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**Report to Clackmannanshire Council**

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**Date of Meeting: 22 April 2021**

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**Subject: City Region Deal Update**

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**Report by: Strategic Director (Place)**

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**1.0 Purpose**

- 1.1. This report provides Members with an update on progress of the City Region Deal.
- 1.2. It outlines a range of governance related activities that were required to enable the Stirling and Clackmannanshire City Region Deal partners to reach agreement with the UK and Scottish Governments on a revised Implementation Plan and Financial Profile for the Deal, in order to secure an Offer of Grant for Year 2 of the Deal (2021/22).
- 1.3. The report also describes progress with a number of programmes and projects which are at business case stage and which will be able to draw down funds from the Year 2 Offer of Grant.

**2.0 Recommendations**

- 2.1. It is recommended that Council:
  - 2.1.1. notes the progress set out in the report;
  - 2.1.2 notes the outcome of discussions with the Scottish and UK Governments to agree a revised Financial Profile (Section 3.4),
  - 2.1.3 agrees to delegate authority to the Chief Executive to enter into the Tripartite agreement with Stirling Council and Stirling University on behalf of Clackmannanshire Council (Section 3.7).

**3.0 Considerations**

***Financial Profile***

- 3.1. The City Region Deal Full Deal was signed on 26 February 2020, committing the Regional Partners to the Implementation Plan and Financial profile that formed the Deal documentation.

- 3.2. As reported to Council on 22 October 2020, a revised delivery plan was presented to the Scottish and UK governments which outlined changes on the delivery plan as a result of the COVID-19 pandemic. The revised delivery plan and associated financial profile was formally agreed by the Stirling & Clackmannanshire City Region Deal Joint Committee on 17<sup>th</sup> December, noting that spend across the Deal was forecast to outstrip the available grant allocation in Years 3 and 4 of the Deal.
- 3.3. No grant allocation for Year 1 (FY 2020/21) has been drawn down by partners and so the Year 1 grant (£8.2m) is treated as underspend and would be reallocated by Scottish Government to later years of the Deal.
- 3.4. Councillor Forson, in her role as Chair of the Joint Committee, together with the Leader of Stirling Council, subsequently met with Cabinet Secretaries Mr Matheson and Ms Forbes and an agreement was reached on the redistribution of Year 1 grant to Years 3 and 4 of the Deal. This has the effect of smoothing the profile in those years, reducing the financial impacts on Deal partners.
- 3.5. The Joint Committee also approved a recommendation for the partnership to seek the issue of the Year 2 (Financial Year 2021/22) grant offer letter for £9.8m to enable partners to progress with project activity in Year 2, including the advancing 5 projects in the Deal to Full Business Case. This would enable draw-down of project expenditure to date for these projects, with future expenditure quarterly in arrears thereafter.
- 3.6. The Grant Offer Letter, which is issued annually to Regional Partners, is the legal document that ties the partnership to delivery and spend in that Financial Year. A Draft Offer of Grant for year 2 of the Deal has been issued by the Scottish Government and is due to be considered at the Joint Committee meeting of 11 May.

### **Governance**

- 3.7. Council has delegated authority for the City Region Deal decision making to the Joint Committee. The Joint Committee has approved a governance structure which supports the deal progress and this has been agreed by Scottish and UK Governments.
- 3.8. One aspect of the governance arrangements which is required is a Tripartite Agreement between Clackmannanshire Council, Stirling Council and Stirling University. A draft agreement is being prepared and this agreement takes account of government requirements for the lead authority, the approach in other deals and best practice.
- 3.9. The Tripartite agreement is essentially a contract between the partners. The current draft summarises the governance arrangements which have already been approved, sets out the responsibilities of the Lead Authority (Stirling Council), sets out the process for spend of budget once approval of the budget has been agreed by Council, and makes provision for range of other standard contractual provisions including dispute resolution, indemnity, insurance and confidential information. Given the contractual and operational nature of the document it would be most appropriate for the finalisation of this agreement to be negotiated by officers and then signed off by the Chief

Executive. The Joint Committee will also be kept up to date with the progress of this work. .

- 3.10. From 1 April 2021, the hosting of the Regional Programme Management Office will transfer from the University of Stirling back to the lead authority Stirling Council. A set of design principles has been agreed which will ensure that the RPMO will operate as an independent unit, reporting to the Chief Officer Group, and thereby to the Joint Committee.
- 3.11. Funding for the operating costs of the RPMO will be shared equally across the three Deal partners. Members will be aware that Council agreed funding of £100k per annum over the three year period from 2021/22 to 2023/24.

