
**Please find attached the paper in respect of Item No. 8
on the agenda for the above meeting**

8.	Update on the Borderlands Inclusive Growth Deal and the Edinburgh South-East Scotland City Region Deal (Pages 3 - 12) Consider report by Director – Resilient Communities. (Copy attached.)	10 mins
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Update on the Borderlands Inclusive Growth Deal and the Edinburgh and South-East Scotland City Region Deal

Report by Director, Resilient Communities

EXECUTIVE COMMITTEE

18 April 2023

1 PURPOSE AND SUMMARY

1.1 This report updates the Executive Committee on progress with the Borderlands Inclusive Growth Deal and the Edinburgh and South-East Scotland City Region Deal, particularly the programmes and projects that directly affect the Scottish Borders.

1.2 The Borderlands Inclusive Growth Deal, <https://www.borderlandsgrowth.com/> was signed in March 2021 by the Borderlands Partnership, the UK and Scottish Governments, and the five local authorities within the Borderlands area: Carlisle City Council, Cumbria County Council, Dumfries and Galloway Council, Northumberland Council, and Scottish Borders Council. The Deal will provide a total funding package of £452m over 10 years for the Borderlands area, with £150m available for the South of Scotland, comprising £65m from the UK Government and £85m from the Scottish Government. This report describes the progress being made with the programmes and projects affecting the Scottish Borders.

1.3 The Edinburgh and South-East Scotland City Region Deal, <https://esescityregiondeal.org.uk/> was signed in August 2018 and involves East Lothian, Midlothian, West Lothian, Fife, City of Edinburgh and Scottish Borders Councils along with universities and colleges, the private sector, the third sector and relevant public sector agencies. The 15-year Deal is worth £1.3bn, which includes £600m of Government funding and £700m of funding from other partners. This report gives an update on those City Region Deal projects that directly affect the Scottish Borders.

2 RECOMMENDATIONS

2.1 It is recommended that the Executive Committee:

- a) Notes the progress that has been made on the Borderlands Inclusive Growth Deal and the Edinburgh and South-East Scotland City Region Deal;**
- b) Notes that a number of business cases relating to the Borderlands and City Deal programmes will be brought back to Scottish Borders Council for approval in 2023 as detailed in paragraph 3.3;**
- c) Agrees that regular progress reports on both growth deals are brought back to the Executive Committee.**

3 BACKGROUND

- 3.1 The Borderlands Inclusive Growth Deal was signed in March 2021 by the Borderlands Partnership, the UK and Scottish Governments, and the five local authorities within the Borderlands area: Carlisle City Council, Cumbria County Council,¹ Dumfries and Galloway Council, Northumberland Council, and Scottish Borders Council. The Deal will provide a total funding package of £452m over 10 years for the Borderlands area with £150m available for the South of Scotland, comprising £65m from the UK Government and £85m from the Scottish Government. The Scottish Borders will benefit from £111m of government and other investment in ten programmes and projects: the Mountain Bike Innovation Centre and Adventure Bike Park; Destination Tweed; Business Infrastructure Scotland; the Natural Capital Programme; the Place Programme; the Energy Programme; the Digital Programme; 7Stanes Redevelopment; the Borders Railway Feasibility Study; and the Learning and Skills Programme.
- 3.2 The Edinburgh and South-East Scotland City Region Deal, which was signed in August 2018, involves East Lothian, Midlothian, West Lothian, Fife, City of Edinburgh and Scottish Borders Councils along with universities and colleges, the private sector, the third sector and relevant public sector agencies. The Deal will provide a total funding package of £1.3bn over 15 years, which includes £600m from the UK and Scottish Governments and £700m from other partners. Programmes and projects relevant to the Scottish Borders are: the Borders Innovation Park; the Integrated Regional Employability and Skills programme; Data-Driven Innovation; the Regional Housing Infrastructure Fund, and the Regional Prosperity Framework.
- 3.3 The following Growth Deal projects are anticipated to be coming before Council as part of their approvals process during this calendar year. These dates may be subject to change depending on the timing of Scottish and UK Government approvals in advance of Council approval dates.

Project/programme	Council date	Approval date
Borderlands		
Mountain Bike Innovation Centre and Adventure Bike Park Final Business Case (FBC)	May 2023	June 2023
Destination Tweed Final Business Case (FBC)	May 2023	June 2023
Business Infrastructure Scotland – Coldstream Final Business Case (FBC)	May 2023	June 2023
Natural Capital Programme Outline Business Case (OBC)	May 2023	June 2023

¹ In April 2023, Carlisle City Council and Cumbria County Council are being succeeded by two new unitary authorities: Cumberland; and Westmorland and Furness.

