

REPORT TO: East Lothian Council

MEETING DATE: 15 December 2020

BY: Head of Development

SUBJECT: Edinburgh and South East Scotland City Region Deal – Annual Conversation and Food and Drink Innovation Update

1 PURPOSE

- 1.1 This report summarises the Annual Conversation that took place on 18 November 2020 and updates continued progress on:
- the development of the Full Business Case to be submitted to the UKG and Scottish Government to enable the drawdown of the £30 million funding package.
 - the progress of the Commercial Heads of Terms detailed specifically in a separate and private report being considered at Council today entitled “Commercial Heads of Terms between ELC and QMU for the Delivery of the Food and Drink Innovation Hub and Park”.

2 RECOMMENDATIONS

- 2.1 That Council notes:
- 2.1.1 The summary findings of the second Annual Conversation;
 - 2.1.2 The progress of the development of the Full Business Case (FBC) to be submitted to both the UK and Scottish Governments to enable the drawdown of the £30M grant; and
 - 2.1.3 The progress in the Commercial Heads of Terms.

3 BACKGROUND

Annual Conversation

- 3.1 The Edinburgh and South East Scotland City Region Deal Annual Report was reported to Council on 27 October 2020. Following publication, the Annual Report is reviewed in a conversation between both governments and senior representatives of the Deal partnership team. This year the annual conversation took place on 18 November 2020.
- 3.2 The Annual Conversation was chaired by Jonathan Pickstone – Deputy Director, Scottish Government, and Joint Chair of the Scottish City Region Deal Delivery Board. UK Government (in the form of Scotland Office and Cities and Local Growth Unit) were represented at Deputy Director level.
- 3.3 Regional partners were represented by Monica Patterson (Chair of the Executive Board), Andrew Kerr (Chair of the Housing Board and Proper Officer for City of Edinburgh Council who fulfil the Accountable Body function), Steve Grimmond (Vice-Chair of the Executive Board and Chair of the Integrated Regional Employability and Skills Programme), Peter Mathieson, Chair of the HE/FE Board, Hugh Dunn, s95 officer for the Accountable Body function and Douglas Proudfoot, Chair of the ESESCRD Directors' Group together with colleagues from the Programme Management Office.
- 3.4 This was the second Annual Conversation to take place following the deal agreement. The agenda this year had a greater focus on the year ahead and opportunities to support regional and national economic recovery. All parties recognised and reflected upon the positive and constructive relations between deal partners and governments.
- 3.5 The conversation reviewed COVID-19 rapid response measures, key milestones in business case approvals, project delivery and outcomes as well as recognising the work completed on the Benefits Realisation Plan.
- 3.6 The discussion also recognised the performance of the Accountable Body function and the financial performance across the breadth of the deal. Governments highlighted the importance of spending to profile moving forward and highlighted alignment with national and UK wide priorities.
- 3.7. Regional partners reflected the importance of the Edinburgh and South East City Region as the key engine of the Scottish economy acting as a catalyst for the county as a whole, stressing the importance of the investment in this City Region in respect of the nation's well-being. The partners specifically sought clarity of the future direction of Scottish Enterprise in respect of both resource prioritisation and through appointment of a new Chief Executive. In the Strategic Forward Look, regional partners also underscored opportunities to build upon the successes of the Data-Driven Innovation and Integrated Regional Employability and Skills programmes which are crucial to economic recovery. The DDI programme is already exceeding the Deal targets set for the programme in terms of attracting corporate research and

development teams in or near the Bayes Centre; attracting investment in high-growth companies; establishing high-growth ventures through the Bayes Centre; and generating funding to support research, innovation and entrepreneurship. The Annual Conversation also provided the opportunity for partners to set out our regional priorities and to reflect progress in developing the regional growth framework.

- 3.8 Partners and governments also discussed the current viability of the £50M housing infrastructure component of the deal and the significance of unlocking the regionally significant strategic housing sites (including Blindwells). Scottish Government indicated that they would look to consider how best to support housing workstream business cases moving forward.

Summary of Progress – Delivery of the Food and Drink Innovation Hub and the Wider Innovation Park

Headline Achievements:

Date	Achievement
25 November 2019	Planning Permission for the Grade Separated junction granted
June 2020	Land transfers to enable the Innovation Hub development / Junction development completed
Ongoing	Progression of the Full Business Case.

