
BORDERLANDS INCLUSIVE GROWTH DEAL – NEXT STEPS

Report by Executive Director

SCOTTISH BORDERS COUNCIL

25 September 2018

1 PURPOSE AND SUMMARY

- 1.1 This report sets out the next steps in developing a Borderlands Inclusive Growth Deal proposition. It seeks agreement to submit the Deal documentation to the UK and Scottish Governments as a basis for negotiations in order to secure funding that will support economic growth across the Borderlands region.**
- 1.2 Alongside four partner Councils, the Council has been progressing work on the development of a Borderlands Inclusive Growth Deal proposition. This work has involved close liaison with both UK and Scottish Governments in order to develop a small number of strategic programmes and projects. It will be essential that these programmes and projects compliment the South of Scotland Enterprise Agency proposals and support the inclusive growth agenda.
- 1.3 A Deal overview document and associated strategic outline business cases have now been drafted and it is proposed that they are submitted to the UK and Scottish Governments by the end of September 2018. Following submission of the Deal documentation, there is expected to be a period of negotiation with UK and Scottish Governments. At this stage, there is no guarantee that a Deal will be agreed and therefore the financial information relating to the Deal is being treated as confidential by all the partners until such time as there is greater financial certainty in relation to the negotiations.

2 STATUS OF REPORT

- 2.1 Appendix 1 to this report is in private because it contains information relating to the financial or business affairs of other local authorities that is currently confidential. Specifically, the information relates to the four other local authority partners in the Borderlands Inclusive Growth Deal.

3 RECOMMENDATIONS

3.1 I recommend that Scottish Borders Council:-

- (a) Approves the submission of the Borderlands Inclusive Growth Deal proposal to UK and Scottish Governments from Carlisle City Council, Cumbria County Council, Dumfries and Galloway Council, Northumberland County Council and Scottish Borders Council;**
- (b) Notes the ongoing arrangements and need for continued negotiation with both UK and Scottish Governments;**

- (c) Agrees that Dumfries and Galloway Council will be the accountable body for the Scottish authorities and notes that Northumberland County Council will be the accountable body for the Deal on behalf of the English authorities; and**
- (d) Agrees that further reports updating Members on the progress of the Borderlands Inclusive Growth Deal negotiations, and making any necessary decisions, will be presented to the Council at appropriate times.**

4 BACKGROUND

- 4.1 The Borderlands Inclusive Growth Proposition was submitted at the end of September 2017 to both the UK and Scottish Governments, by the Leaders of the five local authorities making up the Borderlands Partnership (Carlisle City Council, Cumbria County Council, Dumfries and Galloway Council, Northumberland County Council and Scottish Borders Council). The initial aim for the Proposition was for it to be mentioned in the UK Government Chancellor of the Exchequer's Autumn Statement on 22 November 2017. This was successful and since then further stages of work, including wider engagement with UK and Scottish Governments, businesses, communities and other stakeholders has been undertaken. This has led to the development of the Deal proposals which will be subject to negotiation with both Governments in order to reach Heads of Terms on a Deal.
- 4.2 The Borderlands Inclusive Growth Deal supports the Scottish Borders Economic Strategy 2023 because the outcomes from the Deal are to achieve inclusive economic growth. The Inclusive Growth Deal complements the opportunities presented by the South of Scotland Enterprise Agency and the work to be carried out by the South of Scotland Economic Partnership. It will also complement the projects being implemented as part of the Edinburgh and South East Scotland City Region Deal.
- 4.3 Since the last update in August 2018 officers have continued to work with civil servants from both Governments to develop the programmes and projects that will form the Inclusive Growth Deal. Consultancy support is in place to help ensure that the documents required by the Governments for these programmes and projects can be delivered on time. The Lead Officer team has continued to meet regularly. Scottish Futures Trust and Scottish Enterprise have also provided support in respect of Scottish elements of the proposals.

