
BORDERLANDS INCLUSIVE GROWTH DEAL – GOVERNANCE ARRANGEMENTS

Report by Executive Director

SCOTTISH BORDERS COUNCIL

19 December 2019

1 PURPOSE AND SUMMARY

- 1.1 This report sets out the Collaboration Agreement that will establish the formal governance of the Borderlands Inclusive Growth Deal (the Deal) and seeks the approval of Members for the Council to enter into the Agreement.**
- 1.2 The report also sets out the operational requirements of the Borderlands Inclusive Growth Deal and the need to establish a programme management office (PMO) to support the delivery of the Deal. It seeks approval from Members to contribute to the shared costs for the PMO. Alongside its four partner Councils, Scottish Borders Council has been progressing work on the development of a Borderlands Inclusive Growth Deal. 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 complement the South of Scotland Enterprise Agency proposals and support the inclusive growth agenda.
- 1.3 UK and Scottish Governments have committed to fund £345m over 10-15 years for the Borderlands Inclusive Growth Deal, with £150m available for Scotland. The Borderlands Partnership now needs to move onto a formal footing, based on the Collaboration Agreement set out in Appendix 1. The partners are also progressing the establishment of a Programme Management Office to ensure the effective operation of the Deal and the Borderlands Partnership in future.

2 RECOMMENDATIONS

- 2.1 I recommend that Scottish Borders Council:-**
 - (a) Agrees to enter into a formal agreement with its Borderlands partners as set out in the Collaboration Agreement in Appendix 1;**
 - (b) Notes that the Agreement contained in Appendix 1 is the final draft, but that there may be a requirement for minor amendments to the Agreement as it is prepared for signature;**
 - (c) Agrees that approval of any further amendments to Agreement be delegated to the Chief Executive in**

consultation with the Leader and Executive Member for Business and Economic Development;

- (d) Agrees that the Council will support the formation of the Programme Management Office (PMO) and contribute a pro-rata share of the budget, as set out in Appendix 2, at an initial cost of £98, 766, to be funded in the current year from existing Economic Development budget, and subject to future budget planning process;**
- (e) Notes that the budget for the PMO set out in 6.3 is for the initial requirements and that further capacity may be required as the Deal enters its full delivery phase, and this will be the subject of future reports and budget planning;**
- (f) Notes that there is considerable further work to support the long term cross-border programme and that consideration will be required through the budget process to the allocation of future revenue and capital to support both the development and delivery of the Borderlands Inclusive Growth Deal, subject to further reporting to Members;**
- (g) Agrees to appoint the Leader as the Council's representative on the Partnership Board and that the Executive Member for Business and Economic Development be the substitute as required by the Collaboration Agreement; and**
- (h) Notes that further reports will be presented to Council to consider the progress from Heads of Terms to Final Deal Agreement.**

3 BACKGROUND

- 3.1 The Council received an update report on the Borderlands Inclusive Growth Deal and the Heads of Terms agreement at its meeting on 26 June 2019. This report provides Members with an update on the Heads of Terms agreement signed on 1 July 2019 and sets out what is required to complete the final deal agreement, including the requirement to enter into a formal Partnership Agreement with the other four partner Councils.
- 3.2 UK and Scottish Governments have both committed to working with the Borderlands Partnership with a financial 'quantum' of £260m from UK Government committed in the Spring Statement and £85m confirmed from Scottish Government, giving a total of £345m over 10-15 years for the Borderlands Inclusive Growth Deal. In total, there is £150m available for Scotland, comprising £65m from UK Government and £85m from Scottish Government.
- 3.3 The Borderlands Inclusive Growth Deal supports the Scottish Borders Economic Strategy 2023 as the outcomes from the Deal seek to achieve inclusive economic growth. The Inclusive Growth Deal complements the opportunities presented by the establishment of the South of Scotland Enterprise and the preparatory work for the new Agency being 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 COLLABORATION AGREEMENT