7 Stanes Outline Business Case (OBC)	August 2023	September 2023
Borders Innovation Park Revised FBC	November 2023	December 2023
City Deal		
Borders Innovation Park (Tweedbank) – Revised Business Case	November 2023	December 2023

4 BORDERLANDS INCLUSIVE GROWTH DEAL PROGRAMMES AND PROJECTS UPDATE

- 4.1 The Mountain Bike Innovation Centre and Adventure Bike Park at Innerleithen is a £40m capital programme being led by South of Scotland Enterprise that has submitted its Full Business Case to the Scottish Government having had its Outline Business Case approved by the Borderlands Partnership Board in December 2020. The Outline Business Case was approved by Council in November 2020. It is currently expected that the Full Business Case will be considered by Council in May 2023 before going to the Partnership Board in June 2023.
- 4.2 Destination Tweed is a £25m capital programme centred on a 113-mile long walking and cycling trail from Moffat to Berwick-upon-Tweed. An Outline Business Case is ready to be signed off by the Scottish Government and a draft Full Business Case will shortly be submitted for Government consideration. The initial Strategic Outline Case was approved by Council in November 2020. In the current Deal programme, the Full Business Case is due to be considered by Council in May 2023 before going to the Partnership Board in June 2023. However, there may be a delay in these submissions depending on the timing of the Outline Business Case approval.
- 4.3 Business Infrastructure Scotland is a £13.7m capital programme for the South of Scotland, which includes £3m of Borderlands grant for the Scottish Borders and a contribution of £632k from Scottish Borders Council. This funding is for building industrial units and servicing land at five sites across the South of Scotland, including Coldstream and Hawick in the Scottish Borders. The programme had its Outline Business Case approved by the Borderlands Partnership Board in June 2021. The Outline Business Case was approved by Council in November 2020. The Full Business Case process is being staggered across the five sites with the first one for building industrial units at Coldstream due for consideration by Council in May 2023 before going to the Partnership Board in June 2023. Work on the Full Business Case for servicing land at Hawick is expected to take place in 2024.
- 4.4 The Natural Capital Programme has submitted a Programme Business Case to the Scottish Government, which equates to the Outline

Business Case stage. The initial Strategic Outline Case was approved in 2019. It is expected that the Programme Business Case will be considered by the Partnership Board in June 2023. The Programme is split into five pilots:

- An Agri-Environment Pilot: Embedding Agricultural Resilience for a Productive Future – Farmers, Landowners and Species-rich Grassland (led by Scottish Borders Council) and Whole Farm Audits and Natural Capital Advisory (led by Dumfries and Galloway Council).
- A Woodland Pilot: Integrated Land Use and Woodland Creation (led by Scottish Borders Council).
- A Marine Pilot: A Sustainable Solway Economy (led by Dumfries and Galloway Council).
- An Investment Pilot: Borderlands Natural Capital Investment Plan (South of Scotland-wide).
- A Data Pilot: Natural Capital Data Audit and Mapping (South of Scotland-wide).

4.5 Four of the pilots will require the approval of a business justification case, which is mandated by government as the value of the project concerned is below the threshold within H.M. Treasury Green Book requirements for a Full Business Case. The exception is the Woodland Pilot, which will require a Full Business Case. The pilot business justification cases affecting the Scottish Borders, including the Investment and Data Pilots, will be presented to Council during 2023-24 as will the Full Business Case for the Woodland Pilot.

4.6 The Place Programme is a £50m programme across the Borderlands region, which includes £20m of investment from the Borderlands Inclusive Growth Deal in the South of Scotland, including £7.25m for the Scottish Borders. There are four towns within the Scottish Borders that will be bringing Place Plans forward as part of the programme: Eyemouth, Galashiels, Hawick, and Jedburgh. The first of these is due to be completed in early 2024.

4.7 The Energy Programme is a £31m programme across the Borderlands region, which includes £14m of investment from the Borderlands Inclusive Growth Deal in the South of Scotland, including £3.6m for the Scottish Borders. A Borderlands Energy Masterplan to provide a robust evidence base to inform decision-making and identify key areas for investment in low carbon and low-cost energy opportunities across the Borderlands region was completed in 2022. The next step, which is to develop an Investment Programme and identify where to focus the funding to maximise the impact across the region, is currently under review.

