



LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

AGENDA

8th Meeting, 2019 (Session 5)

Wednesday 13 March 2019

The Committee will meet at 9.45 am in the James Clerk Maxwell Room (CR4).

1. **Decision on taking business in private:** The Committee will decide whether to take items 4 and 5 in private.
2. **City region deals:** The Committee will take evidence from—
 - Nikki Bridle, Chief Executive, and Garry Dallas, Strategic Director of Place, Clackmannanshire Council;
 - Carol Beattie, Chief Executive, Stirling Council;
 - Councillor Shona Haslam, Leader, Scottish Borders Council, representing Edinburgh and South East Scotland City Region Deal;
 - Andy Nichol, Head of Programme Management Office, Edinburgh and South East Scotland City Region Deal;
 - Karen Yeomans, Executive Director (Economy and Communities), North Ayrshire Council;
 - Jim Valentine, Member, Management Group, Tay Cities Deal.
3. **Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill:** In advance of consideration of Stage 2 amendments on the Bill, the Committee will take evidence on proposals in relation to adjusting the Minimum Income Standard from—
 - Kevin Stewart, Minister for Local Government, Housing and Planning, Anne Cornelius, Fuel Poverty Bill Team Leader, and Ailie Clarkson, Statistician, Scottish Government.
4. **City region deals:** The Committee will consider the evidence heard earlier in the meeting.

5. **Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill:** The Committee will consider the evidence heard earlier in the meeting.

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The papers for this meeting are as follows—

Agenda item 2

Note by the Clerk

LGC/S5/19/8/1

PRIVATE PAPER

LGC/S5/19/8/2 (P)

Agenda item 3

Note by the Clerk

LGC/S5/19/8/3

PRIVATE PAPER

LGC/S5/19/8/4 (P)

Local Government and Communities Committee

8th Meeting 2019 (Session 5), Wednesday 13 March 2019

City Region Deals: Note by the Clerk

Purpose

1. This paper provides background information on the Committee's evidence session with representatives of the Stirling and Clackmannanshire City Deal, the Edinburgh and South East Scotland City Region Deal, the Tay Cities Deal and North Ayrshire Council.
2. The [Scottish Government explains](#) that City Region Deals are agreements between the Scottish Government, the UK Government and local government designed to bring about long-term strategic approaches to improving regional economies. Each deal is tailored to its city region, reflecting its individual economic strengths and weaknesses, and comprises a programme of interventions to support positive, transformative change.
3. Further background on City Region Deals can be found here:
 - [Scottish Parliament Information Centre \(SPICe\) briefing on City Region Deals](#) (15 March 2017)
 - [Scottish Parliament Information Centre \(SPICe\) Overview Update on City Region Deals](#) (1 November 2017)
 - [Accounts Commission/Audit Scotland briefing paper – City Deals Overview](#) (May 2016)

Local Government and Communities Inquiry

4. At its meeting on 22 March 2017 the Committee agreed to undertake [an inquiry into City Region Deals](#). The remit of the inquiry was:

To explore rationale, prioritisation and value for money in relation to city region deals, including the progress to date of city region deals in delivering job creation and economic growth, and the structure and governance of city region deals in Scotland.

5. On 2 April 2017 the Committee launched its call for views. A total of [39 written submissions were received and published](#). The Committee, undertook a number of evidence sessions with relevant stakeholders during November 2017. These culminated with a joint evidence session with Lord Duncan of Springbank, Parliamentary Under Secretary of State for Scotland, UK Government and Keith Brown, then Cabinet Secretary for Economy, Jobs and Fair Work, Scottish Government, on 22 November 2017. The Committee also went on a fact finding visit to Glasgow Airport.