Next Milestones:

Date	Milestone
March 2021	Contract award and commencement of the Junction Works scheduled
March 2021	Full business case submitted to Joint Committee for approval
March 2022	Completion of the construction of the Junction works
Sept 2022	Commencement of construction of the Food and Drink Innovation Hub
Feb 2025	Food and Drink Innovation Hub operational

Progress on the Full Business Case

- 3.9 As reported to Council on 27 October 2020 the original date for the approval of the Full Business Case (“FBC”) to UK and Scottish Governments was June 2020. Unfortunately due to the unforeseen delays caused by the impact of COVID-19, this date was revisited. In close discussions with both governments, it was agreed that the submission date of the FBC could be rescheduled to December 2020.

3.10 Key milestones / progress for the FBC since the Council Report on 27 October 2020 are:

- On 17 November 2020 a positive meeting between PWC (appointed consultants for ELC/QMU to progress the FBC) and Government to cross check the approach/modelling/methodology within the FBC and understand the process to be undertaken by Scottish Government and UK Government to review the FBC.
- A first draft of the completed FBC to be submitted to Government for review on week commencing 30 November 2020.
- A feedback session on the draft FBC scheduled for 7 December 2020 with ELC/QMU the PMO and both governments.

3.11 The FBC will be approved by both governments, the Edinburgh and South East Scotland City Region Deal Joint Committee, Queen Margaret University Court and East Lothian Council. UK Government will be key to determining when this is ready to happen but all parties are working towards an approval in this financial year (2020/2021).

Commercial Heads of Terms

3.12 A separate and private report being considered at Council today entitled “Commercial Heads of Terms between ELC and QMU for the Delivery of the Food and Drink Innovation Hub and Park” specifically details the good progress made since the Council report on 27 October 2020. Whilst work will continue to develop the Commercial Heads of Terms, secure specific tax advice and establish related governance arrangements, the next key milestone will be the approval of the Final Business Case (FBC). Following the FBC approval, the Commercial Heads of Terms can be formally agreed.

4 POLICY IMPLICATIONS

4.1 The City Deal Agreement supports the delivery of Council priorities in respect of Growing our Economy, People and Communities as set out within the Council Plan. Deal agreement will have significant implications for the Council’s Financial Strategy and its future Capital Plans. The Edinburgh and South East City Region Deal is consistent with the ELLDP 2018 and is incorporated within the refreshed Economic Development Strategy 2017-22.

5 INTEGRATED IMPACT ASSESSMENT

5.1 Inclusion is a key driver for the City Region Deal, and assessed for each project. Business cases for projects include a demonstration of how they will reduce inequalities and tackle the inclusion challenges specific to the city region.

5.2 The Benefits Realisation Plan within the Deal will incorporate clear indicators to align with the Scottish Government’s and the Deal’s Inclusive

Growth Framework. The impact on equalities, human rights, poverty, environment and sustainability are also incorporated into the plan.

6 RESOURCE IMPLICATIONS

- 6.1 Financial - There is no direct financial impact relating to the Annual Report and Annual Conversation for East Lothian Council. The land transactions for the hub and park, the Council's contribution to the hub construction cost plan and government grant monies are incorporated within the council's approved capital plan.

7 BACKGROUND PAPERS

- 7.1 Edinburgh and South East Scotland City Region Deal – Report to East Lothian Council 11 August 2017
- 7.2 Heads of Terms Agreement signed by UK/Scottish Governments and Partner Authorities on 20 July 2017
- 7.3 East Lothian Council Summer Recess Arrangements – Standing Order 15.5 Members Library Report – Edinburgh and South East Scotland Region - City Deal Proposition 19 July 2017
- 7.4 Edinburgh and South East Scotland City Region Deal – Report to East Lothian Council 28 June 2016
- 7.5 City Region Deal Document (August 2018)
- 7.6 Edinburgh and South East Scotland City Region Deal (ESES CRD) – Annual Report, Annual Conversation and Regional Growth Framework Update – Report to Council 29 October 2019
- 7.7 Edinburgh and South East Scotland City Region Deal – Annual Report, Benefits Realisation Plan, and Food and Drink Innovation Update - Report to Council 27 October 2020
- 7.8 Commercial Heads of Terms between ELC and QMU for the Delivery of the Food and Drink Innovation Hub and Park - Private Report to Council 27 October 2020
- 7.9 Commercial Heads of Terms between ELC and QMU for the Delivery of the Food and Drink Innovation Hub and Park - Private Report to Council 15 December 2020

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