- 4.8 Digital Borderlands is a transformational digital and mobile infrastructure programme to increase rural productivity and support inclusive growth. It is a £32.2m programme across the Borderlands region, which includes £16.2m of investment from the Borderlands Inclusive Growth Deal in the South of Scotland, including £9.45m for the Scottish Borders. There has been a delay to the Outline Business Case stage because of changes in the public policy and investment environment for digital infrastructure. This has led to the need for a programme reset, the objectives of which are to ensure the delivery of existing commercial and public funded commitments, and to embed digital connectivity across all Borderlands Inclusive Growth Deal programmes and projects.
- 4.9 The 7Stanes Redevelopment Programme is a £5m capital programme to re-develop the 7Stanes network in the South of Scotland and includes a proposal for £1m of this investment to re-develop the site at Newcastleton. The initial Strategic Outline Case was approved by Council in November 2020. An Outline Business Case is currently being prepared to go to the Scottish Government and is due to be approved by the Partnership Board in September 2023.
- 4.10 The Borders Railway Feasibility Study is a £10m project to assess the potential to extend the Borders Railway from Tweedbank to Carlisle via Hawick. The proposed investment by the Borderlands Inclusive Growth Deal involves contributions of £5m from the Department for Transport in England and £5m from Transport Scotland on the Scottish side of the border. Following recent discussions with UK Government and Scottish Government, the strategic case to initiate the feasibility work associated with the rail extension has now been made and the commencement of the feasibility work can now be taken through the normal Borderlands Inclusive Growth Deal business case approval process. The timing of this process is expected to be confirmed by June.
- 4.11 The Learning and Skills Programme is a £7m programme for the South of Scotland, including £5m for the Scottish Borders. A Strategic Outline Case was presented to Council in December 2020 but did not go forward to the Borderlands Partnership Board. The current position is that the programme requires a reset and, to this end, officers will be meeting Scottish Government officials in April 2023 to discuss the way forward.

5 EDINBURGH AND SOUTH-EAST SCOTLAND CITY REGION DEAL PROGRAMMES AND PROJECTS UPDATE

- 5.1 The Borders Innovation Park at Tweedbank is a £29m capital programme, which includes a contribution of £15m from the City Region Deal, £5m from Scottish Borders Council, and £9m from other partners. A Full Business Case was approved by Council in January 2019 prior to being approved by the City Region Deal Joint Committee in March 2019. This business case envisaged a build-out of office and

industrial space over three phases. The first building on the site, which is an office for the Council's IT provider, CGI, and an Inspire learning hub opened in 2022. However, with the Covid-19 pandemic, the anticipated demand for office space has been greatly reduced and there is therefore a need to re-configure the proposed programme. This will require the drafting of a revised Full Business Case, which is currently expected to be presented to Council in November 2023 prior to being considered for approval by the Joint Committee in December 2023.

- 5.2 The Integrated Regional Employability and Skills (IRES) Programme and its underpinning private, public, and third sector partnership is a key way in which the City Region Deal's partners intend to embed Inclusive Growth practices in the city region labour market. The IRES Workforce Mobility Project is a £2m revenue project that is being delivered across the six local authority partners and is lead by Scottish Borders Council. The IRES Disadvantaged Families project linked into the IRES projects through the Council's work on employability. This was worth £170k and ended in September 2022.
- 5.3 The Data-Driven Innovation (DDI) Programme is intended to establish the City Region as the Data Capital of Europe and is being led by the University of Edinburgh. In 2021, the university's Business School produced a report on DDI Opportunities in the Scottish Borders, https://ddi.ac.uk/wp-content/uploads/2021/09/DDI_Report_ScottishBorders.pdf After some delays owing to a lack of capacity within the Council and other partners, officers are currently in discussion with the University of Edinburgh about taking forward the proposed DDI Working Group in the Scottish Borders from this report.
- 5.4 The Regional Housing Infrastructure Fund is supported by a Scottish Government commitment of at least £50m. City Region partners are required to look at innovative solutions to stimulate creative ideas, fresh thinking, and innovation in the provision of housing. As one of the City Region Deal's seven strategic housing sites, Tweedbank is eligible for this funding stream. Officers are currently assessing options to apply for infrastructure funding to support the development of Tweedbank.
- 5.5 The Edinburgh and South-East Scotland Regional Prosperity Framework (RPF), which was approved in September 2021, provides a 20-year vision of key priorities to be delivered over and above the commitments in the City Region Deal. It is being developed around 3 core themes of People, Places, and Planet to support an economy that is resilient, innovative, and flourishing. Priorities over the next year are centred on green regeneration; infrastructure; visitor economy and culture; and data-driven innovation.

6 IMPLICATIONS

6.1 Financial

- (a) The Borderlands Inclusive Growth Deal includes ten programmes and projects that affect the Scottish Borders. It should be noted that all Borderlands grant funding is capital only with the exception of the Natural Capital Programme, which has a 50:50 split between capital and revenue. The following table illustrates the funding for each programme and project.

