated
- look at how deals affect their longer-term financial plans, capital programmes and borrowing strategies

5.3 The Scottish Government and councils should:

- consider how best to make more information publicly available as to the reasons behind key decisions on funding and project selection for signed deals and those still in development, to promote understanding and support effective scrutiny
- improve arrangements for sharing knowledge and learning across deals in the interest of improving the deal process
- regularly review the governance and accountability arrangements for deals to ensure they are clear and operate effectively.

5.4 As the Tay City Deal is expected to be signed soon councillors should be aware of the key role the council plays, as one of the main partners in the delivery of the deal. In order to assist councillors to understand the council's position on the Tay Cities Deal, Audit Scotland have developed a series of questions to aid councillors to scrutinise their deal. A copy of the checklist with the council's current position is contained within Appendix B.

6. FINANCIAL IMPLICATIONS

6.1 There are no financial implications arising for the Council from the recommendations contained within this report.

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List of Appendices:

Appendix A: Scotland's City Region and Growth Deals – Audit Scotland (January 2020)

Appendix B: Scrutiny tool checklist for councillors

NOTE:

The background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report are:

Report No 89/19 – Tay Cities Deal Governance Arrangements - 21 March 2019

Report No 177/19 – Information Report, Schedule 2 – Tay Cities – 4 June 2019

Report No. 215/19 - 2018/19 Financial Outturn and Draft Accounts Update – 20 June 2019