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City Regions -Deal or No Deal?



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Local Government and Communities Committee

To consider and report on communities, housing, local government, planning and regeneration matters falling within the responsibility of the Cabinet Secretary for Communities, Social Security and Equalities.



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Introduction to our inquiry

1. At its meeting on 22 March 2017, the Committee launched an inquiry into City Region Deals, with the following remit:

To explore the rationale, prioritisation and value for money in relation to city region deals, including the progress to date of City Region Deals in delivering job creation and economic growth, and the structure and governance of city region deals in Scotland.
2. To assist with the inquiry, the Committee agreed a call for views in April, which was completed in May 2017. A total of 39 written submissions were received and published. **The Committee is grateful to all of those individuals and organisations that submitted evidence to our inquiry.**
3. In addition to the written evidence received, the Committee heard from a number of witnesses during our meetings, namely:

1 November, 2017

- Professor Duncan Maclennan, Policy Scotland, University of Glasgow;
- Dr Peter O'Brien, Research Associate, Centre for Urban and Regional Development Studies, Newcastle University;
- Lesley Warren, Policy and Public Affairs Officer, Coalition for Racial Equality and Rights;
- Barry McCulloch, Senior Policy Adviser, Federation of Small Businesses; and
- Chris Day, Policy Advisor, Transform Scotland.

8 November, 2017

- Councillor Susan Aitken, Chair, Glasgow City Region Cabinet and Leader of Glasgow City Council;
- Kevin Rush, Director of Regional Economic Growth, Glasgow City Region Deal;
- Councillor Adam McVey, Leader, City of Edinburgh Council, and Andrew Kerr, Chief Executive, City of Edinburgh Council, Edinburgh and South-East Scotland City Region Deal Partners;
- Councillor Graham Ross, Depute Provost and Leader of Inverness Area, and John Robertson, Programme Manager, City Region Deal, Highland Council;
- Councillor David Ross, Co-Leader, Fife Council; and
- Councillor Jenny Laing, Co-Leader, and Richard Sweetnam, Head of Economic Development, Aberdeen City Council.

15 November, 2017

- Patrick Wiggins, Director, Ayrshire Growth Deal;
- Douglas Duff, Head of Planning and Economic Development, Falkirk Council;
and
- Phil Ford, Regional Skills Planning Lead, and Paul Zealey, Regional Skills Planning Lead, Skills Development Scotland.

22 November, 2017

- Keith Brown MSP, Cabinet Secretary for Economy, Jobs and Fair Work, Scottish Government; and
- Lord Duncan of Springbank, Parliamentary Under Secretary of State for Scotland, UK Government

The Committee is grateful to all of the above for their valuable contribution to our inquiry.

4. Finally, in addition to the formal business of the Committee, a number of members participated in a visit to Glasgow Airport to learn more about the projects within the Glasgow City Region Deal that affect the Airport and surrounding areas. This was followed by an informal meeting with local businesses, community groups, charities, higher and further education institutes etc. in Paisley to discuss what types of public engagement had taken place with them on the Glasgow City Region Deal.

Members of the Committee visiting Glasgow Airport



5. **The Committee thanks the representatives of Glasgow Airport Ltd, Glasgow City Council, Renfrewshire Council and all of the local businesses and organisations whom we met.**

Members of the Committee meeting local businesses, community groups and others, Tannahill Community Centre, Paisley



6. These informal meetings and fact-finding visits were important and valuable ways of finding out more about the potential benefits of one of the City Region Deals in Scotland the extent to which the local community are consulted about the deals and able to take advantage of some of the benefits. A note of the meeting held in Paisley is available in [Annex A](#) to this report.

Our key issues

7. The Committee's inquiry was focused around the following key issues:
1. Perceptions on the purpose of City Region Deals.
 2. Whether the City Region Deals in Scotland are on track to deliver local growth, innovation and infrastructure schemes which would not have otherwise been delivered.
 3. Views on the governance arrangements for City Region Deals, and how well are these arrangements working in practice.
 4. The extent of local consultation and engagement and whether local residents and businesses have been kept informed and involved in the development and activities of City Region Deals.

5. Views on how regions and areas of Scotland not covered by City Region Deals are able to access equivalent funding and support for growth, innovation and infrastructure schemes.
6. Whether City Regions Deals are supporting a shift towards local decision-making on major investment projects.
8. The evidence we received on the above questions and related issues is set out in subsequent sections of this report, after an overview of City Region Deals and other approaches being used for economic development and infrastructure investment in Scotland.
9. City Region Deals are developments that will last 10-20 years from their initiation. The most advanced Deal - Glasgow - is still in its infancy. It is therefore too early for the Committee to be definitive on the success or otherwise of these Deals. The Committee's Report and our [Conclusions and Recommendations](#) have focused on where improvements can be made to governance, project selection, monitoring and evaluation and co-ordination with other government programmes etc.

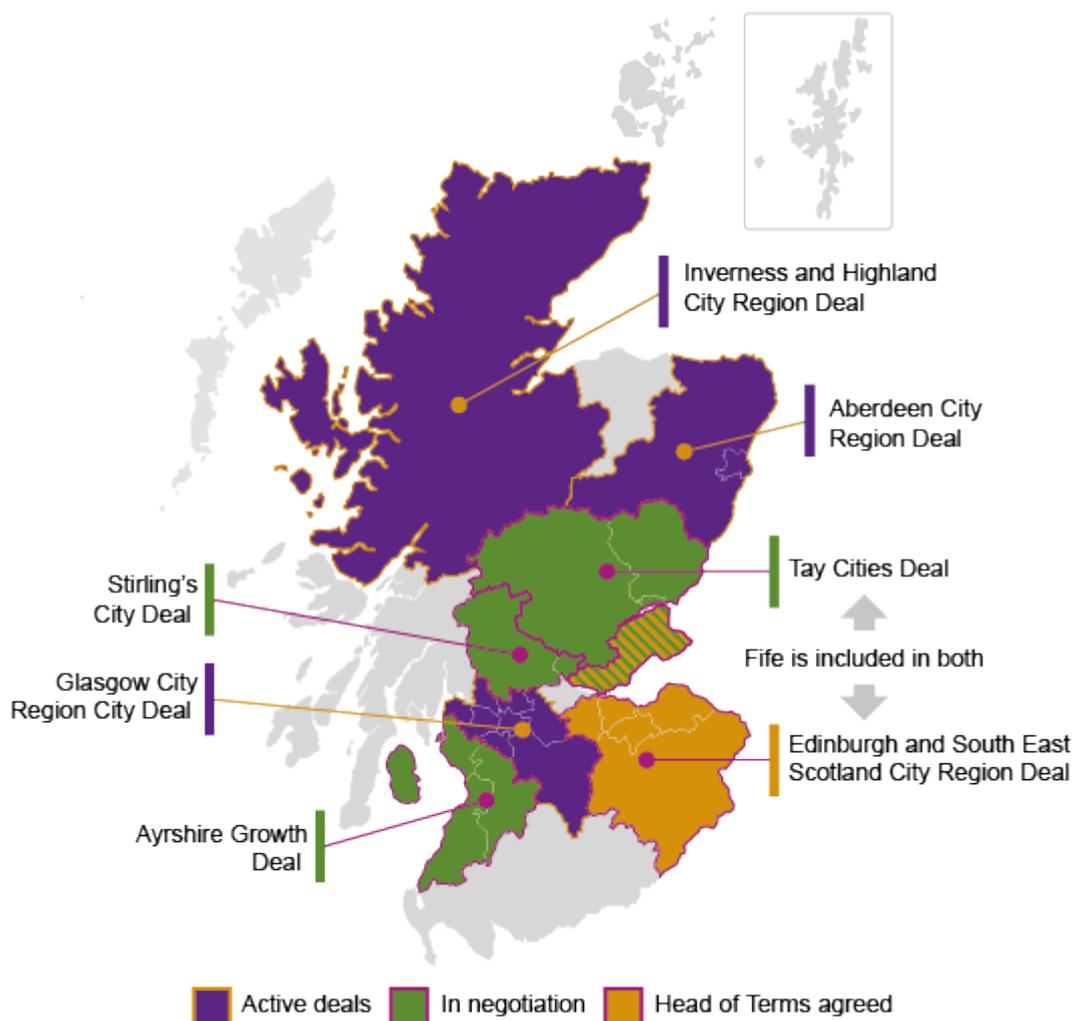
What are City Region Deals?

10. City Deals (as they are more commonly known in England) were first introduced by the UK Government in 2011 as a way of encouraging local economic growth and the movement of economic decision-making away from central government in England. The majority of City Deals actually focus not only on cities but on the wider regions around cities. ¹
11. The first wave of eight City Deals in England were announced in July 2012, followed by a further 18 City Deals being agreed across 2013 and 2014. In England, the aims of these City Deals have been further bolstered by subsequent Growth Deals and Devolution Deals in 2014 and 2016. ²
12. In July 2014, the first such deal north of the border was announced for Glasgow and the Clyde Valley. To date, there are now three agreed City Region Deals in Scotland, with an additional deal at the outline agreement stage. Each represents a partnership of funding between the Scottish Government, UK Government, local government and regional partners. As with other deals, these cover the wider regions around Scotland's cities. Scotland's remaining cities are currently engaged in discussions with the Scottish and UK governments. ²
13. The current City Region Deals that have reached the delivery phase are:
 - Glasgow and Clyde City Region Deal (final agreement signed in August 2014)
 - Aberdeen City Region Deal (final agreement signed in November 2016)
 - Inverness and Highland City Region Deal (final agreement signed in January 2017)

Additionally, Heads of Terms were agreed for the Edinburgh and South East Scotland City Regional Deal in July 2017, with a full deal agreement expected during 2018. ²

14. The remainder of the City Region Deals in Scotland are still work in progress, with development underway on agreements for Stirling and Clackmannanshire and the Tay Cities regions. This "progress" was referred to most recently by the Chancellor of the Exchequer in his November Budget speech. ³
15. There is also work underway to develop a so called regional growth deal for the three Ayrshire Councils. ²
16. Figure 1 below provides an update on the development of City Region and other regional deals in Scotland as of late 2017.

Figure 1: City Region/Regional Deals in Scotland (as of December 2017)



Source: SPICe.

Overview of the agreed City Region Deals in Scotland

17. City Region Deals mostly comprised of a package of large scale projects intended to deliver long-term and sustainable economic benefit. Each City Region Deal has taken a different approach to its governance in terms of structure, set-up, priorities, business and industry partnership, etc. meaning that there is a lot of variation across the deals. However, this also means unique regional circumstances are reflected. Summary highlights of the agreed deals are set out below.

Glasgow City Region Deal

18. The most established of the deals in Scotland is the Glasgow City Regional Deal, which is approximately 3 years into a 20 year plan, and which seeks to address longstanding and persistent challenges such as levels of unemployment and entrepreneurship, as well as delivering a number of major physical regeneration projects.

19. The Glasgow City Region Deal has three themes⁴ :
- A £1.13 billion fund will support twenty major infrastructure projects across the region for roads, bridges and improved transport infrastructure, quay walls, remediation, construction, public realm works, assisting further capital developments for housing, retail and commercial, and all of the supporting services to deliver these;
 - Three labour market projects aim to help to address local employment challenges; and
 - Innovation and Growth projects to support the growth of small and medium enterprises and enhance the life sciences sector.

Aberdeen City Region Deal

20. The lifespan of the Aberdeen City Region Deal is over 10 years with funding of £826 million. The key themes within the Aberdeen City Region Deal are innovation, internationalisation and diversification. It has six key project areas⁴ :
- Oil and Gas Technology Centre (OGTC)
 - Agri-Food and Nutrition Hub for Innovation
 - BioTherapeutic Hub for Innovation
 - Digital Connectivity
 - Harbour Expansion
 - Strategic Transport Appraisal.
21. Unique to the Aberdeen City Deal, the industry-led and privately funded economic development body Opportunity North East (ONE) led the development of the innovation projects included in the Aberdeen City Region Deal. These were awarded £210m and the new Oil & Gas Technology Centre (OGTC), now established as a separate company and fully up and running, will support innovation in the sector, maximise economic recovery of the reserves in the UK Continental Shelf, and anchor the supply chain for oil and gas in the UK.