Programme/project	Borderlands grant (Scotland)	Other funding	Totals
Mountain Bike Innovation Centre and Adventure Bike Park	£19m	£21m	£40m
Destination Tweed	£10m	£15m	£25m
Business Infrastructure Scotland	£3m	£0.6m	£3.6m
Natural Capital	£2m	£4.3m	£6.3m
Place Programme	£7.25m	£0	£7.25m
Energy Programme	£3.6m	£0	£3.6m
Digital Borderlands	£9.45m	£0	£9.45m
7Stanes Redevelopment	£1m	£0	£1m
Borders Railway Feasibility	£5m	£5m	£10m
Learning and Skills	£5m	£0	£5m
Totals	£65.3m	£45.9m	£111.2m

- (b) Officers are currently in discussions with Scottish Government officials regarding the Borderlands financial profile for 2023-24 and beyond. The outcome of these discussions will be reported to Elected Members in due course.
- (c) Council was updated with the funding position for the Borders Innovation Park on 30 March 2023. The table below shows costs incurred to date along with the approved budget for the Borders Innovation Park (Tweedbank) within the Capital Investment Plan from 2023/24. The remaining spend of £7m, which will be externally funded, will be completed by 2032/33.

	Costs to date	23/24	24/25	25/26	26/27	Total
	£'000	£'000	£'000	£'000	£'000	£'000
	7,526	4,972	6,183	3,186	219	22,086
Funding						
External	(4,398)	(3,079)	(6,183)	(3,186)	(219)	(17,065)
Council	(3,128)	(1,893)	0	0	0	(5,021)

- (d) It should be noted that the financial costs of all programmes and projects within the Growth Deals are subject to change, but that the amount of grant awarded by Government is fixed. Inflation has had a significant impact on financial planning and this continues to be monitored closely as part of a prudent approach to financial and risk management.
- (e) All business cases will be updated as described within this report and will be reported to Council as further approvals are required.

6.2 Risk and Mitigations

In the financial implications section above, this report has described the financial risk that has been identified in relation to the Growth Deals. It should also be noted that all programmes and projects described in this report are subject to a robust business case process that must be approved by local authorities and Government, and include risk registers laying out all strategic and operational risks with associated mitigations. There is also a Council-level risk register, which assesses programme/project, financial, governance, and communications risks to the Council, and is updated by officers on a regular basis.

6.3 Integrated Impact Assessment

As part of the Full Business Case submission to Government, all programmes and projects will be required to complete an Integrated Impact Assessment. Therefore, Integrated Impact Assessments will be prepared and submitted to Council for approval along with Full Business Cases to ensure that these programmes and projects meet the requirements of the Equality and Fairer Scotland duties.

6.4 Sustainable Development Goals

The development of programmes and projects should contribute to the ambitions to be a green, fair and flourishing region, helping to achieve net zero ambitions, and support community wealth building and thriving places. An assessment of this contribution towards the outcomes of the 17 UN Sustainable Development Goals will be undertaken as individual projects are taken forward and this will be submitted to Council at the appropriate times to provide evidence and reassurance of this. It should also be noted that all programmes and projects are subject to a Carbon Impact Assessment as part of the Full Business Case process.

6.5 Climate Change

As individual programmes and projects are taken forward, there will be specific assessments undertaken to assess embodied carbon emissions during their implementation and lifecycle. The Carbon Impact Assessments required by Government will also allow for the measurement of carbon impacts and benefits relating to the five themes – Resilience, Transport, Nature-based solutions, Energy and Waste – as set out in the Council’s Climate Change Route Map.

6.6 Rural Proofing

The Borderlands Inclusive Growth Deal and the Edinburgh and South East Scotland City Region Deal have both been developed to take account of the needs of rural areas such as the Scottish Borders.

6.7 Data Protection Impact Statement

There are no personal data implications arising from proposals contained in this report.

6.8 Changes to Scheme of Administration or Scheme of Delegation

There are no changes to the Scheme of Administration or the Scheme of Delegation as a result of the proposals within this report.

7 CONSULTATION

7.1 The Acting Chief Financial Officer, the Interim Chief Officer Corporate Governance (and Monitoring Officer), the Chief Officer Audit and Risk, the Director (People Performance & Change), the Clerk to the Council and Corporate Communications have been consulted and comments have been incorporated into the report.

Approved by

Samantha Smith

Chief Officer Economic Development

Author

Name	Designation and Contact Number
Stuart Kinross	Economic Development Officer

Background Papers: Growth Deal documents; Scottish Borders DDI report by the University of Edinburgh.

Previous Minute Reference: Council – 30 March 2023; Council – 26 November 2020; Council – 5 November 2020; Council – 31 January 2019.

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Stuart Kinross can also give information on other language translations as well as providing additional copies.

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