6. The Official Report and associated papers for these meetings and for the fact-finding visit are available on the Committee's webpage here:

<https://www.parliament.scot/parliamentarybusiness/CurrentCommittees/104236.aspx>

Committee Report

7. The [Committee's report](#) was published on 8 January 2018. As deals were then still at an early stage, the report's conclusions and recommendations focused on where improvements could be made to governance, project selection, monitoring and evaluation, and in relation to co-ordination with other government programmes.
8. The Scottish Government [responded to the Committee's report](#) on 13 March 2018. The [UK Government responded](#) on 10 April 2018. There was a [Chamber debate on 27 March 2018](#). The Committee then agreed to continue to monitor the progress of City Region Deals over the rest of this Parliamentary session, focussing on:
 - Progress of delivery
 - Selection processes and transparency
 - Coverage and displacement
 - Monitoring and evaluation

Further evidence sessions

9. The first of this next round of evidence sessions took place with Keith Brown, then Cabinet Secretary for Economy, Jobs and Fair Work at the Committee meeting on 13 June 2018. The UK Government was invited, but a Scotland Office Minister was unable to attend on that date. The Official Report for this evidence session is available on the Committee's webpage here:

<http://www.parliament.scot/parliamentarybusiness/report.aspx?r=11602&mode=pdf>
10. The Committee then agreed to invite representatives of the Glasgow and Stirling/Clackmannanshire Deals (the latter newly agreed) and to renew its invitation to the Scotland Office to give evidence. Due to legislative and other commitments, the Committee was not able to continue its scrutiny during the remainder of 2018.
11. On 23 January 2019, the Committee agreed to resume scrutiny of City Region Deals, hearing first from the representatives of the Glasgow Deal, the first Scottish Deal, and the only Scottish Deal in "Cohort 1" of UK deals, and then from representatives of more recent deals at a later meeting. The Committee also agreed that it would be useful to hear from a representative of council that is not a signatory to a City Deal, further agreeing to issue this invitation to North Ayrshire Council.

12. Accordingly, on 27 February, the Committee took evidence from—

- Susan Aitken, Leader Glasgow City Council and Chair of the Glasgow City Region Cabinet and Kevin Rush, Director of Regional Economic Growth
- Joyce White, West Dunbartonshire Council Chief Executive of West Dunbartonshire Council
- Graham Thom, Managing Director and John Nolan, Associate Director, SQW

13. (SQW, an economic consultancy, are part of the National Evaluation Panel (NEP) currently assessing the economic impact of the first cohort of Deals.) The Official Report and papers for the Session are available here:

[Link to papers for meeting on 27 February 2019](#)

[Link to Official Report of meeting on 27 February 2019](#)

14. At its Committee Meeting on 13 March, the Committee will take evidence from representatives of remaining organisations agreed at the 23 January meeting—

- Councillor Ellen Forson, Leader, and Nikki Bridle, Chief Executive, Clackmannanshire Council;
- Carol Beattie, Interim Chief Executive, Stirling Council;
- Shona Haslam, Leader, Scottish Borders Council, representing the Edinburgh and South East Scotland City Region Deal.
- Andy Nichol, Head of Programme Management Office, Edinburgh and South East Scotland City Region Deal.
- Karen Yeomans, Executive Director (Economy and Communities), North Ayrshire Council;
- Jim Valentine, Member, Management Group, Tay Cities Deal.

Next Steps

15. There will be an opportunity at the end of the 13 March meeting for the Committee to discuss the evidence it has just heard, and next steps.

16. The Committee intends to take evidence from the Secretary of State for Scotland (UK Government) and the Cabinet Secretary for Transport, Infrastructure and Connectivity (Scottish Government) later in the year.

ANNEXE A

Written Submission from Clackmannanshire Council

Clackmannanshire Council welcomes the opportunity to share information with the Committee on the progress of the governance arrangements for the Stirling and Clackmannanshire City Region Deal (CRD). It is understood that the Committee will also be considering the economic output being achieved by the longer-established deals, and consideration of whether deals had achieved measurable economic growth or whether those deals caused economic displacement, to the detriment of non-deal areas. The Stirling and Clackmannanshire CRD is at the very early stages with our final deal due to be signed off in the coming months. Therefore this paper will focus on how the two local authorities have worked together to align their governance arrangements so that the deal delivers for the region.

Background

The potential for Clackmannanshire to be involved in the CRD was initially explored with [Council in September 2016](#). The Heads of Terms agreement was signed by regional partners and the Scottish and UK Government in May 2018 and a summary of the deal is provided below.