Inverness and Highland City Region Deal

22. The Inverness and Highland City Region Deal covers a 10 year period with funding of £315 million. The Deal contains a number of proposals under three broad headings⁴ :
- Growing the economy includes establishing a North Innovation Hub, developing Inverness Castle as a key tourist destination, supporting commercialisation, and delivering an innovative approach to assisted living.

- Enabling the economy includes establishing a Joint Digital Highland Action Plan to accelerate provision of effective broadband and mobile coverage, road infrastructure, and provision of 6,000 homes.
 - Skilled economy involves delivering the Science Skills Academy to promote STEM subjects.
23. Also there are some elements that are included within the Inverness and Highland City Region Deal but have no explicit funding commitment associated with the Deal (e.g. ensuring regional air links, piloting of a joint Highland Employability Programme), as these were pre-existing funding commitments that have synergies with the wider Deal objectives.

Edinburgh and South East Scotland City Region Deal

24. The Edinburgh and South East Scotland City Region secured a £1.1 billion deal from the UK and Scottish governments. The heads of terms set out that both the UK and Scottish governments are committed to jointly investing £600 million over the next 15 years and regional partners have committed to adding up to £500 million. In addition, it is estimated the deal will generate over £5 billion worth of Gross Value Added (GVA) over the same period. Key government commitments of the deal are ⁴ :
- Up to up to £350 million for a Research, Development & Innovation programme for the region. This includes data centres, incubation space, industrial and commercial space and the food and drink innovation campus at Queen Margaret University.
 - £140 million for crucially needed A720 city bypass at the Sheriffhall Roundabout and transport improvements across west Edinburgh.
 - £20 million capital funding for new world class concert hall.
 - £25 million regional skills programme to support improved career opportunities for disadvantaged groups.
 - £65 million of new funding for housing to unlock strategic development sites.
25. Regional Partners commitments to the Deal will be detailed in the Final Full Deal Agreement expected in 2018.

Overview of City Region Deals that are in development

Stirling and Clackmannanshire City Region Deal

26. In March 2017, the UK Government confirmed that talks were underway for a Stirling and Clackmannanshire City Region Deal.

27. The Bid proposal builds on Stirling Council's existing key projects and initiatives designed to drive economic improvements. These include significant investment in housing and transport, the development of a new Stirling Sports Village, a new multi-partnership cultural strategy for the area and a renewed rural economic strategy. The City Deal website details the following proposed projects ² :
- The Harbour project will extend and unify Stirling's city centre and the River to create a new and exciting area of this city.
 - A Digital District will place Stirling at the forefront of digital innovation and enterprise nationally and internationally. This aims to deliver both a Digital Hub and Digital Campus.
 - Grow-on Space will address the shortage of space in the city for incubating and developing the small to medium sized enterprise sector by providing a bespoke space for established businesses to develop.
 - A City Park will create a must-see destination to attract, retain and direct residents and visitors to and throughout the city, connecting with the Back Walk and City Centre and set below Stirling Castle.
 - The River project includes the development of a river taxi network, expansion and enhancement of pedestrian and cycle paths, development of the peninsulas and associated riverbanks and the incorporation of a barrage to allow water levels and water quality to be controlled.
 - The regeneration of Mercat Cross, at the 'top of the town', is about focused activity to revitalise this geographically and strategically important area of the city, through initiatives like a City Market, increased permanent and temporary commercial space and a Cultural Quarter.

Tay Cities Region Deal

28. Dundee, Perth & Kinross, Angus and North Fife published their plans for the Tay Cities Region Deal on 3 February 2017 in 2 parts: a 20 year Regional Economic Strategy, and proposals for a Tay Cities Region Deal: Part 2 – Tay Cities Deal Proposal. The proposals were officially submitted to Scottish and UK governments on Wednesday 1 March 2017. Discussions with councils and the UK Government are expected to commence in the near future as well as engagement with Scottish Government policy officials on the proposed projects.
29. The Deal has a focus on inclusive growth and tackling the opportunities and challenges in the region around innovation, internationalisation and connectivity. The proposal suggests that activities will generate an additional £900 million of Gross Value Added per annum for the Scottish economy by raising the region's Gross Value Added per employee to the Scottish average. The deal also aims to create up to 15,000 job opportunities over 10 years, significantly enhancing the employment landscape in the region. The submission document for the deal includes more than 50 projects, including a scheme to boost employment through oil and gas decommissioning ² .

30. The total cost of the investment within the deal proposal is £1.84 billion, of which £826 million (45%) over 10 years is sought from the Scottish and UK governments and their agencies. The balance would be met by the deal partners in the four local authorities, the private sector, universities, colleges, other public sector partners and the voluntary sector.

Growth deals and other forms of investment

31. In England, all regions are covered by Local Enterprise Partnerships and Growth Deals which have been awarded to these Partnerships. This is not the case in Scotland. However, all the local authorities that are not part of city region deals are involved in different ways of joint working and economic and infrastructure investment as detailed below.

Ayrshire Growth Deal

32. On 28 September 2016, proposals for the Ayrshire Growth Deal (AGD), seeking over £350 million of funding from the Scottish and UK governments and covering the three Ayrshire authorities, were launched. The AGD aims to develop further and build on the success of the area's key industries, with strategic proposals including ² :
- over £80 million of funding to develop aerospace industries in South Ayrshire.
 - a bid for £53 million to develop the Ardeer Peninsula and Irvine Harbourside.
 - £30 million being sought to further develop life sciences industries.
 - £22 million of government funding for coastal regeneration in Ardrossan.
 - £130 million to develop manufacturing sites at Moorfield (Ayrshire Engineering Park), AMIC (Ayrshire Manufacturing Investment Corridor) at Bellfield and the redevelopment in the former Johnnie Walker site at Hill Street as a mixed use development.
 - £15 million to develop Marine Tourism across North and South Ayrshire.
33. The AGD team is aiming to get a commitment from the UK Government to begin the next stage of the process. It is envisaged that this could lead to approval and implementation of an AGD in due course. The AGD was not mentioned in the recent Budget speech from the Chancellor of the Exchequer.

South of Scotland Alliance

34. The South of Scotland Alliance, formed in 2001, aims to support economic growth in the South of Scotland, and campaigns on issues which are common across both the Scottish Borders and Dumfries and Galloway such as ⁴ :
- Broadband

- Mobile Phone Coverage
 - European Funding
 - Small Towns
35. The Alliance has held regular meetings with the Scottish Government, Scottish Enterprise and others. It has not, as yet, morphed into any form of city region or growth deal.

Borderlands Initiative

36. The Borderlands Initiative was created by Scottish Borders Council and Dumfries and Galloway Council with Carlisle City Council, Cumbria County Council and Northumberland County Council. The Initiative was launched by the Scottish Government in August 2013 ⁴ .
37. Although a Borderlands Steering Group was established, and recommendations on a strategic framework were produced through [commissioned research](#) published in November 2015, a formal action plan for the Borderlands Initiative does not seem to be in progress. The Borderlands Initiative was, however, mentioned in the recent budget speech from the Chancellor of the Exchequer who said that "progress is being made ... on a growth deal for Borderlands." ⁵

Islands Bill

38. Finally, in June 2017, the Scottish Government introduced the [Islands Bill](#) to the Scottish Parliament. The Bill commits the Scottish Government to the production of a National Islands Plan under Part 2. The Scottish Government has said that the Plan will be informed by its approach to sustainable development and to its overall Economic Strategy ⁴ .
39. As with some of the alternative approaches listed in this section, it is not immediately clear - as is the case for city region deals and the Ayrshire Growth Deal - what sums of investment will be made available for which projects. Discussions are, however, ongoing.

Where do City Region Deals fit into economic development and infrastructure investment programmes in Scotland?

40. City Region Deals sit within an arguably complicated policy and funding landscape in Scotland, consisting of a number of initiatives, including:
1. Enterprise and Skills Review and the creation of regional partnerships.
 2. National Transport Strategy, which is currently under review.
 3. National Planning Framework/Strategic Development Plan.
 4. Scotland's Economic Strategy.
 5. Work of the 2 enterprise agencies and Skills Development Scotland, along with initiatives such as the Business Gateway networks.
 6. Infrastructure Investment Plan, with the project pipeline and hub approach
 7. The work of the Scottish Future Trust, and the NPD, PPP1 and PFI investments.
 8. Tax Incremental Funding scheme.
 9. The Growth Accelerator initiative.
 10. Municipal Bonds, such as in Aberdeen in 2016.
 11. The work of the National Housing Trust.
 12. The work and priorities of the Scottish Cities Alliance.

What is the purpose of, and rationale for, City Region Deals?

41. In 2011, the UK Government introduced the City Deals model in a White Paper entitled [Unlocking Growth in Cities](#). The stated aim was to boost regional and local economic growth and devolved more power to a sub-national level. The then focus for City Deals was very much on economic growth, with the UK Government stating that cities were "engines of growth and will be critical to our economic recovery".⁶
42. Right from the outset, it was recognised that the "content of the City Deals will reflect the different needs of cities."⁶ That said, in England, the development of individual City Deals was to be supported by a new Cities Policy Unit, based in the Cabinet Office.
43. The additional feature of City Deals in England was that they would sit alongside a Devolution Deal which would offer a "combination of new powers over the key decisions that affect the competitiveness of the city in question."⁷
44. City Deals, or City Region Deals as they are more commonly known in Scotland, were not extended north of the border until 2014. The first such deal - for Glasgow and the Clyde Valley - was announced on 3 July 2014 by the then Prime Minister David Cameron, with a contribution from the UK Government of £500 million². Shortly thereafter, the Scottish Government announced it would match the UK Government's contribution.
45. An important difference between City Deals in England and City Region Deals in Scotland is that those north of the border have not coincided with any substantive shift in powers for local authorities or, unlike England, the creation of new forms of devolved government such as the creation of mayoralities.
46. Additionally, as we describe later in this section, the two governments have a difference in emphasis on what they consider to be the central purpose of a Deal. For the UK Government, the focus has been on "economic growth" in the strictest sense of this phrase whereas, with the publication of Scotland's Economic Strategy in 2015, the Scottish Government introduced the concept of "inclusive growth" as a key focus.

Alignment with other Scottish and UK government policies

47. City Region Deals must also be seen in the context of other, sometimes competing, policies and programmes of the two governments, as well as in relation to the priorities of the local authorities themselves and of other public bodies such as enterprise agencies, skills organisations, transport bodies etc.
48. At a UK level, one of the most recent and relevant policies is that of the UK Government's [Industrial Strategy](#). The Strategy sits within a suite of policies and

programmes including efforts at further devolution of powers, development of Local Enterprise Partnerships and a £12 billion Local Growth Fund in England.

49. In Scotland, policy for cities has developed since the Review of Scotland's Cities in 2002 and the creation of a City Growth Fund in 2003, right through to the [Agenda for Cities](#) of 2011. More recently, we have seen the publication as part of the Enterprise and Skills Review of work on regional partnerships.⁸
50. Sitting alongside the City Region Deal funding stream in Scotland, and in addition to the funding of economic growth and skills via the enterprise agencies and Skills Development Scotland, are other initiatives for funding economic development in cities/regions such as:
- tax incremental funding;
 - growth accelerators model;
 - funding by the Scottish Partnership for Regeneration in Urban Centres;
 - regional selective assistance and other EU regional development programmes; and
 - transport funding (e.g. Station Fund).
51. The challenges of aligning the aims behind any individual City Region Deal within the wider policy objectives set by two different governments was commented on by a number of bodies.
52. In her evidence to the Committee, Councillor Jenny Laing, Leader of Aberdeen Council said—
- ” I agree ... about the distinction between devolved and reserved matters in relation to funding from the UK Government and the Scottish Government. We saw that with our deal as well, and there were things that we put forward initially that did not get funding, but we have money on the table for our transport and connectivity aspirations, so we are trying to open up the region for commercialisation and housing and for the infrastructure associated with that.
- Source: Local Government and Communities Committee 08 November 2017, Councillor Jenny Laing (Aberdeen City Council), contrib. 13⁹
53. Her view was shared by Councillor David Ross, Leader of Fife Council, who commented about whether there is a difference between the UK Government and the Scottish Government on the issue, saying—

” ... it occurs to me that the UK Government has focused much more on what it sees as reserved matters and has not, to my mind, grasped the idea that everything is integrated. That has overbalanced the Edinburgh and south-east Scotland regional deal a wee bit, because it has been focused mainly on UK Government funding for the university sector, which is predominantly in Edinburgh. That is not necessarily a bad thing, but it has overbalanced the deal a little.