### ***Business Cases, 2020-21***

- 3.12 Year 2 of the Deal marks a transition from the necessary initial focus on implementing Deal governance to more delivery oriented activity, with a number of business cases scheduled to be progressed during the course of the year. Progress with individual projects and programmes is set out in paragraphs 3.13 to 3.37 below and officers are also seeking to hold a City Region Deal members briefing before the summer recess.
- 3.13. The **Skills and Inclusion Programme** Outline Business Case was approved by Joint Committee on 9 March 2021. This programme represents £1.9m of Scottish Government funding to help harness the opportunities offered by the City Region Deal in order to promote equality, address inequality and maximise the economic benefits it offers to the residents of the city region. In doing so, employers providing fair work opportunities will have access to a well prepared and well skilled pool of labour. The Programme consists of two complementary projects:
  - Flexible Skills
  - Inclusion Workers and Investment Fund.
- 3.14. The next stage in the business case journey, agreed with Scottish Government, is for Full Business Cases (FBCs) for each of the two projects: Flexible Skills Project and, Inclusion Workers and Investment Fund project.
- 3.15. Clackmannanshire Council lead the Skills & Inclusion Programme and are leading on the development of the Flexible Skills Project and Stirling Council is leading the development of the Inclusion Workers and Investment Fund project.
- 3.16. Whilst the projects remain overall as set out in the OBC, partners are taking the opportunity, through the FBC journey to ensure that the projects maximise opportunities to support economic recovery from the COVID pandemic. The Flexible Skills Project, for example, will highlight groups particularly badly impacted over the last year and proposes that digital and green skills should be the immediate priority skills areas. Likewise the Inclusion Workers and Investment Fund Project will bring additional resource to support vulnerable residents across the region to remain engaged with employability and help prevent them being further left behind. It will support residents to develop a range of capabilities which will prepare them for opportunities arising through economic recovery, including those stimulated by the Deal.

- 3.17. The **Regional Energy Masterplan** Outline Business Case was approved by Joint Committee on 9 March 2021. The Stirling and Clackmannanshire City Region Deal submission had a strong focus on energy as a theme and, in particular, the importance of sustainable energy systems, in line with Scotland's world-leading carbon reduction targets. In recognition of this, the bid was successful in obtaining Scottish Government funding of £200K for developing a Regional Energy Masterplan as part of the City Region Deal.
- 3.18. The Regional Energy Masterplan will be a whole-system energy approach in the form of a road map and will identify strategically important energy projects and activities, which are prioritised based on agreed weighting in line with local and national priorities and targets. These projects and activities will be sufficiently broken down into 5-year timeframes over a 25-year period.
- 3.19. The implementation of the Regional Energy Masterplan will support inclusive growth and provide equality of opportunity through the creation of employment opportunities; assisting in the alleviation of fuel poverty; and empowerment of communities through facilitation, skills development and education; to ensure economic growth and benefits are distributed fairly across society and that opportunities are created for all our residents.
- 3.20. Progress with the Regional Energy Masterplan is especially important in the light of the COVID-19 situation. The potential of low carbon and renewable energy in creating new jobs and attracting new business into the area will very much be part of the area's economic recovery plan.
- 3.21. Community wealth building principles will be integrated into the development of the Regional Energy Masterplan. This will ensure a community-centred approach to local economic development, redirecting wealth and opportunities back into the local economy, and placing direct benefits into the hands of local people.
- 3.22. The **Walk, Cycle, Live Stirling** Outline Business Case has been developed and has been submitted to the government endorsement process. It is anticipated that the OBC will be submitted to Joint Committee on 11 May and the Full Business Case to Joint Committee on 8 June 2021.
- 3.23. The Outline Business Case for Phase 1 of **Scotland's International Environment Centre** has been developed and submitted to the government endorsement process. It is anticipated that the OBC will be submitted to Joint Committee on 11 May and the FBC to Joint Committee on 8 June 2021.
- 3.24. This is one of the key projects for Clackmannanshire, with the Council and the University of Stirling working together as lead partners for the SIEC. Partnership governance arrangements are being defined, and further details of these, together with further information on Phase 1 of the project will be reported to Council at its June meeting. This will be supplemented by a specific members briefing on SIEC by senior officers of the Council and the University of Stirling.
- 3.25. Scotland's International Environment Centre (SIEC) will create an 'innovation community' in the Forth Valley that will drive the creation of a net zero regional economy and stand as a global exemplar. Through innovation and partnership, SIEC will deliver transformational change in sustainable business

practice, in order that the protection and enhancement of our natural resources becomes an enabler of economic prosperity, just transition, and wellbeing.