Theme/Project	Scottish Government Contribution (£M)			UK Government Contribution (£M)			Combined Government Contribution (£M)		
	Clackmannanshire	Stirling	Regional	Clackmannanshire	Stirling	Regional	Clackmannanshire	Stirling	Regional
Innovation									
Scotland's International Environment Centre	17.0			5.0			22.0		
Aquaculture Hub for Innovation					17.0			17.0	
Digital									
Digital District		2.0						2.0	
Digital Exclusion			2.0						2.0
Culture & Tourism									
Capital Investment			15.0						15.0
Scottish Tartan Centre					10.0			10.0	
Skills & Inclusion									
Regional Skills & Inclusion Programme			1.9						1.9
Lone Parents				0.1			0.1		
Infrastructure									
Forthside MOD Land					5.0			5.0	
Transport, Connectivity & Low Carbon									
Active Travel			7.0						7.0

Regional Energy Masterplan			0.2						0.2
Clackmannanshire									
Capital Projects				8.0			8.0		
TOTAL PER AREA	17.0	2.0	26.1	13.1	32.0		30.1	34.0	26.1
TOTAL PER GOVERNMENT	45.1			45.1			90.2		

The first report focussed on governance arrangements was prepared for the Council meeting on [23 August 2018](#). [A copy of the report is included](#). This report was prepared to mirror similar arrangements to those which Stirling Council had agreed at its meeting in June 2018.

In preparing the paper other regions who had been awarded deals were consulted in terms of lessons learned from the development of their governance structures. In addition officers were provided with information by government officials on what the deal requirements would be in terms of governance so that the structure would support those requirements.

At its meeting in August 2018 Clackmannanshire Council agreed to

- Establish a Joint Committee with Stirling Council to be known as the Stirling & Clackmannanshire City Region Deal Joint Committee, to oversee the governance arrangements for the City Region Deal and approve the establishment of the wider governance framework as set out in this report.
- Approve the Joint Committee's Terms of Reference and governance arrangements as set out in this report.
- Appoint three members of Council (the Leader, Depute Leader and Leader of Opposition) to the Joint Committee, and appoint three Council members as substitutes.
- Note that the Clackmannanshire Commission will nominate one private sector member of the Commission to be a member of the Joint Committee.
- Appoint two members of Council, (Leader and Depute Leader of the Council) and up to two substitute members, to the Stirling and Clackmannanshire Regional Economic Advisory Board and to delegate authority to the Strategic Director of Performance to finalise any other aspects of the establishment of the Joint Committee in consultation with the Leader and Depute Leader of Council and the Leader of the Opposition.

Joint Committee

Since the Joint Committee was established it has met on one occasion in December 2018 and at that meeting it agreed its standing orders. A programme of meetings has now been agreed to allow the Joint Committee to take the required decisions to allow the CRD to progress.

Clackmannanshire Commission

Clackmannanshire Council also established a Commission in August 2018 to replicate the arrangements which Stirling had with its long established Stirling Commission.

However in [February 2019 Clackmannanshire Council](#) took the decision to disestablish its Commission and to form a joint Commission with Stirling. Stirling Council has agreed a similar position. This development will ensure that there is a regional focus adopted by the Commission and that the partnership approach with CRD partner will be properly embedded.

Current position

Clackmannanshire Council received a paper at its February meeting providing an update on all of the governance arrangements. The paper is available here:

<https://www.clacks.gov.uk/document/meeting/1/858/6240.pdf>

In addition work has begun on a programme risk register, consideration of audit arrangements and data sharing, although some of these matters are at the early stage of development.

Finally colleagues in Stirling are developing the Regional Assurance Framework, based on a Framework adopted by a previous deal. This Framework will incorporate the agreed governance arrangements.

Conclusion

Clackmannanshire Council is developing its governance arrangements for the CRD and has made good progress with partners in Stirling Council in agreeing complementary structures. The new regional Commission is an early success for ensuring that the deal provides the necessary regional focus.

ANNEXE B

Written Submission from Edinburgh and South East Scotland City Region Deal**1) Background**

The Edinburgh and South East Scotland City Region Deal partners last submitted written evidence to this Committee in April 2017.

Heads of Terms for the City Region Deal were signed between city region partners, Scottish Government and UK Government in July 2017. The [Heads of Terms](#) specified the scale of the Deal (£300 million from each Government plus partner contributions) and listed the projects that would be funded across five themes: Innovation, Skills, Transport, Culture and Housing.