Source: Local Government and Communities Committee 08 November 2017, Councillor David Ross (Fife Council), contrib. 11¹⁰

54. We also heard evidence about the potential challenges of reconciling City Region Deals in Scotland with the broader policy and investment framework set by the Scottish Government. For example, Falkirk Council said ¹¹ —

” ... Scotland has an overly complex pattern of area-based support for growth with a range of city deals, growth accelerators, TIFs, task forces and enterprise area initiatives. It suggests that there is a need to sharpen the focus and intent of the approach to area-based economic development to ensure that such initiatives generate genuine and achievable economic benefit for Scotland.

55. Whilst bodies such as RSPB Scotland said that more clarity was needed about the respective roles and relationships between City Region Deals and the other mechanisms for economic growth, and greater consistency with the National Planning Framework, Scottish planning policy and local development plans ¹² . Its view on the latter point was shared by Homes for Scotland who also called for stronger links between City Region Deals and local development plans ¹³ .

56. Other witnesses who gave evidence to the Committee questioned whether certain transport projects that were seen as priorities because of their inclusion in City Region Deals were given the same level of priority by Transport Scotland in its own plans. For example, Councillor Graham Ross, Depute Provost and Leader of Inverness Area on The Highland Council said that—

” ... transport coming from and moving within the Highlands is very important for us: a third of the project money in the Inverness and Highland city region deal is for transport projects and transport infrastructure. The problems that we are experiencing include our needing firmer dates, including delivery dates. That is so that we can progress the projects as soon as possible, because our not being able to do that has an impact on other projects. The issue is Transport Scotland: to say that it needs a bit more impetus would be a nice way of putting it.

Source: Local Government and Communities Committee 08 November 2017, Councillor Graham Ross, contrib. 155¹⁴

57. Likewise, Councillor Laing said in relation to the local City Region Deal—

” The difficulty that we have had with some of our transport projects, in particular, is that other aspects at national level are kicking in. For example, Transport Scotland has asked us to delay the introduction of those projects for a year, because it wants to see what effects the Aberdeen western peripheral route [AWPR] has. Although it is important that we take into account the impact of the western peripheral route, we argue that we need to carry out the appraisal work, so that we are in a position to make progress on the other projects once we have established the impact of the AWPR.

Source: Local Government and Communities Committee 08 November 2017, Councillor Laing, contrib. 17¹⁵

58. In addition to contributing to Scottish Government priorities and those of its agencies, City Region Deals can be expected to do the same for the UK Government's goals; notably the new Industrial Strategy. For example, the Ayrshire Growth Deal team told the Committee that they had been asked to demonstrate how their Growth Deal can contribute to the delivery of the Industrial Strategy. They indicated that "it is likely to be the case that further discussions with the UK Government on growth deals will have a strong emphasis on the Industrial Strategy." ¹⁶

59. Looking more broadly, Professor Duncan Maclennan of the University of Glasgow, highlighted the difficulties in aligning the geographic focus in any City Region Deal with the geographic boundaries used for the governance of other policy priorities. He said—

” There is also the real difficulty in Scotland that we have intruded the geography of the city regions into a geography that has health boards, regional infrastructure hubs and other quango boundaries, and none of those match. Tidying up the governance structure in quite simple ways would help to bring together those things and give the Scottish Government a clearer focus on how all those things come together at one scale.

Source: Local Government and Communities Committee 01 November 2017, Professor Maclennan, contrib. 129¹⁷

60. In the evidence we took from both governments, respective ministers made lots of references to collaboration and partnership working, but were equally clear that, at least from the perspective of funding and also the 'badging of projects', there were clear distinctions to be made between projects in devolved areas and those supporting reserved matters.

61. In this respect, Lord Duncan from the Scotland Office, said that—

” When we identify projects in the reserved space, they are clearly delineated and we are able to justify the spend when we approach the Treasury to deliver against that. What we are unable to do, however, is to commit spending into what in effect would be the devolved space. The Treasury would argue that, through the block grant, it is already providing funding and will not provide double funding. That might seem like an unhelpful statement but, at the same time, that is the breakdown of how we spend the money and how we account for it.

Source: Local Government and Communities Committee 22 November 2017, Lord Duncan, contrib. 45¹⁸

62. In reply, Keith Brown, Cabinet Secretary for the Economy, Jobs and Fair Work, said—

” Ian Duncan and I do not agree on everything. The UK Government double spends. For example, with regard to the £1.5 billion that is going to Northern Ireland, there is no requirement for matched funding for city deals for Northern Ireland. That £1.5 billion is nearly entirely in the devolved space, so of course the UK Government double spends.

[...]

The point about reserved issues is a really important one. I do not find it difficult to think of things in the reserved space that would be very useful for local authorities—there is a lot that can be done on broadband, social security and a number of other reserved issues. It should not be beyond them to come forward with those ideas. If they do not, the quantum that they get is reduced because, if there is to be a 50:50 split, and you have identified only reserved projects, you will only get so much.

Source: Local Government and Communities Committee 22 November 2017, Lord Duncan, contrib. 48¹⁹

63. The Cabinet Secretary was also critical of the way that the Glasgow and Clyde City Deal came about in the first place, although he was more complimentary about co-operation in subsequent deals. On the Glasgow Deal he said—

” ... the Glasgow city region deal is unlike the other deals. The Scottish Government was asked, at the very last minute, to contribute £0.5 billion to it. There was no prior discussion, so our ability to emphasise or prioritise such things as inclusive growth was limited. It is true to say that city deals have matured since then; they no longer resemble a straightforward list of infrastructure projects, and there is more involvement with the private sector and more emphasis on transformational growth.

Source: Local Government and Communities Committee 22 November 2017, Keith Brown, contrib. 5²⁰

64. Finally, the Committee also took views from the two governments on the extent to which the UK Government's new Industrial Strategy will drive developments in relation to City Region Deals. In his evidence, Lord Duncan was clear. He said—

” ... the industrial strategy is not driving forward the growth deals. The truth of that can be seen if we look at some of the deals that are emerging in England. For example, the Cornish deal is not in any way determined by the growth strategy. Inevitably, there will be overlap, just as there will be with some of the existing city deals, but they are not linked and the strategy is not a driving force.

Source: Local Government and Communities Committee 22 November 2017, Lord Duncan, contrib. 74²¹

65. In response, Keith Brown told the Committee that—

” We have had a little more clarity today from the UK Government. It is news to me that the industrial strategy is not to be used as part of the growth deals ...

Source: Local Government and Communities Committee 22 November 2017, Keith Brown, contrib. 95²²

Shifting definitions

66. The Committee also heard evidence around the issue of what form of "growth" is being sought out within City Region Deals in Scotland and how this is defined.
67. In their written evidence to the Committee, the partners behind the Edinburgh and South-East Scotland City Region (ESESCR) Deal said that clarity was lacking from either government on the exact definition of economic growth to be used to model and assess projects, noting that—
- ” An early requirement for City Deals was to develop a regional Economic Model to model potential impacts on the regional economy from the candidate projects. These did not replace regional transport models or detailed project appraisals but were designed to compare different types of projects using Treasury Green Book assumptions for displacement etc. so that they could then be prioritised on the same basis. Early City Deals e.g. Manchester continue to use their economic model as a management tool to continually prioritise their investment so that they can make sure that those with the greatest impact on the economy are delivered. The ESESCR Deal partners commissioned models for projects at considerable expense at the outset in 2015. The lack of clarity from Government on the need for these has been a challenge.
68. Additionally, Councillor Susan Aitken, Leader of Glasgow City Council, suggested the definition of growth to be used for her Deal has shifted from economic growth towards "inclusive growth". She said—
- ” The Glasgow deal was the first one to be developed, and that was in 2014, when ideas about inclusive growth were perhaps in their infancy. Since then, those ideas have developed and become a much more integral part of thinking, particularly in the Scottish Government.
- Source: Local Government and Communities Committee 08 November 2017, Councillor Susan Aitken (Glasgow City Council), contrib. 2²³
- and that, looking back to when the original deal was put together, she stated—
- ” It is fair to say that the economy was different in 2014 and perhaps the drivers and thinking behind the city region deal were different. I was not there at the time, so I can only speculate what the people involved were thinking, but it would not be fair to say that there was no thinking about inclusivity. Everyone wanted one of the outcomes of this major investment to be a long-term impact on inequalities. However, inclusivity was not front and centre in the strategic oversight and thinking about how the deal and the entire programme were put together. That is partly because thinking about inclusive economic growth has moved on; the Scottish Government's 2015 economic strategy, which had inclusive growth at its heart, postdated the Glasgow city deal.
- Source: Local Government and Communities Committee 08 November 2017, Councillor Aitken, contrib. 4²⁴
69. The shift towards a priority on "inclusive growth" was welcomed by many, but some organisations said that this did not require a "mandate" from the Scottish

Government to happen. For example, the Joseph Rowntree Foundation said in its written submission that ²⁵ —

” ‘Inclusive growth’ has potential to gain support across the political spectrum: a more inclusive economy will reduce poverty and inequality, while the inclusion of more people in the economy should enable stronger and more sustainable growth and reduce demand on government spending and public services. The economic case for inclusive growth is clear: the Scottish Government has stuck consistently to sustainable economic growth as its central purpose for ten years and the new fiscal framework creates a very real imperative to grow the tax base in order to maintain public finances. However, all parts of the argument for inclusive growth – and the role of city region deals therein – should be well evidenced.

70. However, the Foundation added that ²⁵ —

” City regions can get on and do more to deliver inclusive growth now. They do not need permission from Holyrood or Westminster to make progress ... city regions should make inclusive growth the main organising principle for their place, leading the agenda and catalysing action. This should include setting ambitious new targets around employment, pay, progression and skills attainment.

71. Similarly, Policy Scotland at the University of Glasgow wrote that ²⁶ —

” ... there is an important question to pose about how growth is being approached and treated, as this exhibits greater complexity in a tripartite deal-making context. We are mindful, for example, that “inclusive growth” features centrally in the Scottish Government’s economic strategy, yet how this fits with the UK Government’s aspirations for, and indicators of, economic success warrants further consideration. Inclusive growth is a term increasingly referred to by policymakers but remains elusive in terms of providing a precise definition or policy focus.

72. In his evidence to the Committee, Lord Duncan, Parliamentary Under Secretary of State at the Scotland Office was quite clear that the two government’s had two distinct objectives. He said—

” The UK Government’s objective is economic growth and the Scottish Government’s objective is inclusive growth.

Is there a tension between the two of them? Keith Brown rightly pointed out that there is.

Source: Local Government and Communities Committee 22 November 2017, Lord Duncan, contrib. ⁶²⁷

73. For his part, Keith Brown, Cabinet Secretary for the Economy, Jobs and Fair Work, explained that it was not the role of the Scottish Government to generate projects that were consistent with “inclusive growth” or to change the deals themselves. These projects or changes must come from the local authorities. He did say, though, that he wanted to see “inclusive growth prioritised in changes to city region deals.” ²⁸

74. To assist in sharing best practice on the issue of how to define and focus on "inclusive growth", the Cabinet Secretary for Economy, Jobs and Fair Work, Keith Brown, informed the Committee that he had established a centre for regional inclusive growth as "a platform to share local and national data, analysis and evaluations."²⁹
75. To assist with the incorporation of "inclusive growth" within the Glasgow Deal, the City Region Cabinet had appointed Professor Anton Muscatelli of the University of Glasgow to carry out work in this area.