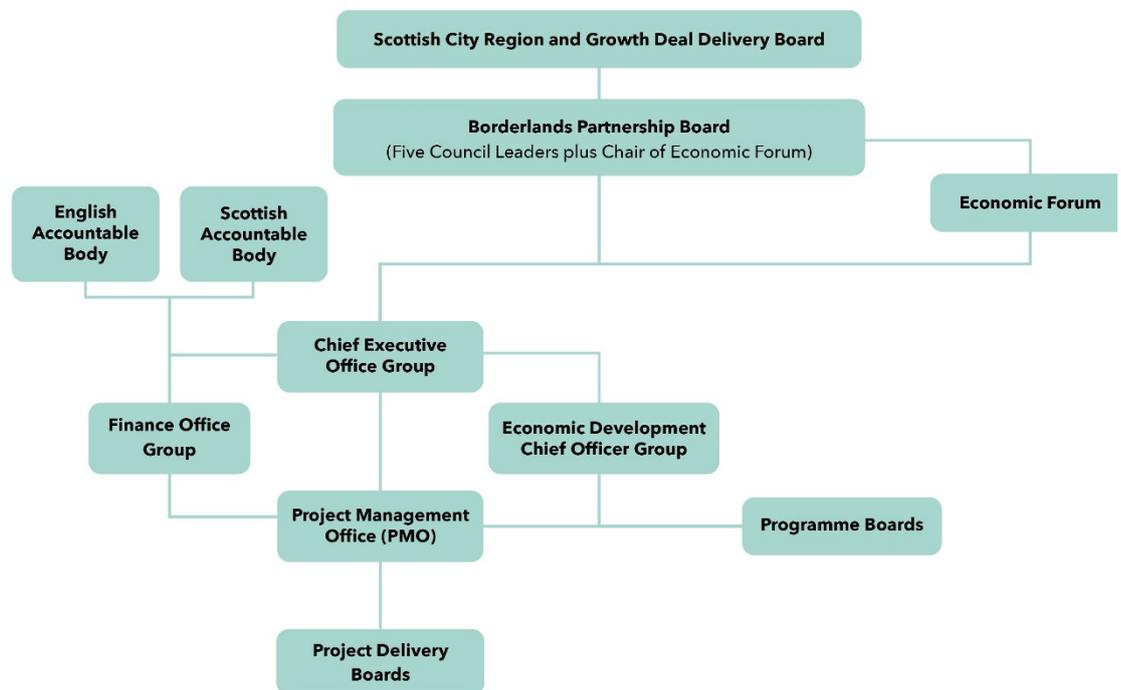
- 4.1 Until now the Borderlands Partnership has operated on an informal basis under the principles of a Memorandum of Understanding where each of the partners agreed to co-operate to reach agreement on the Heads of Terms for a Deal. The arrangements relating to the Borderlands Partnership now need to move towards a formal governance arrangement in order to proceed to Final Deal Agreement.
- 4.2 Given that the Borderlands Inclusive Growth Deal extends over two countries this presents challenges in terms of putting in place appropriate governance arrangements. Burness Paull, Solicitors, were appointed by the partners to provide advice on governance for the Deal. It should be noted that there are no existing precedents for Scottish and English local authorities participating in an integrated initiative of this kind. Burness Paull has therefore advised that rather than attempting to create a legal structure (e.g. a joint committee), the governance model should be based on the principle of public authorities wishing to collaborate, with the structure being designed to support that collaboration and thereby support delivery of the Borderlands Inclusive Growth Deal.
- 4.3 The key objectives for the governance of the Borderlands Inclusive Growth Deal are to:
 - Ensure appropriate decision making on the investment of Growth Deal funding
 - Ensure appropriate transparency in relation to the investment and expenditure of public funding
 - Establish a strategic relationship with UK and Scottish Governments that

- serves to support the economic interests of the Borderlands area
- Provide a strategic forum for collaboration on shared economic challenges and opportunities within the Borderlands area

4.4 To achieve these objectives, it is proposed that a legally-binding Collaboration Agreement, as set out in Appendix 1, is entered into between the five participating local authorities for a period of 15 years from 2019/20. This will govern the decision making of the Borderlands Partnership and will commit the Participating Authorities to work together in setting the strategy and in exercising oversight and control of the Borderlands Inclusive Growth Deal funding.

4.5 The Borderlands Inclusive Growth Deal proposes the following governance structure:

Draft Borderlands Partnership Governance



4.6 The composition and Rules of Procedure for the Borderlands Partnership Board is set out in the Collaboration Agreement (see Appendix 1). The Collaboration Agreement also covers the Economic Forum, Chief Executives Group, the Finance Directors Group and Economic Development Chief Officers Group. The Collaboration Agreement captures the roles and responsibilities of the partner organisations, including:

- Programme Management Office (PMO) – this will be a shared PMO function with responsibility for monitoring and reporting on the programme delivery. This will be funded by each of the authorities paying their proportionate share, which will be based on the amount of funding provided to each area through the Deal.

- The Deal requires Accountable Bodies to receive and distribute the funds from Government and to be accountable to Government for the proper management and allocation those funds. The cross-border nature of the Deal requires two Accountable Bodies; Northumberland County Council is the Accountable Body for the English authorities and Dumfries and Galloway Council is the Accountable Body for the Scottish authorities. The Accountable Bodies will work closely with the PMO.
- The Chief Executives Group, Finance Group and Economic Development Chief Officers Group will provide additional assurance and guidance on the work of the PMO to inform the Partnership Board decision making.
- The secretariat will be provided by the PMO for publication of meeting agendas, papers and minutes, ensuring transparency of the board decisions and governance compliance.