A parliamentary debate then took place in November 2017, where Cllr Adam McVey (Leader of the City of Edinburgh Council and now Convenor of the Joint Committee), Cllr David Ross (Co-Leader of Fife Council) and Andrew Kerr (Chief Executive of the City of Edinburgh Council) gave evidence.

The [Deal Document](#) was agreed and signed between partners and both Governments in August. This contained: more detailed information on the programmes and projects within the five themes; a narrative on how partners intend to ensure and demonstrate inclusive growth across the region; and a comprehensive governance framework, including detail on reporting, accountability and change.

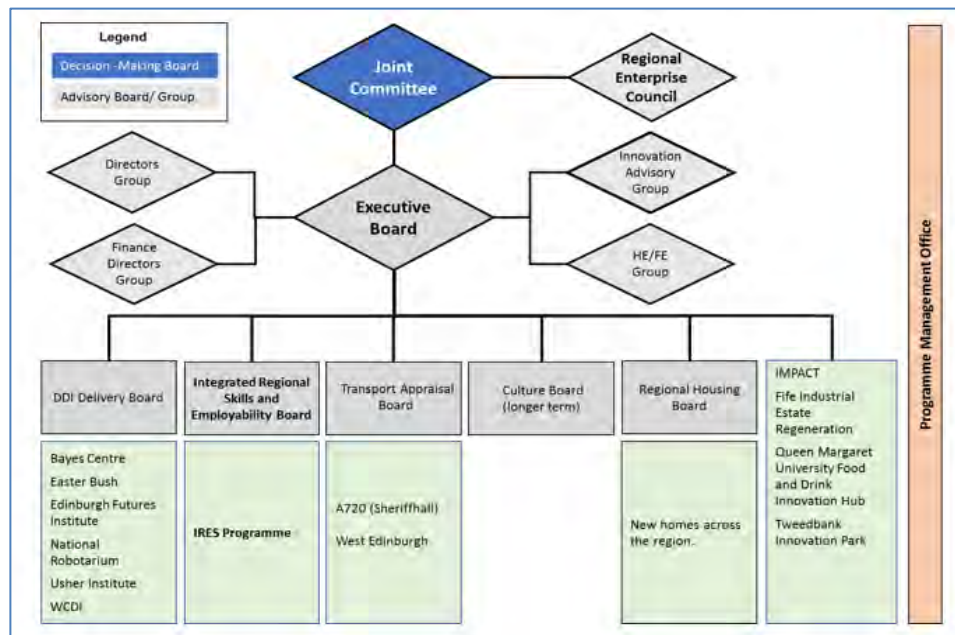
2) Current Status

Since the signing of the Deal in August 2018, significant progress has been made. Partners have focused on: establishing the governance framework; finalising business cases; agreeing the grant drawdown process with Government; developing the inclusive growth framework, including adopting a shared approach to community benefits in procurement and agreeing the reporting process with Government.

a) Establishing the Governance Framework

The agreed Governance Framework within the Deal Document is shown in Figure 1. This is subject to review every six months:

Figure 1: ESESCR Deal Governance Framework Summary Diagram



Since the signing of the Deal Document, much of this structure is now in place:

- The **Joint Committee** has been formed and has met three times, most recently on 1 March 2019.
- The **Regional Enterprise Council** has been recruited and formed. It comprises 16 individuals representing a range of sectors within the business and third sector across the region.
- The **Executive Board** and **Directors' Group** meet monthly and are currently focusing on: scrutinising the business cases prior to Joint Committee consideration; establishing second-tier Governance and seeking future cross-regional opportunities to maximise the value of the Deal's investment across the region.
- The **Integrated Regional Employability and Skills (IRES) Board** has been formed. It has approved three of seven project propositions within the IRES programme, which have since been approved by Joint Committee
- On 1 March, the Joint Committee approved the establishment of the **Regional Transport and Housing Boards**, both of which are expected to be formed and have held their first meetings by April 2019.

a) **Business Cases and Financial Drawdown**

Programme business cases, project business cases and project propositions amounting to a total of £652 million of the £1.3 billion in the City Region Deal have been finalised and approved by Government and the Joint Committee.