Employability and skills issues

76. A significant focus for City Region Deals is the job creation potential of the projects. With the emphasis more latterly on "inclusive growth", this has widened the debate on how the Deals can contribute to the employability agenda in Scotland.
77. In its evidence to the Committee, Skills Development Scotland highlighted an example from the Glasgow and Clyde City Region Deal where three employability projects have been included as part of the overall suite of projects and a Skills and Employment Group was established as part of the governance process for the Deal.³⁰
78. The Committee also heard a number of views on the importance of ensuring that the City Region Deals were aligned and co-ordinated with that being taken forward as part of the Scottish Government's Enterprise and Skills Review. This Review has a particular focus on establishing Regional Partnerships looking for future opportunities to create a vision and strategy at regional level to stimulate local economies and support national growth.
79. The potential contribution of City Region Deals for employability and skills was underlined by bodies such as the Joseph Rowntree Foundation. It said that "city regions can play an important role helping to create a more coherent and effective system through early years to learning throughout working life" and that "closing the attainment gap is a priority for driving both growth and inclusion."²⁵
80. The Foundation cautions though that, to be successful in this aim, then full engagement with the local population was essential. It said that²⁵ —

” The education and skills system – going right back to the earliest years of a child's life – is a key driver of both growth and inclusion. People must be at the heart of any inclusive growth strategy and thus key participants in helping to shape city region and growth deals.
81. The Foundation also warns that City Region Deals must not be a vehicle which creates only low skilled, low pay jobs as the focus of fulfilling the targets for jobs set for each project. Its written submission states that "evidence shows that where business demand for skills is low, pay in turn is low, and productivity is undermined." In its view, the business case for engagement should be based on the competitiveness and productivity gains that can be achieved from progressing to higher skill and wage business models. As such, emphasis needs to be given to not

only encouraging people into employment via the new Deals but also to in-work progression to more skilled and better paid jobs.²⁵

82. The scope for positive synergies between the City Region Deals and the Enterprise and Skills Review was also highlighted by Aberdeen and Grampian Chamber of Commerce. It said that there could be "longer term enduring benefits particularly if the Skills and Enterprise review looks to allocate more ability to drive economic growth from a regional base."³¹

83. In its submission to the Committee, Highlands and Islands Enterprise cautions that overcoming local labour market issues will be important to the success of certain City Region Deals projects³² —

” The scale of the projects has surfaced other issues such as the need for very close co-ordination on labour market issues with ‘an eye’ on significant factors that may affect these. An example where such wider consideration is necessary is in construction, where labour can be very mobile and where substantial infrastructure and house-building has been planned in Inverness and possibly as part of other City deals. Another example provided from the Deal is in digital and computing skills, where urgent partnership action using the strong relationships between UHI, a tertiary institution, and local schools will be needed to overcome a severe shortage of qualified teachers to prepare the workforce for readiness in the digital economy that will follow the spread of high speed broadband.

How are City Region Deals and their projects selected and what budgets are available?

Selection of deals and projects

84. Beyond the purpose of, and rationale for, City Region Deals, the next key area for the Committee was how certain deals and specific projects are identified, assessed, prioritised, chosen and then funded. Many of the organisations that gave evidence to the Committee made comments in these areas.
85. The Committee was particularly interested in the question about the transparency of project selection and whether any such projects are additional, i.e. would not have proceeded without the funding provided by the City Region Deals. We were also interested in displacement effects, i.e. the shifting of economic growth or job creation from other areas of the City/Region into that where the investment is being focused thereby resulting in no net gains. Finally, we also heard evidence on questioning why certain City Region Deals were favoured over others parts of Scotland and in the selection of projects themselves within the Deals..
86. In its written submission, Policy Scotland - the public policy research hub based at the University of Glasgow - said that ²⁶ —
- ” ... we take the view, that the piecemeal *ad hoc* nature of city dealing may prove to be problematic given the process for agreeing deals does not appear to be clearly set out. This is not to argue for a “one size fits all” approach, but to make the case that greater clarity regarding the principles, phases and criteria of deal-making may help to provide parity of treatment across the varying localities seeking funding.
87. Likewise, the group known as Scotland's Regeneration Forum (SURF) said that there is a wider debate to be had about whether “a collection of city regions” is the best way to think about contemporary Scotland in public policy. The group said that its members have "repeatedly highlighted the reality that most of Scotland's population still live in towns, not cities, and that a number of towns in Scotland such as Ayr, Livingston and Kirkcaldy, are larger than several of its cities by population" ³³ . We return to the issue of those parts of Scotland not currently in a City/Region Deal in a subsequent [section](#) of this report.
88. The Federation of Small Businesses (FSB) in Scotland also commented in general terms about City Region Deals. It said ³⁴ —

” FSB broadly welcomes the significant capital investment City Deals contribute to our city regions. As this submission has outlined, however, we are concerned about the lack of transparency inherent within the deals, the inaccessible governance arrangements and the lack of engagement with smaller businesses. This latter point is worth emphasising given nearly one in two of all small Scottish firms are covered by the three operational City Deals and contribute billions to these regional economies.

89. We return to the issue of engagement in a subsequent [section](#) of this report.
90. The campaigning group - Transform Scotland - was also critical on the issue of project selection. It said choices were "shrouded in a degree of secrecy on the basis of being sensitive, or confidential, at least until they are agreed" and that, "even after agreement, some of the transport projects are vague and non-specific" ³⁵ .
91. The opacity of the project selection process can lead to a lack of clarity as to which projects were originally proposed within a particular City Region Deal and which projects were not selected and by whom. During our session with a number of local authorities, we heard evidence on this particular issue.
92. For example, Councillor McVey of the City of Edinburgh Council said—

” Edinburgh had a transport project that we were keen on, as an organisation, and that regional partners understood the value of, but which was not progressed: the tram. It was not progressed by either Government. There was a time when it looked like the UK Government might have found itself in a different place in terms of its funding appraisal, but progress was ruled out. That is a matter of regret, because it was a high-capacity public transport solution that could have unlocked additional economic generation in the region in line with the aspirations of the wider city deal. However, it was off the table and was not permitted by either partner to be part of the project mix.

Source: Local Government and Communities Committee 08 November 2017, Councillor McVey, contrib. 23³⁶

93. The other example that we heard evidence on related to the proposed Levenmouth rail link which is not one of the projects currently supported under the proposed City Region Deal for Edinburgh and Fife. Councillor David Ross, Leader of Fife Council, told the Committee that—

” ... there is complete cross-party and cross-community support for the Levenmouth rail link in the local area. We have been doing our best. I am not involved in the detailed prioritisation, but the clear understanding that we got from Government officials was that the project would not meet the specific criteria they were looking for in the city deal. We insisted that at least the funding for the first stage and the feasibility work should go into it.

Source: Local Government and Communities Committee 08 November 2017, Councillor David Ross, contrib. 141³⁷

94. In subsequent written correspondence submitted after his appearance, Councillor Ross said that ³⁸ —

” The full project was put forward by the Council as part of the initial bid. The total cost of the bids included in this submission was beyond what both Scottish and UK Governments were likely to fund. In discussions between Scottish civil servants and council officers it was made clear to us that the full project would not score highly under the criteria on which the Scottish Government would consider the bid. Given that clear direction, it was only the first phase of the project – for feasibility and design work – that was included in the final proposals. However the Scottish Government did not agree to fund even that element of the project in its response to the Deal.

95. Responding to a question on the points raised above, Keith Brown, Cabinet Secretary for the Economy, Jobs and Fair Work, said—

” You mentioned the process that led up to the deal, in which Government officials were involved. I was with Councillor Ross at the signing of the deal, and I have no recollection of any objections being raised to the deal that was proposed.

[...]

As far as the process is concerned, the Levenmouth rail link was not part of the final proposal from Fife Council. As you will know, the whole of the Fife Council area will benefit from two city deals, because it will also be part of the Tay cities deal.

Source: Local Government and Communities Committee 22 November 2017, Keith Brown, contrib. 28³⁹

96. As a follow on, officials from the Scottish Government explained how they saw the process of project suggestion, assessment and selection working—

” As the committee is aware and has heard from a number of people already, the process for considering proposals within a city deal is one that starts with the local authorities coming together with their key regional partners to bring forward propositions. During that process, there are some discussions about exploring the detail, the readiness of the proposals and the constraints that may exist with each proposition. Those discussions continue and the regional partners evolve their asks through that process.

Source: Local Government and Communities Committee 22 November 2017, Oonagh Gil (Scottish Government), contrib. 30⁴⁰

and that—

” We always talk to local authorities and invite them to identify the priorities within their deal proposals. You will be well aware that the aspirations for regional deals can be extremely large, and the Edinburgh proposal grew considerably during the discussion process. Throughout those discussions, we invite the partners to be clear about their collective priorities for the region and to articulate their reasoning behind that, including the benefits that they think that those projects will bring across the region and where they will sit within the region deal.

Source: Local Government and Communities Committee 22 November 2017, Oonagh Gil, contrib. 32⁴¹

Additionality and displacement

97. As indicated above, we also heard evidence on the issues of additionality and the potential for displacement effects. For example, in his evidence to the Committee, Dr O'Brien of the Centre for Urban and Regional Development Studies at the University of Newcastle said—

” We did research on local areas that suggested that it was very difficult for them to prove that city deals would generate additional economic growth and jobs. The Office for Budget Responsibility's model had almost factored in what it thought was the way in which the UK economy was going to grow and that city deals were about displacement, not additional growth. Local areas came up against a central UK Government response, which was, “The model says this and you are advocating that, which we are not quite convinced will work.”

That has been part of the challenge even for places such as Greater Manchester, which is seen as the poster child for city region working in the UK. Convincing the Treasury, the OBR and others that additional growth can be generated at the local level, above and beyond what the national forecaster says, has been part of the issue in England, and that might be the case in Scotland as well.

Source: Local Government and Communities Committee 01 November 2017, Dr O'Brien, contrib. 124⁴²

98. The assessment of additionality for some is a complex one. For example, in its written submission to the Committee, Scottish Enterprise points out that ⁴³ —

” There are examples of some projects – such as the Exxon site in West Dunbartonshire (part of the Glasgow City Regional Deal) – that are wholly additional and would not have been able to proceed without City Deal funding. Some others have a degree of time or scale additionality. For example, the previously mentioned Oil & Gas Technology Centre project, which has enabled significant investment via the City Region Deal into the Aberdeen City region and into a key sector for Scotland and the UK, that would not otherwise have been possible at that scale.

99. This point was made by others who gave evidence to the Committee, such as the Scottish Local Authorities Economic Development Group who said that “in many cases the necessary funding was either previously unavailable or the deal has provided an accelerated timescale” ⁴⁴ and the Glasgow City Region Cabinet who noted that, “The projects that are being delivered by the Glasgow City Region City Deal are those which would not otherwise have been progressed, or have been implemented at a significantly later timescale.” ⁴⁵

100. Similarly, Patrick Wiggins of the Ayrshire Growth Deal said about displacement—

” In Glasgow’s case, it is too early to say; there is no concrete evidence of that because those projects are still in the early stages of development. However, there must be a concern.

Ayrshire is a secondary or tertiary market in commercial terms. The more investment that happens in or close to the centre of Glasgow, the more likely it is to suck up demand in the Scottish economy. That will make it even harder for areas such as Ayrshire to achieve their potential, and that is one of our concerns.

We believe that, with the right investment, we can achieve that potential, but there is a concern. It is a timing issue, and we do not want Ayrshire to be left behind. There is an expression that, whenever there is a recession, places such as Ayrshire tend to be the first in and the last out, which means that we are constantly behind the curve. We want to get to the point at which we are competing on an equal footing.

Source: Local Government and Communities Committee 15 November 2017, Patrick Wiggins, contrib. 32⁴⁶

101. In his evidence to the Committee, Lord Duncan expressed confidence that, seen in totality and over the longer term, significant displacement effects would not be seen. He said—

” I am fairly confident that that will not happen. If, for example, the money in Glasgow, which is a substantial sum, was spent in one year, you would be absolutely right, because the bonanza of that spend in one year would result in a distorting effect. However, if the money is spent over 25 years, while at the same time there are other growth deals in the areas that we are talking about, all overlapping and with their own timeframes, the risk of distortion is cancelled out.

Source: Local Government and Communities Committee 22 November 2017, Lord Duncan, contrib. 67⁴⁷

Budgets

102. Another interesting aspect of the evidence we heard relates to the financial aspects of City Region Deals.

103. In their evidence to the Committee, Scotland's Regeneration Forum (SURF), make reference to what are, in their view, "relatively modest" ³³ available under City Region Deals, noting that the Glasgow and Clyde Valley Deal, whilst worth £1.13 billion, is a 20-year programme of work, meaning that, as one of its members wrote, "the public funding is argued to be less impressive when looked at annually." ⁴⁸

104. We also heard evidence of the challenges faced by some local authorities in reconciling the final budgets made available to them under a City Region Deal compared to that put forward in their proposed list of projects.