5 THE BORDERLANDS INCLUSIVE GROWTH DEAL PROPOSITION

- 5.1 Through the Borderlands Inclusive Growth Deal, the Borderlands partners are aiming to develop the cross-border economy by driving up productivity and growing the working age population. The focus will be on collaborative cross-border working to strengthen links across boundaries and ensure inclusive growth by improving the fortunes of our residents and communities. The partners are following the Treasury's 'Five Case Model' business case process in order to produce the documentation that is required to support the Deal.
- 5.2 There are two parts to the documentation forming the Deal proposal; the overarching Deal Document, which is set out in Appendix 1 in Private, and the supporting Strategic Outline Business Cases ("SOBCs"), which can be accessed by Elected Members on a confidential basis. The overarching Deal Document sets out the Partnership's ambition, the policy context, an outline of each SOBC and the detail of the 'ask'. It sets out a "shared ambition for the Borderlands to be a vibrant place attracting, rewarding and retaining people to live, work, visit and invest here, by offering a high quality experience, in beautiful, well-connected surroundings." Appendix 1 will be considered in private due to the sensitive financial information contained in it. The SOBCs provide more detailed technical analysis for the strategic case being made for each theme and its associated projects.

- 5.3 The Inclusive Growth Deal focuses on a small number of key programmes and projects. To secure the support of both governments the proposals must be strategic in their approach and transformational in their economic impact. For the Scottish Government it is essential that the programmes and projects compliment the South of Scotland Enterprise Agency proposals and support the inclusive growth agenda.
- 5.4 The Inclusive Growth Deal funding request comprises six programmes, four place-based projects and the Borders Railway transport appraisal project. Strategic Outline Business Cases cover the following key themes: Digital; Energy; Destination Borderlands; Place; Business Infrastructure; and Knowledge Exchange Network. There are also five key projects that will be promoted, including: a Mountain Bike Innovation Centre in Scottish Borders; and progressing the appraisal and feasibility process for the Borders Railway extension from Carlisle to Tweedbank. The overarching deal document provides a summary and outlines the 'ask' of the following SOBCs.
- 5.5 **Strategic Outline Business Cases**
- Mountain Bike (MTB) Innovation Centre** - creation of an exemplar research facility and workspace in the Scottish Borders to support business innovation, production, and controlled testing within the mountain bike sector. Alongside this it is proposed to develop a world-class bike park that will permit the real-world testing of products as well as attracting additional mountain bikers and visitors to the area. This proposal is focused on Innerleithen and the adjoining forest area, and involves the development and refurbishment of a Listed Building.
- 5.6 **Borders Railway Appraisal Project** - moving forward the appraisal and feasibility process for the Borders Railway extension from Carlisle to Tweedbank.
- 5.7 **Chapelcross** – the proposal is to develop this strategic site as a major economic asset for the Borderlands. The site has the potential to act as a centre for green energy production, storage and distribution, taking advantage of its existing national grid connection, as well as its strategic proximity to the M74 corridor.
- 5.8 **Berwick Theatre and Conference Centre** - the construction of an iconic new theatre and conference centre to allow the internationally renowned programme of The Maltings to be expanded and complemented with a multi-use conference space, supporting the repurposing of Berwick-on-Tweed as a major destination.
- 5.9 **Carlisle Gateway Station** - investment in the area around Carlisle Station, comprising improvements to the station, new car-parking capacity to enable the station to fulfil its potential as the major rail interchange hub serving the Borderlands region.
- 5.10 In addition to the place-based based projects there are six programmes that will deliver benefit across the wider Borderlands geography as listed below.
- 5.11 **Borderlands Energy Investment Company** – The proposal is for a strategic co-ordination and investment vehicle using a whole systems approach to support and bring forward new energy projects across the Borderlands area. The Energy Investment Company (EIC) will invest in energy projects that create new jobs in the energy sector, generate

cheaper energy for homes and businesses, reduce fuel poverty, attract inward investment, and help Borderlands become the first carbon neutral region in the UK.