The Grant Offer letter has been agreed between partners and Government, allowing financial drawdown to commence for some of these projects within the financial year 2018/19.

b) Inclusive Growth and Equalities

An inclusive growth framework is included within the Deal Document. This specifies five key interventions that will work towards ensuring that the benefits of the City Region Deal investment are shared as widely as possible. Performance indicators for these will be included within the reporting schedule agreed with Government (see Section 2d) and based on the advice of Scotland's Centre for Regional Inclusive Growth to ensure consistency with other Deals across Scotland and alignment with the new National Performance Framework. The indicators will measure the delivery of inclusive growth through the City Region Deal, including the impact on the equality of opportunity through consideration of protected characteristics.

Since the signing of the Deal Document, the Equalities and Human Rights Commission have helpfully been advising the PMO on how equalities are being addressed throughout the business cases that were being considered. Johanna Boyd and Chris Oswald from the EHRC presented their recommendations for this region to the Joint Committee on 1 March (webcast available via [this link](#)). City Region Deal partners will continue to work with the EHRC, and are currently working to:

- Ensure that each business case clearly and realistically illustrates how funding that project will result in a more inclusive, equal and diverse growing economy and;
- Be more explicit about the equalities outcomes to be delivered through each project, particularly on those with protected characteristics.

c) Shared Approach to Community Benefits in Procurement

One of the five interventions in the inclusive growth framework is for partners to develop a shared (delivery and benefits) approach for City Region Deal projects including consistent community benefit clauses. The Executive Board agreed in January 2019 that all partners, (local authorities and universities) will adopt this approach. The PMO has drafted a paper showing the region's community benefits model question and content menu which can be scored or used as mandatory. It is also considering the use of a shared IT system to capture record and manage community benefits in the City Region Deal projects. Once agreed at Executive Board, this strand of work will be incorporated into the Integrated Employer Engagement Proposition within the IRES programme, to be submitted for approval by the Joint Committee in June 2019. This will be reviewed as part of phase 1 as part of City Region Deal programme evaluation processes. Opportunities to enhance and roll out the approach wider (beyond City Region Deal projects) will then be considered.

d) Reporting

Principles for reporting on progress to Government were agreed within the detailed document. A more detailed schedule has recently been received from Government. City Region Deal partners are now working on an approach to reporting that is sufficiently comprehensive and to ensure that all deadlines are met, prior to the annual conversation in autumn 2019.

Written Submission from North Ayrshire Council

Introduction

North Ayrshire Council welcome the invitation to provide evidence to the Local Government and Communities Committee regarding City Region Deals. NAC have been asked to contribute as a Council area that has not yet benefited from a Deal. The £240m Ayrshire Growth Deal (AGD) – Scotland’s first non-city Deal – was announced by both the Scottish and UK Government in January 2019 after over three years of joint working between the Ayrshire Councils and wider stakeholders. We are now working with both Governments to move to a Heads of Terms as quickly as possible. NAC welcome this opportunity to offer our reflections from the experience of a ‘non-city’ Deal area.

Regional Inequality and Inclusive Growth

In our previous Ayrshire Growth Deal submission to the Committee on its City Region Deals inquiry in 2017, we stated that:

‘City region/growth deal projects can unlock private sector investment that would not occur without the public sector creating the conditions for growth. This is particularly true for regions like Ayrshire that have struggled to obtain investment following periods of industrial decline despite having key sectors such as aerospace and life sciences with the potential for growth... Areas which are not part of city regions but offer significant growth opportunities, particularly around key sectors, that develop innovative proposals to accelerate regional growth should be given the same level of attention as city region deals have achieved.’

Stark levels of regional inequality in the UK have been well-documented, however this is also an issue impacting the Scottish economy and our ambitions of inclusive growth. The Fraser of Allander Institute (2018) have recently highlighted this in their economic commentary: GVA per head in Edinburgh is nearly 2.5 times higher than in East and North Ayrshire. In the past 20 years this gap has widened – GVA per head in Edinburgh has nearly doubled since devolution, with growth in East and North Ayrshire around half that rate.