105. For example, Councillor McVey of City of Edinburgh Council said of the short notice given as to what projects had been selected in the Deal that—

” We would love it if this were an open process whereby we could put a business case and everything could be considered on its own merits—so that we could end up with a city region deal with a particular number at any given time—but in reality, it does not happen like that. At the start of the process, both Governments have an idea of how much they are able to put in. It would have been really helpful to have had that information and analysis as early as possible. In our case in Edinburgh we had the UK Government scrambling around trying to find money to match what the Scottish Government was willing to put in. That was an unhelpful tail-end to the process. Unfortunately, it was the bit of the process that I had to deal with—my predecessor had dealt with everything else. It did not give us the opportunity to look at the overall envelope and apply the level of scrutiny of the detail that we wanted to apply to the overall package of projects that we wanted to take forward.

In future city deals—city deal 2 for anyone around the table, or new city or region deals for anybody else—it would be of huge benefit if we could get both Governments to work together to clarify the overall investment envelope as early as possible in the process.

Source: Local Government and Communities Committee 08 November 2017, Councillor McVey, contrib. 172⁴⁹

106. We also heard some concerns from some local authorities about the size of the budget of their City Region Deal relative to others. For example, Aberdeenshire Council said ⁵⁰ —

” There are also significant differences in the scale of funding awarded to different areas, with £1 billion of UK/Scottish Government funding awarded to Glasgow but less than half that to Aberdeen when oil and gas has contributed so significantly to taxes over many decades and is now in decline.

107. More generally, we also had a small number of organisations who made reference to the potential for a loss of EU regional development funds, which have contributed to the types of projects seen within City Region Deals. For example, the Scottish Local Authorities Economic Development Group wrote ⁴⁴ —

” A lack of regional policy in Scotland has resulted in a mismatch of areas covered by City Region Deals and the upcoming departure from the European Union creates a ‘policy vacuum’ around this. The loss of European funding from 2019 will make it critical for Scotland and the UK to consider a comprehensive regional policy which is matched by adequate funding for those areas with the greatest need to replace that lost from the EU, such as more rural and fragile economies.

108. A final issue that arose in relation to our separate pre-budget scrutiny of the Scottish Government's draft Budget for 2018/19 is how funding for city region deals and growth deals will be presented in the Budget documents, and also in relation to the settlement for local government ⁵¹ . The extent to which it will be possible to clearly identify funding strands and ‘follow the money’ or meet targets was mentioned, as well as, for example, how annualised funding decisions to meet housing targets would be shown alongside the housing elements of any City Region Deal which is expected to last for 10-20 years.

How are City Region Deals monitored and evaluated, and what forms of governance/ accountability are used?

109. The Committee's third major strand of enquiry related to the governance arrangements for City Region Deals both at a pan-Scotland level and also within individual deals, as well as how the aims and objectives of any deal are assessed and monitored against actual outcomes.
110. The issue on how deals and individual projects are assessed led to questions about how easy or otherwise it is to compare the proposed outcomes across the range of City Region Deals in Scotland.

Governance

111. The governance arrangements for the initial City Deals in England were reviewed by the National Audit Office (NAO) back in July 2015.⁵² The NAO reported that the development of a centralised Unit in the Cabinet Office provided single, coherent point of contact in government, working with the eight cities to develop their proposals. The NAO also reported that the UK Government and the relevant cities continue to find it difficult to know what works best in boosting local growth without a robust and shared evaluation approach.
112. In Scotland, the deals in Glasgow and in Aberdeen established new governance arrangements in the form of Joint Committees or Cabinets. In the Inverness and Highland City Region Deal, The Highland Council shall act as the Accountable body for the Deal. The other City Region Deals currently in development in Scotland have interim arrangements.
113. Sitting below the Joint Committees or Cabinets are the programme management offices (PMOs), usually consisting of officials and other specialists who take forward much of the day-to-day activity within any deal and report to the Joint Committees or Cabinets.
114. Sitting above all of the individual deals is the **joint UK Government and Scottish Government Scottish City Region Deal Delivery Group** which is said to have responsibility for oversight of City Region Deals. The group sets the strategic direction for future negotiations and, where appropriate, escalates advice to Ministers in both Governments if major issues arise. The group is also tasked with monitoring City Region Deals and with assessing delivery against agreed implementation plans, supporting the development and final approval of project business cases as well as identifying and agreeing intervention actions.
115. According to the detail of the recently signed Inverness and Highland City Region Deal, the joint UK Government and Scottish Government Scottish City Region Deal Delivery Group will receive reports from the individual City Deal Programme Boards on a quarterly basis or as and when it requests. The joint Government Delivery Group will also receive regular financial reports from the Programme Boards to an agreed process and timescale.

116. In its evidence to us, Audit Scotland noted that it was planning to commence later in 2017 a performance audit on behalf of the Auditor General and the Accounts Commission looking at the progress being made with City Deals in Scotland. ⁵³
117. Despite the above, the written submission from Fife Council, for example, raises questions as to whether we currently have an appropriate pan-Scotland approach to City Region Deals currently in place. Fife Council told the Committee that "the competitive nature of the process is a potential challenge, as to date City Deals have not been in a position to share information more widely across developing bids, not just in Scotland but also across the UK". ⁵⁴ This was also a point made by the Scottish Local Authorities Economic Development Group.
118. The Council also question whether, as there is now substantial coverage across Scotland by City Region Deal proposals or similar, we were "getting to the point where a re-appraisal of Scotland wide policy would be beneficial, and more effective and efficient, than a series of apparent, discrete bid and partnership arrangements." ⁵⁴
119. The Committee also heard calls for a similar, common, pan-Scotland approach to project assessment and a standardised monitoring tool. For example, Councillor Laing, Leader of Aberdeen City Council, said—

” It is important that the two Governments come together to get a framework that goes across the whole of Scotland and that allows us to analyse deals and ensure that the outcomes that we are trying to achieve are actually achieved.

Source: Local Government and Communities Committee 08 November 2017, Councillor Jenny Laing (Aberdeen City Council), contrib. 13⁹

120. Whilst John Robertson, Programme Manager of the City Region Deal at The Highland Council said that, "something that we would really welcome: a standardised view or, at least, standards within an economic dashboard." ⁵⁵
121. Even with such a standardised tool, the Committee heard views that calculating the potential, and then monitoring the actual contribution of City Region Deals and their projects to economic growth, job creation and other outputs will not be straightforward. These issues are covered in the next section.
122. In terms of sectoral representation in the governance arrangements, the Federation of Small Businesses in Scotland was critical of the lack of business representation. It said ³⁴ —

” While there is an element of private sector representation in some deals, the governance arrangements are complex and largely driven by local authorities. This is unsurprising given the arrangements have been established under the Local Government (Scotland) Act 1973, with a central focus on facilitating intra-local authority partnership working and delivery. An unintended consequence, however, is that the governance arrangements of City Deals are opaque, officious and public sector dominated. As we outline in the next question, this has resulted in poor attempts to engage with businesses in the development and implementation of the deals.

Assessment and monitoring

123. The issue of assessment and monitoring is a key one for our inquiry. In the evidence received, the consensus was that it is simply too early to know whether the Deals or individual projects are delivering on the growth and jobs predicted for them. As Transform Scotland notes, even for the English City Deals which have existed longer than the corresponding City Region Deals in Scotland, it is too early to say if they are on track to deliver local growth which would not have otherwise been delivered.
124. Transform Scotland told the Committee that, "this is even truer of the Scottish City Region Deals, being at an earlier stage of development". Transform Scotland notes that, "whilst the first 'Gateway Review' of the Glasgow City Region Deal (in 2019) might reasonably assess whether some individual projects are on time, on budget and meeting specific targets, we doubt whether it is realistic to assess its wider, more strategic achievements until perhaps ten years after the Deal commenced." ³⁵
125. Similarly, Policy Scotland noted ²⁶ —
- ” Success of the City Deals, in terms of growth outcomes, must be considered in the medium- to long-term. This is required for the effects of investments to be realised. A view on the delivery of projects can be signalled at an earlier point, however, how households and firms respond to changes in accessibility - as a result of a transport project, for example - need to be evaluated over a longer time horizon. Evaluation also poses complex questions about what would have happened in the absence of a City Deal programme (the counterfactual position), so we can evidence the impact of a City Deal.
126. Scotland's Regeneration Forum (SURF) also agreed, stating, "it is too early to judge the extent to which Scotland's City Region Deals are delivering on their original commitments towards economic outcomes, such as Gross Value Added, private sector investment generated, and permanent jobs created." ³³ SURF also said that it shared ³³ —
- ” ... a general scepticism related to all initiatives that announce that they will deliver a set amount of new jobs over a specific period. It is rarely made clear the extent to which these new jobs simply replace existing ones, or whether the assumptions and calculations involve some form of double-counting concerning indirectly created jobs.

Capacity in local authorities

127. The Committee also heard concerns expressed about the capacity and skill set within local authorities to deal with the additional demands for project assessment and monitoring that comes with a City Region Deal.
128. The umbrella body, Scottish Local Authorities Economic Development Group, for example, said ⁴⁴ —

” The process of developing a City Region Deal is unique to each deal and a large amount of senior level input and negotiation is required over a significant period of time. Negotiations with government to agree mutual priorities for investment can take several iterations over a period of years to secure a deal. However, there is no application form or transparent grant criteria and considerable investment of council and government resources to develop the ‘asks’ is required. In parallel, it requires investment of time and resources to develop the City Region Deal partnership, to understand and commit to individual priorities and challenges.

129. In a similar vein, the Federation of Small Businesses in Scotland said that local authorities have a "lack of capacity and expertise to monitor, appraise and evaluate the programmes" ⁵⁶ whilst Professor Maclennan of the University of Glasgow said that "After local government regions were scrapped in Scotland, the capacity for local authorities to make major investment decisions on infrastructure did not exist." ⁵⁶
130. These concerns were extended to other specialisms too, with the the Coalition for Racial Equality and Rights noting that "there is often a lack of equalities expertise in local councils, with West Lothian for example dealing with 250 to 300 contracts per year but only having one dedicated equalities staff member". ⁵⁷
131. The Committee also heard that there were varied practices within local authorities in terms of how they both assess and manage risk within a Deal or project, and the extent to which this information is made publicly available.
132. For example, Councillor Susan Aitken of Glasgow City Council said that their City Region Deal did have a risk register but that "you would have to have a wee hunt for it" and that they wanted "to get to a position where it [a risk register] will be very easy to find." ⁵⁸
133. Similarly, Councillor McVey of the City of Edinburgh Council said—

” We have a risk register. We will learn from Glasgow's example on how to make the minutes as accessible as possible when we get to that stage. As yet, our papers have not been publicly circulated. When we get to a point where the project management office has articulated what success for each of the projects will look like and we can populate the risk register, we will make the papers public.

Source: Local Government and Communities Committee 08 November 2017, Councillor McVey, contrib. 93⁵⁹

Equalities and sustainability

134. The Committee also heard evidence on the extent to which individual City Region Deals and the associated projects took full account of equalities issues and also prioritised environmental sustainability.

135. In its evidence, the Coalition for Racial Equality and Rights noted that whilst there are no legal duties explicitly placed on the City Deal partnerships to advance the Public Sector Equality Duties, there are legal obligations required of each of the local authority partners to eliminate discrimination, advance equality of opportunity and to foster good relations between those who share a protected characteristic and those who do not.⁵⁷
136. Lesley Warren of the Coalition for Racial Equality and Rights said—
- ” We welcome the Equality and Human Rights Commission’s project to engage with local authorities and partners, but it seems as though someone has just thought of doing that sort of thing. The deals have been in process for a few years now, and we would like to know more about what has happened in them. We understand that the process is quite secret in the early stages, but that information should now be released. It would be good to know whether equality impact assessments have been done and how the money will be spent in relation to public sector equality duties.
- Source: Local Government and Communities Committee 01 November 2017, Lesley Warren (Coalition for Racial Equality and Rights), contrib. 109⁶⁰
137. The Coalition also noted in its written evidence that⁵⁷ —
- ” In both the City Deal Procurement Strategy 2015-2020, and the Glasgow City Region – City Deal Cabinet Joint Committee 2015/16 annual audit there is no mention of equalities practices or details of how individuals with a protected characteristic will benefit from the investment and commitments within the scheme.
- In this vein, the Coalition welcomed the Scottish Government's declaration as a part of their 2018/2019 budget that they would be equality impact assessing the City Region Deals.
138. In its submission, the Equality and Human Rights Commission on Scotland indicated that it views the City Deal programme as a means of advancing equality of opportunity (the second aim of General Duty of the Equality Act 2010, and a statutory requirement on public bodies) particularly for women, for disabled people and for ethnic minorities. As such, it planned to work closely with a number of the partnerships involved in the Deals.⁶¹
139. More generally, bodies such as the Joseph Rowntree Foundation welcomed the proposed move towards a focus on "inclusive growth" within City Region Deals, stating²⁵ —
- ” ‘Inclusive growth’ has potential to gain support across the political spectrum: a more inclusive economy will reduce poverty and inequality, while the inclusion of more people in the economy should enable stronger and more sustainable growth and reduce demand on government spending and public services.
140. On the issue of environmental sustainability, the Committee received a fair number of submissions. The evidence from bodies such as Paths for All was fairly typical. It said that "within existing City Region Deals in Scotland there are a number of initiatives that can deliver active transport opportunities" and that integrating City

Region Deals with preventative, green health services will increase the return on investment and enable the programme to deliver greater benefits.⁶² However, the group did call for more information to be made available on projects in order for more detailed assessments to be produced.