- 5.12 **Digital Borderlands** - to ensure that the Borderlands area accelerates the reach of its digital connectivity and lays future-proof foundations for economic growth. The ambition is to ensure all properties in the area have access to significantly improved 4G mobile connectivity, and in the longer term, full fibre connectivity.
- 5.13 **Business Infrastructure Programme** – to deliver new business sites and premises to support business growth and diversification. This will target areas where the need for investment is most acute.
- 5.14 **Knowledge Exchange Network** – improve access to learning and training for rural communities and business through a network of digitally connected hubs. The network will provide new ways of working for individuals, communities and businesses across the area in order to raise aspirations and attainment, increasing learner numbers and skill levels.
- 5.15 **Borderlands Place Programme** - this will be a devolved fund to provide the stimulus for the repurposing and reinvention of priority town centres across the Borderlands, and for this to provide a platform for inclusive growth across the region. In the Scottish Borders, it is proposed that Hawick, Jedburgh and Eyemouth should be the initial priority locations for investment from the Place Programme.
- 5.16 **Destination Borderlands** - deliver a programme of investment that focuses on priority projects that will build the reputation of the area as a tourism destination; and raise the profile of the area in national and international markets in order to deliver economic benefit across the Borderlands. For the Scottish Borders, this will include a major project to build on the international potential of the River Tweed, with the aim of creating a high profile walking/cycling route along the whole length of the river. This would serve as a key spine along which businesses and communities can further develop the visitor experience and increase visitor numbers and spend in the area.
- 5.17 Recognising the importance of transport to the Borderlands region, there are a number of areas where the Borderlands partners are seeking to work jointly with the UK and Scottish Governments in order to progress strategic transport schemes. This includes an ask in relation to four Borderlands transport priorities:
- A funding commitment to progress the next stage of appraisal and feasibility work for the Borders Railway;
 - Support through the new West Coast Mainline franchise for improvements to Carlisle Station and for there to be direct HS2 services to London from Carlisle from 2026;
 - Funding for Carlisle Southern Link Road to support delivery of the St. Cuthbert's Garden Village proposals;
 - A commitment to progress feasibility work for improvements to the junction arrangements in the area around Gretna and to support development of Chapelcross as a strategic development site.

- 5.18 Given the rural nature of Borderlands area, the Borderlands partners consider that there is an unique opportunity to work collaboratively with UK and Scottish Governments to test at a landscape level what may replace Common Agricultural Policy (CAP) funding in a way that develops new and holistic approaches to environmental, marine, agricultural, and other rural public good outcomes. This requires a shared and joint commitment to a number of policy asks associated with developing a Smart Countryside approach; conducting an integrated suite of tests and trials to demonstrate new approaches to land and marine management; and supporting larger scale food production possibilities.

6 NEGOTIATING THE DEAL

- 6.1 Following submission of the Deal documentation, there is expected to be a period of negotiation with UK and Scottish Governments. At this stage, there is no guarantee that a Deal will be agreed and therefore the financial information relating to the Deal is being treated as confidential by all the partners until such time as there is greater financial certainty in relation to the negotiations. It is not intended to have any public announcement on funding from the Borderlands Inclusive Growth Deal until Heads of Terms have been agreed with both Governments.
- 6.2 Heads of Terms (HoT) will be a tripartite agreement between the Scottish Government, the UK Government and Borderlands partners, setting out key commitments from both Governments, the level of funding they are committed to jointly investing, and the conditions attached to this. It is important to note that there is likely to be an expectation from both the UK and the Scottish Governments that the Borderlands Partnership authorities will make a significant contribution towards the delivery of the projects identified, on a financial or in-kind basis.

7 GOVERNANCE ARRANGEMENTS

- 7.1 In terms of governance, all of the Borderlands Inclusive Growth Deal work is being overseen by Chief Executives of the five Councils, who have met regularly to receive progress reports and ensure that strategic and operational issues are resolved. Council Leaders have also met regularly as the Borderlands Partnership Board to agree the priority themes for the Deal and ensure appropriate political input to the Deal development process.
- 7.2 The partners agreed a Memorandum of Understanding at a meeting of the local authority Leaders on 20 April 2018. This set out informal arrangements for working together in the pre-Deal period, the partners agreeing to work together to negotiate a Borderlands Deal with UK and Scottish Governments. It is expected that the informal Partnership Board that has overseen the development of the Deal proposals will be formalised to have the oversight for the subsequent delivery of Borderlands Inclusive Growth Deal programme. However, post-Deal governance arrangements still require to be formalised and a future report will address the issue of post-Deal governance in more detail.
- 7.3 **Accountable Body**
- As the Borderlands Partnership Board is unlikely to be a formal legal entity, any funding provided from Government associated with the Deal will need to be provided to a local authority to administer and manage on behalf of

the Partnership. There will be a requirement for one local authority on each side of the border to act in this accountable body role. Discussions have taken place between Chief Executives and Leaders as to which local authorities would be prepared to take on this role. It is proposed that Dumfries and Galloway Council take on this role for the Scottish local authorities. It is expected that Northumberland County Council will act as the accountable body for the English local authorities.