Scottish Government’s Economic Strategy (2015) states that uneven growth is evident within Scotland, with the gap in output per person between Edinburgh and East & North Ayrshire highlighted as a specific example. In 2018, at an SCDI Forum, the First Minister said that regional inequality is larger than Scottish Government would like. This ‘regional gap’ was also picked up in a report on Scotland’s economic performance

in June 2018 by Scottish Parliament's Economy, Jobs and Fair Work Committee Inquiry. The Committee made the recommendation that: 'it is vital that the gap between low-performing and high-performing regions in Scotland is reduced.'

We welcome this recommendation by that Committee and believe it aligns with the recommendation of this Committee in its 2018 report on City Region Deals which states:

'It is perhaps unfortunate that the name of these initiatives suggests that any such investment must be targeted only at Scotland's cities and their surrounding regions.

Whilst we understand that there are great gains to be made in our major urban conurbations, this cannot be at the expense of other towns in Scotland, some of which are larger in population terms than some of our cities, or of our more remote and rural areas...

In this respect, we welcome the recent developments in relation to the Ayrshire Growth Deal and the work underway through the Borderlands Initiative or as part of the Islands Bill. It is important though that these initiatives are not the 'poor cousins' of City Region Deals.'

NAC also note and welcome the Committee's previous recommendation for the City Region Deal Delivery Board to focus on any displacement caused by Deals.

Despite this Committee's focus on City Region Deals, we believe regional inequality is an issue beyond the Deal process. Although the Scottish Government's priority is that of inclusive growth, we believe there have been policy and investment decisions targeted at cities and other regions which have not prioritised inclusive growth rationale or areas of greatest need.

The new South of Scotland Enterprise Agency will have powers and the ability to tailor significant programmed levels of government and other finance to transform the South of Scotland economy. It will be critical to ensure that support targeted towards the South of Scotland does not lead to displacement of investment or employment opportunities from Ayrshire's regional economy. East and North Ayrshire have lower GVA, lower employment and lower jobs density than Dumfries & Galloway and Scottish Borders. This is not to argue against support for South of Scotland. It is simply to highlight the demonstrable need for Ayrshire to be given investment, and the ability to tailor significant levels of government and other finance to transform our regional economy.

Medicines Manufacturing Innovation Centre (MMIC) example

NAC can cite a specific example of where we have been impacted by not having a Deal and have been disadvantaged by not being part of a city region.

The Council was notified on 15 June 2018 that the i3 Strategic Investment Campus in Irvine was unsuccessful in bidding for a Medicines Manufacturing Innovation Centre (MMIC). This project was a key component of the Ayrshire Growth Deal (AGD) and indeed the future of Irvine as one of Scotland's leading life science locations. It also linked closely to a potential Tax Incremental Finance (TIF) scheme at i3 which the Council were exploring with Scottish Futures Trust (SFT).

The Council had been working for over three years to secure this investment and, with our then Urban Regeneration Company – Irvine Bay, had invested £10m in site infrastructure to make it ready for new investment such as MMIC and other manufacturing and life science companies that would want to locate next to and access MMIC facilities.

The letter from the MMIC delivery partners (Centre for Process Innovation, GSK and AstraZeneca) stated that i3 'performed very strongly in respect of site readiness, financial terms, and availability of access and utilities proximate to the site' and that the Council's commitment 'to facilitating a swift planning process and delivering infrastructure was also commendable'. However the letter claimed that the proposal fared less well in relation to 'strength of vision and future development potential vis-à-vis a cluster of directly related activity' and this was where the preferred location, Inchinnan, had significant advantage.

The MMIC will be based at Inchinnan within the Advanced Manufacturing Innovation District and have supported infrastructure funded through the Glasgow City Region Deal. It will be adjacent to the Scottish Government new National Manufacturing Institute for Scotland (NMIS) and being part of this cluster of activity was a decisive factor for the delivery partners, as well as the opportunity for transport flexibility and proximity to academic interaction.

Scottish Enterprise will invest £15m in the MMIC, with total funding amounting £56m. The project will receive £13 million from the Industrial Strategy Challenge Fund. This funding is provided by UK Research and Innovation, through Innovate UK. The rest of the funding will come from private sector partners. The MMIS is expected to create 80 direct high value jobs. The project was led by the Medicines Manufacturing Industry Partnership (MMIP).