5 ECONOMIC FORUM

- 5.1 UK and Scottish Governments have requested that there is private sector representation and engagement in the Borderlands Inclusive Growth Deal. It is planned that an Economic Forum will be established to provide the mechanism for achieving this. Each of the five local authorities will nominate two private sector representatives to join the Economic Forum following an open recruitment process. In addition to the ten positions, there will be an additional four places to include Cumbria LEP, North East LEP and two places for South of Scotland Enterprise, or other agreed organisation. The members of the Economic Forum will nominate a Chair who will become a member of the Borderlands Partnership Board.

6 PROGRAMME MANAGEMENT OFFICE

- 6.1 An essential element to ensure the smooth delivery and operation of the Deal is to establish a Programme Management Office (PMO). The PMO will provide the monitoring and reporting function for the Partnership and ensure that all necessary reports are compiled and submitted to the Partnership Board and the Scottish and UK Governments. In addition, the PMO will provide all of the organisational and secretariat functions of the Deal. The PMO will also co-ordinate the communications activities of the Deal and ensure that all communications from the Partnership are consistent with the communications protocol agreed with Government.
- 6.2 It is proposed that the PMO be established in phases in line with the increase in activity as the delivery of Deal builds up. In the first instance, the PMO will consist of a manager, 2 programme officers and an administrator. In due course, a finance officer and specialist monitoring and evaluation officers may be required to ensure the proper reporting on the progress of the Deal implementation.
- 6.3 In line with the requirements of the two Governments and the Collaboration Agreement, the responsibility for establishing and resourcing the PMO lies with the partner Councils. Based on the planned initial structure of the PMO, a budget requirement has been developed and agreed with the Chief Executives' Group and the Partnership Board subject to approval by each Council. The initial budget requirement as set out in Appendix 2, is £531,000 per annum. It has been agreed with partners, subject to approval by each Council, that the budget responsibility should be allocated pro rata, according to the share of the Deal funding that is

allocated to each Council area. In the case of Scottish Borders Council that would be 18.6% of the budget, amounting to £98,766 per annum for the lifetime of the Deal. It should be noted that the budget requirement may increase as the PMO requirements of the Deal expand and that this will be the subject of future reports to Members.

7 FINAL DEAL AGREEMENT

7.1 The progress to Final Deal requires significant further development of the business cases supporting the projects and programmes set out in the Heads of Terms which was signed on 1 July 2019. Following HM Treasury 'Green Book' guidance, each project or programme requires an approved Outline Business Case (OBC). In order to develop the OBC, each project must now develop detailed design and implementation costs which will form the basis of the OBC. In addition, each OBC will have to set out the anticipated outcomes and benefits of the project and demonstrate that these represent value for money.

8 IMPLICATIONS

8.1 Financial

- (a) In order to develop and gain approval of the necessary Outline Business Cases there will be a requirement to allocate additional officer time to Borderlands and draw on the economic development budget to provide additional expert assistance on the technical aspects of the business cases. In addition, as the business cases are developed, they will identify the total capital requirement for the projects some of which will lie outside of the Borderlands funds and may require support from the Council.
- (b) Officers are developing the budget requirements for both the completion of the Final Deal Agreement and delivering the projects once the Deal is approved. These considerations will form part of the normal budget process. Consideration of these options will form part of the annual Financial Planning process in order that Elected Members can take decisions on budget priorities as part of the Council's financial planning approach.
- (c) There are also financial implications for the Council's revenue budget, with funding required for the establishment and operation of the Programme Management Office (PMO) and potential revenue costs associated with the development of the Full Business Cases required prior to the Final Deal Agreement being signed. These costs are in addition to the staff time taken in developing the Deal proposals. The staff time is covered by existing revenue budgets. Any PMO costs in 2019/20 will be met by existing budgets in the Economic Development Service. The £98,766 annual cost of the Council's contribution towards the PMO costs for future years will need to be identified as part of the Council's financial planning approach.

8.2 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. The establishment of the PMO is another control to ensure the success of the Deal.

- (b) 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 be developed and appropriately managed for each of the programmes and projects which support the work of the Partners. 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.

8.3 **Equalities**

Consideration will be given to social impacts including equality, health and diversity issues as part of the development of the Outline Business Cases. This recognises that Inclusive Growth is at the heart of the Borderlands Deal ambitions’.

8.4 **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.

8.5 **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 programmes and projects.

8.6 **Rural Proofing**

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

8.7 **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.

9 **CONSULTATION**

- 9.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR, Communications 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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