8 NEXT STEPS

- 8.1 Whilst exact timescales remain uncertain at this stage, the following key milestones are anticipated. The next key step will be the submission of the Deal Documentation to UK and Scottish Governments at the end of September 2018. This will be followed by a period of negotiation to establish a Heads of Terms for the Deal. The Heads of Terms will be signed off and the Borderlands Partnership will then move into a period of Outline Business Case development. The Council partners would agree and sign off each of these Outline Business Cases prior to a final Deal Agreement and signing. The Heads of Terms will require a Deal Governance arrangement to be agreed and this will be addressed prior to final Deal signing. At that point the Borderlands Inclusive Growth Deal would then move into its implementation phase.

9 IMPLICATIONS

9.1 Financial

This paper seeks Council approval to submit the Deal documentation to the UK and Scottish Governments as a basis for negotiations in order to secure funding that will support the economic development of the Borderlands region. There are no additional financial implications at this time other than staff time taken in developing the Deal documentation. The staff time is covered by existing revenue budgets. If a Deal is successfully signed, it will be necessary to consider whether further funding will be required in order to deliver the detailed business cases that the UK and Scottish Governments will require prior to the release of any funding. A future report will present recommendations on the overall future funding implications for the Council if the negotiations with the UK and Scottish Governments proceed.

9.2 Risk and Mitigations

- (a) At present, the key risk for the Council is considered to be the reputational risk of not strongly supporting the Borderlands Inclusive Growth Deal and thus failing to secure positive investments from the UK and Scottish Governments if the Deal moves forward successfully. This risk is being mitigated by Council officers and senior Elected Members engaging closely with partner Councils to develop the Borderlands Inclusive Growth Deal, and in due course, any associated negotiations with UK and Scottish Governments.
- (b) There is the risk that during the negotiations with the UK and Scottish Governments that some projects and programmes will not be taken forward. The Council will be an active partner in these negotiations to ensure that it gets the best Deal possible for the area.

- (c) Partnership working will always present challenges. However, the Council and partners involved in the Borderlands Inclusive Growth Deal are committed to working together to ensure its success and positive additional investments from the UK and Scottish Governments. Risk registers will also be developed and appropriately managed for each of the programmes and projects which support the work of the partner Councils. The future Governance arrangements, including establishing an accountable body, will also mitigate the risks of partnership working, as it will ensure that due process is followed.
- (d) There is likely to be a requirement from both the UK and the Scottish Governments that Scottish Borders Council contributes to the delivery of to its own projects on a financial or in-kind basis. As mentioned in the Financial section (9.1) a future report will be presented to the Council with recommendations on the overall future funding implications for the Council if the negotiations with the UK and Scottish Governments on the Deal proceed.

9.3 **Equalities**

Strategic Outline Business Cases have been prepared for each of the projects and programmes within the Deal. If a funding allocation is confirmed in the Budget, local partners will be invited to prepare more detailed outline business cases. Within the outline business cases, consideration will be given to social impacts including equality, health and diversity issues.

9.4 **Acting Sustainably**

The Borderlands Inclusive Growth Deal will have a focus on Inclusive Growth and Low Carbon economy. It is expected that there will be a range of positive impacts for the local economy, communities and potentially the environment.

9.5 **Carbon Management**

The Borderlands Inclusive Growth Deal may have positive implications for carbon emissions in the Scottish Borders, but these will not be clear until further detailed work has been undertaken on the potential projects.

9.6 **Rural Proofing**

Rural proofing is not required because this project does not change Council strategy or policy.

9.7 **Changes to Scheme of Administration or Scheme of Delegation**

No changes to either the Scheme of Administration or the Scheme of Delegation are required as a result of the proposals in this report.

10 CONSULTATION

- 10.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR and the Clerk to the Council have been consulted and their comments have been incorporated into the report.

Approved by

Rob Dickson
Executive Director

Signature

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Background Papers: N/A

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