NAC were extremely disappointed at the decision to base the MMIC at Inchinnan. The partners have overlooked Irvine as a location despite compelling socioeconomic reasons, even though the project had significant public sector investment, including from Scottish Enterprise and Innovate UK. Whilst we appreciate the private sector influence in this decision, we believe this is a clear contradiction to the Scottish Government policy of inclusive growth – meaning all people and places can participate in growth – and also the UK Government's Industrial Strategy which aims to rebalance the UK economy given stark regional inequality.

Our life sciences proposal in Irvine is very strong, and is an Enterprise Area recognised by both the UK and Scottish Governments. With the support of large multi-national businesses, already located there, this would have allowed the MMIC to get up and running immediately.

The independent Fraser of Allander Institute (2018) have commented on this decision, stating:

‘In our view, given that the Scottish Government has made regional inclusive growth a priority, North Ayrshire should continue to press for recognition of the importance of national interventions to support economic development.

We have seen such challenges played out in recent months.

The decision to locate the new Medicines Manufacturing Innovation Centre (MMIC) close to Glasgow Airport might make sense from an agglomeration and connectivity perspective. But in terms of inclusive growth, it passed up an opportunity to support private sector activity and the creation of skilled jobs – as part of an Ayrshire Growth Deal – in an area of the country where such investment is needed.’

This is the second decision that has recently been made which conflicts with the policy of inclusive growth. Although not directly related to a Deal, North Ayrshire was recently overlooked as a location for the new Social Security Agency, where the local economy could have benefited from around 750 much needed new jobs, which will now be based in Glasgow and Dundee.

Lessons should be learned from the experience of choosing the location of the new Scottish Social Security Agency which used an assessment that was unfairly biased towards cities and city regions given their population base whilst also acknowledging that areas like North Ayrshire are most in need of investment and jobs (NA scored highest for the assessment’s inclusive growth ranking). The assessment methodology did not recognise that areas like NA contribute greatly to Scotland’s labour market.

Rebalancing the Scottish Economy

If the priority of the Scottish Government is inclusive growth then national Government policy, investment decisions, and resulting actions by Government agencies, need to change if regional inequality is to be tackled effectively. As part of this process, investment has to be targeted where there is most need, and where impact will be greatest.

We are, of course, delighted at the recent financial commitment from both the Scottish and UK Governments to the AGD which will have a transformative impact on the Ayrshire economy and act as a catalyst for further public and private investment. However we have to question why a decision was made by Governments to prioritise

Scotland's seven cities and agree their Deals first, ahead of non-city regions, such as Ayrshire, which had been working on their Deals for longer and had well developed Business Cases which had been shared with Governments.

Ayrshire Growth Deal

AGD brings together a wide-range of exciting projects that will have the biggest positive economic impact Ayrshire has ever seen. Targeted investment, coordinated throughout Ayrshire, will act as a powerful catalyst to stimulate growth, resulting in increased job opportunities and prosperity for Ayrshire, for Scotland and for the UK as a whole.

The vision is for Ayrshire to be ***'a vibrant, outward looking, confident region, attractive to investors and visitors, making a major contribution to Scotland's growth and local well-being, and leading the implementation of digital technologies and the next generation of manufacturing.'***

Projects across Ayrshire totalling around £240m will be developed in such a way that ensures inclusive growth is a key cross-cutting priority. Thanks to confirmed investment (as at January 2019) from both the UK and Scottish Governments – of £100 million each – with further funding to come from the three Ayrshire Councils, Ayrshire now has the opportunity to realise the area's potential and become a world-class business region for the aerospace and space, energy, marine, manufacturing and tourism industries.

Ayrshire Growth Deal partners have agreed that inclusive growth should be the cross-cutting priority of the AGD from an early stage. Successful economies are inclusive economies and tackling inequality will help ensure that the region is competitive in the global market and resilient to emerging trends and technologies in the economy.

The AGD was the first Scottish deal to place inclusive growth at its heart and Ayrshire has been viewed as a leader in this regard. We have taken an innovative approach to ensuring inclusive growth is the priority of the deal and its projects.