141. Similarly, Sustrans Scotland concluded that City Region Deals in general under-represent walking and cycling. In its view, there should be more balance of attention paid given to all modes of transport, and a recognition of the many direct and indirect benefits that walking and cycling have to economic growth.⁶³

142. In its view though, RSPB Scotland said that it was "concerned that the ambition to generate inclusive growth is too narrow a focus for the City Region Deals" and that this focus is "only one of the four priorities underpinning the economic strategy, and we would suggest that the City Region Deals should additionally be delivering 'sustainable economic growth'".¹²

143. RSPB Scotland was fairly critical of City Region Deals as a whole, saying that¹² —

” We have seen no evidence of City Deal grants being directed towards low carbon, climate resilient or green infrastructure projects or resulting in net gains for biodiversity, apart from in Stirling where we have had considerable involvement with one of the proposed projects. Even here, a failure to consider the environmental impacts of one proposal within the bid has resulted in threats to the ability of the bid to meet policy and legislative obligations including the requirements of the EU Birds and Habitats and Water Framework Directives.

144. Likewise, Scottish Environment Links' Economic Group said that the City Region Deals are "for the most part a missed opportunity to do some transformative thinking about sustainable development at the level of the bio-region" and that, currently, "there is more of a focus on specific capital projects than on using these investments to establish a direction of travel towards low carbon, inclusive and prosperous city regions."⁶⁴

145. Responding to questions in this area, the Cabinet Secretary for the Economy, Jobs and Fair Work said that—

” The officials can confirm that we are undertaking equality impact assessments on the city region deals that we are taking forward. That did not happen in the early days. I mentioned the circumstances in relation to Glasgow, for example. We have our priorities. Inclusive growth and increasing equality are very important, but we do not want to continually overlay our criteria on top of what local authorities come forward with. This is an important forum to put the message out there for those who seek to do city deals that we will prioritise things such as inclusive growth and improving equality, but local authorities also have a role to play.

Source: Local Government and Communities Committee 22 November 2017, Keith Brown, contrib. 87⁶⁵

146. It should be noted that the most recent Draft Budget Equality Statement from the Scottish Government states that "the impact on equality groups from City Region Deals has the potential to be significant" but that "impact assessments have only been conducted for Aberdeen and Inverness deals." This is in part due to the fact that data on protected characteristics is limited at regional level. According to the

Scottish Government, grant offer letters explicitly state that councils will work with the Equalities and Human Rights Commission and others to "explore opportunities to maximise the impact of the deal to deliver inclusive growth." ⁶⁶

How well do City Region Deals consult and engage with others?

147. At the outset of our inquiry, the Committee was keen to hear views on the extent to which the partnership bodies responsible for the various city region deals consult with local groups, businesses, charities, communities etc. For us, such consultation needed to be meaningful in that these local representatives felt engaged and that they had an opportunity to shape the deals and the projects. Additionally, it is important that any such engagement was ongoing and not just a one-off at the start.
148. One of the challenges that became immediately obvious to the Committee is that the process of preparing a bid for a City Region Deal is far from a transparent one. In part this was, according to some involved, because of the necessary confidentiality at that stage in any Deal. For example, Councillor Laing of Aberdeen Council said that "the way in which the deals are structured, with consultation prior to signing the heads of terms, is difficult because there is a level of confidentiality. "⁶⁷ She indicated that after projects had been selected then community engagement could be taken forward.
149. Additionally, some partnership leaders questioned whether it was possible or necessary to attempt to engage with the local community about any City Region Deal as a whole. For example, Councillor David Ross of Fife Council said—
- ” The point about consultation with communities can be overegged. The scale of the deals makes it very difficult to involve individual communities at that level. However, that does not mean that communities have not been consulted or that there has not been on-going discussion on some things.
- Source: Local Government and Communities Committee 08 November 2017, Councillor David Ross, contrib. 39⁶⁸
150. Many of the submissions we received from interested parties outwith the City Region Deal partnerships contained some criticisms of the extent of consultation and engagement. That of the Federation of Small Businesses in Scotland was typical when they told the Committee " there are big concerns about the lack of transparency at the development and implementation stages and the lack of more inclusive and discursive engagement with the private sector." ⁵⁶
151. In a similar fashion, Scottish Natural Heritage set out detailed concerns about City Region Deals and Local Growth Deals ⁶⁹ —

” Our experience is that in general, CRD/LGD governance and management has not resulted in a very transparent, inclusive, collaborative approach to the preparation of CRD/LDG proposals. It has not always been clear what the governance arrangements are for the different CRD/LGDs or how SNH and other key agencies can most effectively engage with the process. Despite efforts to engage, we have had little input to the development of the project lists for the three agreed CRDs and little influence on the nature of the proposals that make up the other deals currently under negotiation. This makes it more likely that key opportunities to secure investment in Scotland’s natural capital and to get greater economic and social benefits from Scotland’s nature could be missed.

It also means that rather than engaging in the process ‘upstream’ we may need to direct our input ‘downstream’ to help redesign some CRD/LGD projects or help ensure any adverse environmental impacts are mitigated. This is already the case with the Glasgow & Clyde Valley CRD. It would be helpful therefore if CRD/LGD management teams could set out in more detail how they expect to engage key agencies such as SNH going forward so we can contribute in a more targeted, organised and efficient way.

152. The experiences of the Scottish Property Federation (SPF) in relation to engagement with City Region Deals was more mixed, with some emphasis on the more positive. It said that it had had some initial concerns about the Glasgow region that there was not sufficient private sector engagement in the initial deal but that this situation had since moved on. It also said that its discussions with representatives from the Highland and Aberdeen/Shire suggests that the approach taken has been more inclusive. SPF also said that the Tay City Region Deal has set out to liaise closely with the private sector from the outset.⁷⁰

153. Speaking about its efforts at engagement with the business community, the Glasgow City Region Cabinet said that presentations on the City Deal had been delivered to more than 2,000 individuals / businesses over the past three years. It also said that⁴⁵ —

” Engagement with the business community to date has largely been in the form of supplier engagement sessions to provide information about City Deal projects and contract opportunities. Since May 2015, five sessions have taken place, led by six of the local authority areas. An initial session for Tier One Suppliers was held in Glasgow in May 2015, with over 500 attendees. Four further sessions have since taken place specifically for SMEs and attended by a further 645.

154. These views were reinforced in the informal session we held with local businesses, charities, community bodies at others in Paisley in November 2017 (see [Annex A](#)) where we heard comments that these groups wanted to be involved in shaping the deals and project choices. They stressed that engagement needs to be on a more ongoing basis, not just at the outset, as a way of keeping people informed of progress, with regular updates issued.

What about parts of Scotland not covered by City Region Deals?

155. As we have heard earlier in our Report, there are still a number of areas of Scotland that are not currently covered by a City Region Deal of any form. The Report has also highlighted the views of some that there is a perception that such Deals are overly focused on Scotland cities whilst there are some towns that, by population, are larger than these conurbations. It can also be noted that the Scottish Government's Economic Strategy published in 2015 makes one one brief mention of the Glasgow City Region Deal, with much more emphasis on rural areas and the need to rebalance the economy.

156. An example of the evidence we heard in this respect is that from the Federation of Small Businesses in Scotland who expressed concerns that the focus on City Region Deals could squeeze out spending on infrastructure elsewhere ³⁴ —

” In local economic development, the scale of City Deals means they have clearly become the focus for many areas in Scotland. The nature of the deals and the resources required to service these arrangements is likely to leave little spare capacity for other economic and infrastructure projects.

[...]

... it is unclear how much of the investment associated with City Deals will achieve the Scottish Government's inclusive growth ambitions, including improving local economies across the wider city region. If Inverness grows as a result of investment from the City Deal, for example, how will this benefit firms and citizens in Fort William?

157. In its written submission to us, the Ayrshire Growth Deal partnership noted that, "City region /growth deals have only been awarded in Scotland to date where a region incorporates a city". It recommended that "Areas which are not part of city regions but offer significant growth opportunities, particularly around key sectors, that develop innovative proposals to accelerate regional growth should be given the same level of attention as city region deals have achieved." ¹⁶

158. Additionally, the Scottish Local Authorities Economic Development Group warned that ⁴⁴ —

” By being exclusive, City Region Deals deliver only to those areas within the geographical boundary of the deal, limiting the potential for growth in remote and rural regions. There is therefore a risk that issues such as ageing and declining populations in more rural areas will be exacerbated by lack of investment in critical infrastructure.

159. The Committee also heard from representatives of Falkirk Council - not currently part of a City Region Deal - that ¹¹ —

” There is also a need to avoid an over-emphasis on the role of cities in Scotland's economy. Considerable effort and support is being directed toward the promotion of Scotland's cities, whereas we would like to see support directed to those locations where realistic and viable opportunities for economic growth exist and to where support is required to achieve positive outcomes.

160. The Council also said that the introduction of city deals and growth accelerator models has "introduced an unnecessary degree of uncertainty and overlap amongst economic development networks in Scotland". In its view, the economy of Scotland relies on an intricate and extensive interplay of relationships between urban and rural, national and local, highland and lowland areas and measures to grow the economy should take advantage of each of these features. ¹¹

161. In his evidence to the Committee, Professor Maclennan of Policy Scotland at the University of Glasgow said that—

” ... Scotland is in some sense a country of towns as much as it is one of cities. The national spatial planning framework, which has had a coach and horses ridden through it by the city deals, has very much been written from the perspective of the Scotland of towns

Source: Local Government and Communities Committee 01 November 2017, Professor Maclennan, contrib. 134⁷¹

162. In his response to questions in this area, Keith Brown, Cabinet Secretary for the Economy, Jobs and Fair Work, noted that 83 per cent—that is 4.5 million people—of Scotland's population live in the areas that are covered by existing or planned city region deals. ⁷² He reaffirmed the Scottish Government's commitment that "every area and every community in Scotland should benefit from a deal." ⁷³

163. This was a view shared by Lord Duncan representing the UK Government who said that—

” ...we need to commit to the space beyond the cities. That should mean that the mosaic of Scotland is all coloured in. Every part of Scotland should receive benefits irrespective of whether it is in an urban area, near an urban area or there is no urban at all in that area. We are very much committed to doing that.

Source: Local Government and Communities Committee 22 November 2017, Lord Duncan, contrib. 38⁷⁴

Conclusions and recommendations

164. City Deals, or City Region Deals as they are more commonly known in Scotland, are the latest initiative from the Scottish and UK governments designed to stimulate economic growth and create jobs in certain geographic areas, primarily by investing fairly significant sums of money, mainly in large-scale infrastructure projects.
165. There are now four such deals in Scotland that are in either the delivery stage or have reached outline approval. The current deals are focused on the cities of Glasgow (with £1.13 billion of public investment), Edinburgh (£1.1 billion), Aberdeen (£826 million) and Inverness (£315 million), and their surrounding regions. Two further deals for the cities of Stirling and Dundee, plus the wider areas in the central region and in Tayside, are being discussed.
166. Overall, 83 per cent—that is 4.5 million people—of Scotland's population live in the areas that are covered by existing or planned City Region Deals. There are, however, significant parts of the country that are not covered by such deals, such as Ayrshire, Falkirk, the Western and Northern Isles and a number of other islands, Argyll and Bute, parts of the South of Scotland etc.
167. What is clear from the evidence that we have heard during our Inquiry is that there is much to welcome in relation to City Region Deals, not least of which is the much-needed investment in our economy. There are though, significant issues that need to be addressed as a matter of urgency.