- 3.26. SIEC will bring together a broad spectrum of academic researchers, talented students and external partners from industry, the SME community and government (including regulators) and regional stakeholders. It will co-develop innovative products and services offering solutions that will help tackle and mitigate the inevitable impacts of climate change, support the transition to a net zero economy and protect our natural environmental assets. With potential for global and cross-sector application, SIEC will support innovation at scale within key industries including water, energy, transport, food production and the circular blue economy.
- 3.27. The investment in the overall SIEC programme is up to £17 million from the Scottish Government and up to £5 million from the UK Government. However, due to the impact of the COVID-19 pandemic, the revised SIEC implementation plan sets out two distinct project phases. Phase 1 of SIEC has been developed as a 'programme of action' to establish early operational activity and a physical presence within Alloa. Phase 1 investment is for £10m and comprises:
- Full scale development of the Forth Environmental Resilience Array including data analytics centre and visualisation hub; the first key components of the Centre of Excellence that will drive the SIEC innovation community;
  - Fast start of the Business Accelerator to stimulate business innovation and support the Green Recovery from COVID-19.
- 3.28. The Forth Environmental Resilience Array (Forth-ERA) will provide a single point of access to environmental data and analytics for the Forth Valley region to facilitate world-leading scientific research, promote more efficient environmental management and regulation, and stimulate business innovation in support of Scotland's transition to a net zero carbon society. It is expected that the services provided by Forth-ERA will support a wide range of applications and users including agriculture, fisheries, shipping and navigation, biodiversity and conservation, oil and gas, renewables and low carbon, green tourism, local and national governance, and public health.
- 3.29. The web-based software platform and toolkit at the core of Forth-ERA will provide access to live data streams and analytics from sensor networks, satellite imagery and model simulations via a single intuitive client interface accessible from desktop, tablet or mobile devices. Forth-ERA will exploit 5G cellular network technology to enable high-volume data telemetry from a large number of distributed sensors, including high-definition video, while simultaneously permitting equally large volumes of data to be live streamed to users in the field supporting innovative applications such as the use of augmented reality (AR) in the natural environment.
- 3.30. The aim of this project is to demonstrate the capacity of the Forth-ERA platform to support four use cases: (1) monitoring water quality in drinking water reservoirs; (2) real-time monitoring of bathing water quality; (3) early warning and monitoring of floods; and (4) demonstrating environmental

compliance in the brewing and distilling sector. The flood monitoring use-case will focus on the full catchment of the River Forth and the other use-cases will focus on the River Leven sub-catchment.

- 3.31. Conversations are taking place with Scotland's 5G Centre to explore synergies between Forth-ERA and the proposed 5G innovation hub which is also being located in Alloa, with co-location of the two initiatives looking more and more likely.
- 3.32. The **Digital District Phase 2** Outline Business Case has been developed and submitted to the government endorsement process. It is anticipated that the OBC will be submitted to Joint Committee on 6 July 2021.
- 3.33. The Digital District Phase 2 project will deliver significant, inclusive economic growth through accelerated business development, job creation, skills development, inward investment, talent retention, international trade and entrepreneurial innovation across a key sector.
- 3.34. The investment will provide high quality business space and development of skills at digital hubs in Callander, Cowie and Clackmannanshire to enable growing companies in the digital sector to stay local and create new and exciting opportunities across the region.
- 3.35. All of this will be supported by a programme of skills development and training, involving businesses, schools, Forth Valley College, University of Stirling and local partners. Research into relevant successful examples of innovative environments in other regions shows that entrepreneurial businesses in growth sectors require a range of types of space which suit their ethos and culture whilst enabling them to be part of a co-working group also with a clear identity. With support from the Skills and Inclusion programme, a 'Skills Pathway Plan' will be developed which will ensure that the opportunity to develop digital skills at all levels and address digital exclusion will be maximised.
- 3.36. The capital cost of the project is expected to be £4m – £2m to be invested in a new digital hub in Stirling and £2m to be invested in hubs in Callander, Cowie and Clackmannanshire.
- 3.37. The OBC for the **Culture Heritage Tourism Programme** is under development and will be submitted to the government endorsement process towards the end of April. It is anticipated that the OBC will be submitted to Joint Committee on 6 July 2021.
- 3.38. Monthly meetings of the Stirling and Clacks officer level delivery group are taking place which include two Scottish Enterprise tourism officers. A Programme Board has been established and its first meeting took place in February 202. Recruitment of a Programme Board Chair is currently underway. Focus at a Clacks level has been on pulling together a set of projects for its share of the £15m fund. Scottish Enterprise has been assisting the Council and tourism consultants have been brought on board to accelerate this process and provide additional expertise. Three themed virtual workshops around Hills and Glens, Heritage and The River took place in November 2020 and a wide range of stakeholders took part. Whilst the work of the consultants is not yet complete, key emerging project ideas are

adventure tourism and brewing/distilling heritage. Clear links with other CRD projects are also being made, in particular, Active Travel and the SIEC.

#### 4.0 Sustainability Implications

- 4.1. Environmental and financial sustainability considerations form a key part of the Deal Benefit Realisation Plan and all business cases must demonstrate clear links to the agreed outcomes.

#### 5.0 Resource Implications

##### 5.1. *Financial Details*

- 5.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes

- 5.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes

##### 5.4. *Staffing*

5.5.

#### 6.0 Exempt Reports

- 6.1. Is this report exempt? Yes  (please detail the reasons for exemption below) No

#### 7.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

- (1) **Our Priorities** (Please double click on the check box )

- Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all
- Our families; children and young people will have the best possible start in life
- Women and girls will be confident and aspirational, and achieve their full potential
- Our communities will be resilient and empowered so that they can thrive and flourish

- (2) **Council Policies** (Please detail)

## 8.0 Equalities Impact

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes  No

## 9.0 Legality

9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

## 10.0 Appendices

10.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

None

## 11.0 Background Papers

11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes  (please list the documents below) No

### Author(s)

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### Approved by

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