The rationale for, and purpose of, City Region Deals

168. The roll-out of City Region Deals to Scotland clearly had a less than auspicious start, despite the announcement by the UK Government on 3 July of a £500 million investment in a new Glasgow and Clyde City Regional Deal. Glasgow City Council and surrounding local authorities indicated they would, in alliance, contribute £130 million of their own money .
169. Within hours, the Scottish Government announced that it too would contribute £500 million to a City Region Deal set to span 20 years. However, as the Cabinet Secretary for the Economy, Jobs and Fair Work told the Committee, the Scottish Government was asked only "at the last minute" to co-fund the deal and had had "no prior discussion" or "ability to prioritise or emphasise" certain aspects of the Deal. ²⁸
170. From this less than promising beginning, it is clear from the evidence we have heard, that relations have improved and that there is better partnership working now between the two governments and also with their local authority partners. This closer working relationship is not yet perfect and could be improved.
171. Ministers from both governments made it very clear to the Committee that despite these deals being joint initiatives, the funding for projects is still highly delineated on either reserved policy objectives or devolved policy objectives. Accordingly to Lord Duncan, Parliamentary Under Secretary of State at the Scotland Office, this is partly at the insistence of HM Treasury which takes the view that its expenditure must be

in the "reserved space" as spending on any other objective risks double spending.
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172. To complicate things further, the investments made by the UK Government have a focus on, and are evaluated according to, their contribution to pure economic growth in terms of their gross value added (GVA). On the other hand, the focus for the Scottish Government since 2015 is on the concept of "inclusive growth". As Lord Duncan admits, there is a "tension" between these two objectives.⁷⁶
173. Leaving aside the competing interests of the two governments, City Region Deals must also fit into a complicated policy landscape in Scotland. Funding for City Region Deals in Scotland sits alongside investments through a wide variety of programmes as well as within a policy landscape with often competing objectives. For example, the development of the policy for City Region Deals has to sit alongside work to push forward new regional partnerships via the Enterprise and Skills Review as well as through initiatives such as the National Planning Framework, business support delivery programmes, enterprise agency regions etc.
174. To add to this mix, the UK Government recently announced its new Industrial Strategy to the policy landscape although it remains to be seen how this will sit with, or drive, developments in relation to City Deals or City Region Deals.

175. The Committee welcomes the commitment by both governments, individual local authorities and private sector partners to the various City Region Deals in Scotland. Substantial sums of money are going to be invested over a number of decades on a range of important projects. This is to be welcomed. The Committee has, however, a number of reservations despite the progress that has been made since the initial deals.

176. In our view, there is a danger that the often confused and cluttered policy landscape at local government, Scottish and UK levels runs the risk of reducing the impact that can be achieved from the deals. At present, there are too many overlapping and competing initiatives and a mismatch between the objectives of local government and of the two governments.

177. The Committee recommends the two governments work together with HM Treasury to agree a system where the singular focus is on the deal and the projects themselves and not on the artificial boundaries of what is a reserved project and what is a devolved one and the badging of who is funding what. For example, further clarification is required as to whether the focus should be on pure economic growth or inclusive growth. Whilst there has to be clear transparency and lines of accountability, the focus of all must be on maximising the benefit of a deal in a given area to as wide a proportion of the local community as possible.

Project selection and budgets

178. According to the evidence we have heard on the process that should be followed, the ideas for projects within a given deal are generated by the local partnerships, proposed to the governments for evaluation and assessment and then a selection of those projects are agreed to as part of any deal. Although both governments said they do not propose the projects, they have clear criteria for what they want projects to focus on and achieve and they carry out the scoring of projects.
179. It is not at all clear that there has been or still continues to be any significant engagement with local businesses, charities, community bodies etc. at the project identification stage. Indeed, one local authority leader said that consultation with communities on the level of the deal "can be overegged".⁷⁷
180. Project selection and the scoring of projects is done privately, with little information available publicly that sheds any light on the decisions made. Without this, the danger is that we see more of the kind of disputes we have seen with the proposed Levenmouth Rail Link (which has not been included) and the transport project at Sheriffhall in the Lothians (which has).
181. One important criteria that should be being used to assess projects is that of additionality. That is, they would not have gone forward in the same way to the same timetable without the funding obtained as part of the City Region Deal.

182. The Committee is not convinced that the process for selecting projects is currently working in the way that it should do. The process is too opaque, with not enough information published to explain why certain projects were chosen or otherwise. We are also of the view that the process is still too "top down" at local authority level despite some of the efforts to consult and engage with local people and businesses.

183. We recommend that the joint UK Government and Scottish Government Scottish City Region Deal Delivery Group issues guidance that provides for a clear, standardised, pan-Scotland system for evaluation of projects and that, afterwards, more information is published on which projects were included and which were not, and why not. We also recommend that there is more information publicly available on the scoring system used and who is responsible for the scoring. We are also minded to support a principle that the scoring sheets should be made publicly available after the process too.

184. We also recommend that all projects should be subject to a comprehensive equality impact assessment and a sustainability audit, both of which should be published.

Monitoring, evaluation and governance

185. We agree that it is too early to make any assessment of the impact that City Region Deals or the individual projects are having in terms of economic growth or job creation. Nonetheless we do share some of the scepticism about what is being promised, particularly in terms of the numbers of new jobs. Unless great care is

taken, at a more pan-Scotland level, the danger is that investment in the new city regions will simply displace investment and employment creation from other parts of Scotland nearby.

186. We note the comments from Lord Duncan that displacement will not occur over the longer-term. Nevertheless, we remain concerned. We recommend that that joint UK Government and Scottish Government Scottish City Region Deal Delivery Group provides clearer information on how displacement will be monitored and addressed. The Committee believes this is vital as any such effects are likely to be seen in parts of the country that fall outwith the geographic boundaries of the deal in question or in certain parts of the area covered by the same deal. An assessment of displacement should be a formal part of the Gateway Review process for the Glasgow Deal, and for any formal assessments of other deals, with the results made publicly available afterwards.

187. The Committee has additional concerns that areas of Scotland not currently covered by a city region deal may be doubly disadvantaged by displacement effects. We recommend a clear timetable is provided on when such areas will benefit from investments of this nature.

188. It should be noted, however, that only the Glasgow City Region Deal is currently subject to a the formal Gateway Review process and it is not yet clear what process will be followed for the other City Region Deals in Scotland. If processes differ, it may be difficult for anyone, including the Scottish Parliament, to build up a picture across Scotland of what results are being achieved or what displacement we are seeing if any.

189. We also want to see more information available on the risks associated for each individual project and for the City Region Deals as a whole. This means the far clearer and accessible publication of risk registers, as well as publication of any regular assessments of risk status made by the different cabinets or programme management offices. The risk registers need to cover issues such as the possible change of governments, the impact of Brexit etc.

190. The Committee is not yet convinced that we have the overall governance structure correct for City Region Deals. We need to see more evidence that both governments, via the joint UK Government and Scottish Government Scottish City Region Deal Delivery Group, are taking a comprehensive and strategic pan-Scotland approach to the deals and will issue standardised guidance for monitoring deals and projects. We recommend that the governments publish a timetable for this process.

191. We are also not clear of exactly who the individual cabinets/boards that run each deal are accountable to (for example, to their local electorates, to both

governments, to the Scottish Parliament?). In that respect, we welcome Audit Scotland's forthcoming work in the area of governance and accountability. We look forward to Audit Scotland's findings.

192. We note the evidence heard expressing some concerns about insufficient capacity and resources within local authorities to take forward complex projects of this scale, particularly around project evaluation and monitoring. We recommend that the issue of appropriate resourcing is discussed between those local authorities involved in these Deals and the joint UK Government and Scottish Government Scottish City Region Deal Delivery Group to satisfy themselves that this work can be carried out.

193. We also note the views expressed to us that the intention of those involved is that projects within Deals are not allowed to fail, but are adapted along the way to meet new requirements and changing circumstances. Whilst a degree of flexibility is to be welcomed, this will make it more difficult to assess the outcomes of any given project if it has been changed in any significant way. We recommend that any such change process comes with the publication of new targets for GVA, job creation etc. so that it is clear what the new outcomes for the project will be.

194. The Committee welcomes efforts to incorporate inclusive growth, a prominent example of which is the current process underway in Glasgow to integrate the more recently-introduced concept into the projects selected as well as indicate that other projects and priorities may be pursued. The Committee would appreciate an early update from the Glasgow City Region Deal Cabinet on which projects will be progressed and which will not and for what reasons. The Committee recommends that the Scottish Government also provides the Committee with full details of what will be changing.

Engagement

195. We have already stated above that we consider the process of selecting projects in the first instance to be too opaque and too top down. Nonetheless, we have seen examples of some good practice as well as a lot of effort being put in by the different partners in any given deal on engagement. It is clear that some lessons are being learnt and it is important that the joint UK Government and Scottish Government Scottish City Region Deal Delivery Group helps share good practice further. We therefore welcome the Scottish Government's establishment of a centre for regional inclusive growth.

196. Nonetheless, we want to see more sustained evidence that engagement with local businesses, the private sector more generally, charities, community groups

and local people is meaningful (i.e. that it helps shape deals or projects) and not just a means of informing people after decisions have been made. Engagement also needs to be ongoing as these deals will run for 10-20 years each. We recommend that an appropriate weight should be given in the scoring of projects to those that can demonstrate meaningful engagement with the local community.

Other parts of Scotland not covered by City Region Deals

197. It is perhaps unfortunate that the name of these initiatives suggests that any such investment must be targeted only at Scotland's cities and their surrounding regions. Whilst we understand that there are great gains to be made in our major urban conurbations, this cannot be at the expense of other towns in Scotland, some of which are larger in population terms than some of our cities, or of our more remote and rural areas.

198. In this respect, we welcome the recent developments in relation to the Ayrshire Growth Deal and the work underway through the Borderlands Initiative or as part of the Islands Bill. It is important though that these initiatives are not the 'poor cousins' of City Region Deals. We welcome the assurances from both governments that their ambition is towards greater coverage right across Scotland. As Lord Duncan said, this "should mean that the mosaic of Scotland is all coloured in" and "every part of Scotland should receive the benefits irrespective of whether it is in an urban area, near an urban area or there is not urban area at all for that". We recommend that both governments jointly set out a clear timetable on when that will happen.

199. At this stage, it is not clear to us how the remoter, rural or other areas outwith Scotland's cities will benefit from these Deals. Such areas have benefited in the past from investment via the EU's ERDF and CAP Pillar 2 programmes but it is not yet clear whether such funding will continue after Brexit and also how the objectives in these programmes sit the emphasis being placed on city regions.

What Next?

200. Following receipt of the response from the Scottish Government to this report, the Committee will consider what, if any, further action is required. At this stage, however, the Committee gives notice of its intention to keep a "watching brief" in this area and to review progress again in this parliamentary session. The Committee will also take an interest in the 2019 Gateway Review of the Glasgow and Clyde City Deal as this is the first such review of City Region Deals in Scotland.

Annex A - Note of the informal meeting in Paisley, November 2017

Background

Members of the Scottish Parliament's Local Government and Communities Committee met with a range of local representatives from the Glasgow and Renfrewshire area to discuss the Glasgow City Region Deal. The following is a note of the key points made by the local representatives during our information discussions. The Committee is grateful to all that took the time to take part in our meeting and to representatives of the Tannahill Community Centre for their help in setting up the meeting.

The meeting was informal, with delegates on the day split between 4 roundtables, each facilitated by an MSP.

Meeting Notes

Stakeholder Engagement

- There was a general consensus at one of the roundtables that local people and organisations were not being given full opportunity to engage with plans at an early stage despite the willingness to be involved. There was also a view that, specifically, local people should be more involved early on in the economic development aspects of the City Region Deal.
- This was reinforced on one table which had a strong message that there needed to be more communication and engagement between Glasgow City Region Deals and local community groups and charities. Lots of delegates expressed a strong appetite to get involved and **shape** the Deals as opposed to being informed about what these Deals were (with others taking the decisions). It was suggested by some that youth engagement must be a big part of this. It was also suggested that smaller, local organisations did not get as much of a look in as larger, more connected bodies.
- It was also suggested that there needs to be more ongoing consultation and co-ordination with local people and organisations, not just at the outset, as a way of keeping people informed of progress, with regular updates issued. Some delegates also suggested that project and local authority websites needed to be improved to make it easy to find information.
- Some of the community groups in Paisley that we met said they have felt disadvantaged over recent years as the majority of investment has gone to the east of Glasgow due to the Commonwealth Games. However, they believe that the City Deal has been a catalyst for change and as a result they are feeling more engaged. To date, they believe the engagement they've had from Renfrewshire Council on the City Deal has been 'deep and meaningful'. In particular, they noted that the community presentation from Renfrewshire Council had been pitched at an appropriate level for a community council.
- These community groups made a number of suggestions for improvements:

1. They had requested a City Deal Development Officer through the Community Planning Committee (to help them take advantage of and leverage all opportunities related to the City Deal) but this was declined. They believe the City Deal has 'a missing link between the strategic level and the people on the ground' – hence why they requested a City Deal Development Officer.
2. They felt it important that the City Deal engaged with small employers in the area, as 'these are just as important as big employers'. The community groups had got 85 young people into employment through a pre-existing scheme over the last year, and all of these opportunities had been with small local employers.
3. The employability aspects of the City Deal hadn't been highlighted with the community groups in their engagement to date. They were keen to find out more about these strands. For the employability strands to be successful, they felt that these projects 'needed to use direct people on the ground who engage with the small businesses on the ground, rather than parachute in high-flying agencies as has been done in the past'.
4. They were also keen to find out more about how the City Deal was going to monitor the labour market projects
 - Some delegates stated that this City Region Deal could bring with it job opportunities if different bodies worked together, looking at addressing what kind of skilled people are needed within the different projects and seeking to train local/unemployed people now and give them something to aspire to.
 - One example cited of good civic engagement was Glasgow 2021, which was considered as innovative, with strong local campaigns and boards made up of different members of communities with proper consultations.
 - The Exhibitions Events material provided by the Glasgow City Region Deal provides an update on what's happening but does not give local people and organisations an opportunity to shape any plans. In the view of some of our delegates, during the Exhibition Events, community-based questions weren't answered and therefore local groups are unable to find a route to put forward their ideas/thoughts/concerns.

Infrastructure

- Infrastructure plans should be more than just about rail projects. Views were expressed about the need for improvements on the road infrastructure and ensuring that new infrastructure routes impact those areas and local communities that need economic growth.
- Some delegates stated that the plans for the bridge from Yoker won't help locals as, when the bridge is opened to let vessels pass up and down the river, it can take up to two hours to do this. Additionally, other delegates considered that the bridge will cause more road traffic around Renfrew making it hard for locals to get in and out. In the view of some, Renfrew has a high level of unemployment and the lack of infrastructure around this area doesn't attract businesses and people are opting to leave the area.
- Delegates also asked about the plans for Active Travel, such as Pedestrian/Cycle paths. There were some views that the connections to Glasgow Airport should be for the entire community and affordable. Other delegates wanted to see a specific focus

in the Deal on improving Renfrewshire's Cycling Network, making it more sustainable, looking at improved lightning etc.

- Other delegates stated that the airport link should help attract businesses and therefore cross-rail improvements were important too. One suggestion was a rail-link from Stranraer to Aberdeen as a welcome addition to the area.
- The view of some is that more thought is needed into the route of the rail upgrade, with more engagement with local people and organisations, and that existing rail lines already in place that haven't been used for years should be considered.
- Some delegates proposed that the River Clyde could be used more to take pressure off the roads, for example, setting up a boat service to the Airport.
- Some delegates also believed that the Infrastructure in and around Glasgow Airport is currently unsustainable and this will only increase after the Glasgow City Region Deal, with questions raised on the impact on local residents. Some people proposed a short, light-rail project with local areas serviced by Park and Ride options (at Inverclyde/Bishopton/Renfrew). Some delegates thought that the Park and Ride scheme works well in Paisley and Hillington for example.
- Some of our local delegates felt that, in the past, there have been poor transport projects in the area because of individual local authority decision-making processes. However, some of our delegates said that it was a positive move that the eight local authorities are working together and that there is a regional strategy for growth.

Views from the local business sector

- From a local business perspective, we heard views that there should be a mapping exercise done with SMEs along the Clyde to assess their needs, their ideas for the future and assess if any business would any like to relocate. Local business organisations viewed the City Deal as a 'massive opportunity' to sell the region to international markets. They felt 'genuinely plugged-in' to the City Deal engagement processes. They were optimistic the small businesses in the area would benefit from the Deal through increased population, upskilling, company investment, and increased Modern Apprenticeship opportunities. However, they did highlight that there was more to be done in relation to future skills planning.
- The business community also highlighted that small businesses would need additional support to take advantage of the City Deal; especially as Business Gateway support varied from local authority to local authority and wasn't joined up with the City Deal boundary. Although they acknowledged that 'one-person-band' type businesses would struggle to take advantage of support due to limited time resources.
- We also heard views that the City Deal offers scope for enhanced business-mentoring in the region, particularly after the start-up stage where there is a deficit of support.

General issues

- Views were expressed that it was important that the University of the West of Scotland should work closely with the City Region Deal plans and create courses for upskilling local people in relevant fields to boost the employment opportunities for local people from the City Region Deal.

- A local college had been involved in the City Deal consultation process. However, they felt that communities had not been involved in the identification of the 27 City Deal projects.
- We also heard from the college sector that there had been engagement about skills planning but that this could be improved. We heard views that there should be more work to identify the types of jobs that would be required in the region in 2030 as it would help the college to put courses and curriculums in place
- The proposed 2,500 new houses in Bishopton were highlighted but views were expressed that the current infrastructure doesn't make this area a viable option for people moving into the area (it is not in the current rail-link plan but if it was it would make a difference to area).
- There were some concerns expressed about the possible environmental impact of the projects on local communities, such as increased noise pollution. There was also the suggestion from local residents in Paisley that some of the projects across the local authority border would simply result in more congestion in the area and that they didn't want simply more underpasses to be built.
- There was also a desire from some delegates for the City Region Deal to have a focus on providing more green space and more play space.
- Some delegates expressed a concern that it was difficult to clearly identify who was accountable for the City Region Deal and the different projects. This was linked to a desire from some delegates to see more central and singular points of contact for the Deal and for projects so that people/organisations know who to approach.
- There was a suggestion that more needs to be done to bring together the major local Higher Education Institutes into the Deal and encourage them to work together on projects and aspects of the programme, such as improving the environmental sustainability of projects or on how inclusive growth will be incorporated and measured.
- We also heard from a representative from a local youth football club who expressed some frustrations about efforts some had had to establish local businesses because of problems with the bureaucracy around Business Gateway funding (because a residential address and the business address were in two different local authority areas). This was similar for efforts to secure funding for Modern Apprentices. Views were expressed that nearly all enterprise support services are delivered at a local authority level and this doesn't match with the priorities of City Deals.
- The representative also said there had been issues in gaining funding for their grassroots football pitch as it is on derelict waste ground for which they don't have a lease but have used the pitch for many years. The pitch and a deprived residential area adjacent to the pitch are just outside the boundary of the Glasgow Airport Investment Area. The representative was keen to explore how local communities themselves can benefit from the City Deal projects through the community strand of such deals.

Annex B - Extracts from the Minutes of Committee meetings and links to oral evidence

25th Meeting, 2017 (Session 5), Wednesday 1 November 2017

7. City region deals: The Committee took evidence from—

- Professor Duncan Maclennan, Policy Scotland, University of Glasgow;
- Dr Peter O'Brien, Research Associate, Centre for Urban and Regional Development Studies, Newcastle University;
- Lesley Warren, Policy and Public Affairs Officer, Coalition for Racial Equality and Rights;
- Barry McCulloch, Senior Policy Adviser, Federation of Small Businesses;
- Chris Day, Policy Advisor, Transform Scotland.

9. City region deals (in private): The Committee agreed to defer consideration of the evidence heard to a future meeting.

[Official Report of the Meeting](#)

[Meeting Papers](#)

26th Meeting, 2017 (Session 5), Wednesday 8 November 2017

1. City region deals: The Committee took evidence from—

- Cllr Susan Aitken, Chair, Glasgow City Region Cabinet and Leader of Glasgow City Council;
- Kevin Rush, Director of Regional Economic Growth, Glasgow City Region Deal;
- Cllr Adam McVey, Leader, City of Edinburgh Council, and Andrew Kerr, Chief Executive, City of Edinburgh Council, Edinburgh and South-East Scotland City Region Deal Partners;
- Cllr Graham Ross, Depute Provost and Leader of Inverness Area, and John Robertson, Programme Manager, City Region Deal, Highland Council;
- Cllr David Ross, Co-Leader, Fife Council;
- Cllr Jenny Laing, Co-Leader, and Richard Sweetnam, Head of Economic Development, Aberdeen City Council.

2. City region deals (in private): The Committee considered the evidence heard earlier in the meeting and agreed to write to the local authorities on their approach to inclusive growth in city region deals.

[Official Report of the Meeting](#)

[Meeting Papers](#)

27th Meeting, 2017 (Session 5), Wednesday 15 November 2017

1. City region deals: The Committee took evidence from—
 - Patrick Wiggins, Director, Ayrshire Growth Deal;
 - Douglas Duff, Head of Planning and Economic Development, Falkirk Council;
 - Phil Ford, Regional Skills Planning Lead, and Paul Zealey, Regional Skills Planning Lead, Skills Development Scotland.
4. City region deals (in private): The Committee considered the evidence heard earlier in the meeting.

[Official Report of the Meeting](#)

[Meeting Papers](#)

28th Meeting, 2017 (Session 5), Wednesday 22 November 2017

1. City region deals: The Committee took evidence from—
 - Keith Brown, Cabinet Secretary for Economy, Jobs and Fair Work, Oonagh Gil, Deputy Director, Enterprise and Cities, and Morag Watt, Head of Region and City Partnerships Team, Scottish Government;
 - Lord Duncan of Springbank, Parliamentary Under Secretary of State for Scotland, and Neil MacLennan, Head of City Deals and Local Government, Scotland Office, UK Government.
3. City region deals (in private): The Committee considered the evidence heard earlier in the meeting and agreed to write to the City of Edinburgh Council.

[Official Report of the Meeting](#)

[Meeting Papers](#)

Annex C - Written evidence submitted to the Committee

The [written submissions of evidence](#) received by the Committee are available online.

- Submission from Scotland's Regeneration Forum (SURF)
- Submission from Audit Scotland
- Submission from the Centre for Urban and Regional Development Studies, Newcastle University
- Submission from the Scottish Federation of Housing Associations
- Submission from Highland Council
- Submission from Glasgow City Region Cabinet
- Submission from Paths for All
- Submission from the Scottish Local Authorities Economic Development Group
- Submission from Aberdeen City Council
- Submission from Historic Environment Scotland
- Submission from Cycling Scotland
- Submission from Transform Scotland
- Submission from Montagu Evans
- Submission from SESTran
- Submission from the Scottish Environment Protection Agency
- Submission from Skills Development Scotland
- Submission from Glasgow Chamber of Commerce
- Submission from Fife Council (revised 18 October 2017)
- Submission from the Coalition for Racial Equality and Rights
- Submission from Homes for Scotland
- Submission from RSPB Scotland
- Submission from Highlands and Islands Enterprise
- Submission from Sustrans Scotland
- Submission from Edinburgh and South-East Scotland City Region Deal Partners

- Submission from Aberdeen and Grampian Chamber of Commerce
- Submission from Falkirk Council
- Submission from the Federation of Small Businesses
- Submission from the Scottish Property Federation
- Submission from Scottish Natural Heritage
- Submission from RTPi Scotland
- Submission from Policy Scotland, University of Glasgow
- Submission from Aberdeenshire Council
- Submission from Scottish Environment Link Economics Groups
- Submission from Glasgow Airport Limited
- Submission from the Ayrshire Growth Deal
- Submission from Opportunity North East
- Submission from the Joseph Rowntree Foundation
- Submission from Scottish Enterprise
- Submission from the Scottish Council for Development and Industry
- Submission from the Equality and Human Rights Commission in Scotland (received 31 October 2017)

First Wave City Deals in England

The Committee also wrote to the governing boards of the first wave City Deals in England and the following responses were received:

- Submission from the West of England Combined Authority
- Submission from Leeds City Region Enterprise Partnership
- Submission from Newcastle City Council and Gateshead Council
- Submission from Nottingham City Council

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