Inclusive Growth was included within assessment criteria for identifying the package of AGD proposals. In addition, each proposal has reflected on how their activity can be enhanced to ensure it is inclusive and what support may be required to maximise that impact – through working with the University of Glasgow, we have ensured that every project business case includes an 'Inclusive Growth Logic Chain'. The AGD projects aim to have an impact across the inclusive growth drivers which were identified as part of the Ayrshire Inclusive Growth Diagnostic (originally piloted in North Ayrshire in partnership with the Scottish Government's Office of Chief Economic Advisor (OCEA)).

Working alongside the University of Glasgow and Scottish Enterprise, we are now considering how the AGD projects are implemented in a way that maximises inclusive growth outcomes.

The regional approach to economic development within Scotland was endorsed by the review of Enterprise and Skills agencies, in particular through the identification of regional partnerships as a key work stream. Ayrshire Councils were invited by Scottish Government to collaborate in developing a Regional Pathfinder, to explore how regional partnerships can stimulate local economies and build inclusive growth. Ministers have since commended this approach across Scotland.

In 2018, the three Ayrshire Councils agreed to establish an Ayrshire Regional Economic Partnership – the first meeting of this exciting new Partnership will take place in April 2019 – and work to develop an Ayrshire Regional Economic Strategy has commenced. Over the past three years, Ayrshire partners have invested significant resource and commitment into developing this partnership and proposals to improve the Ayrshire regional economy, particularly the AGD.

Local Government and Communities Committee

8th Meeting 2019 (Session 5), Wednesday 13 March 2019

Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill – Development of a Remote Rural, Remote Small Town and Island Minimum Income Standard: Note by the Clerk

Introduction

1. This paper provides background information on the Committee's evidence session with the Minister for Local Government, Housing and Planning on [the Fuel Poverty \(Target, Definition and Strategy\) \(Scotland\) Bill](#), which was published on 26 June 2018. The session will focus on the Bill's provisions on the minimum income standard (MIS), as discussed below
2. In summary, the Bill—
 - sets a target to reduce fuel poverty to no more than 5 per cent of Scottish households by 2040;
 - sets out a definition of fuel poverty using a calculation which incorporates a MIS;
 - requires the Scottish Government to publish a fuel poverty strategy and sets out consultation requirements in relation to the strategy;
 - places interim reporting requirements on the Scottish Government on various matters in the years leading up to 2040.¹

Background

3. The Local Government and Communities Committee was appointed lead Committee in scrutinising the Bill at Stage 1 on 5 September 2018.
4. As part of its scrutiny of the Bill, between September and December 2018, the Committee undertook an [open call for views](#) which garnered [67 written responses](#). The Committee also undertook five public oral evidence sessions with stakeholders and experts, concluding with an evidence session with the Minister for Local Government, Housing and Planning on 19 December. As part of its evidence gathering, the Committee also visited [Dundee](#) and the [Western Isles](#) hearing directly from affected people about the different experiences of those facing fuel poverty in urban and rural/island communities.
5. The Committee published its [report on the Bill](#) on 29 January 2019 and the Scottish Government [provided a response](#) on 15 February 2019. The Committee's scrutiny of the Bill at Stage 1 concluded with a [debate on the Committee's Stage 1 report](#) held in the Chamber on 20 February 2019.

¹<https://sp-bpr-en-prod-cdnep.azureedge.net/published/LGC/2019/1/29/Stage-1-Report-on-the-Fuel-Poverty--Target--Definition-and-Strategy---Scotland--Bill/LGC-S5-19-02.pdf>

6. Further detail on the Committee's Stage 1 scrutiny of the Bill is available on the Committee's web-page here:

<https://www.parliament.scot/parliamentarybusiness/CurrentCommittees/109630.aspx>

7. The Legislation Team are currently accepting amendments to the Bill at Stage 2. A Stage 2 deadline is still to be identified and agreed by Parliament, after which a date or dates for Stage 2 consideration in the Committee will be announced.

Remote Rural, Remote Small Town and Island Minimum Income Standard

8. A key aim of the Bill is to establish a definition of fuel poverty which ensures that those who are categorised as being in fuel poverty are actually facing financial hardship. The new definition, therefore, seeks to more closely align fuel poverty with income poverty, by incorporating a MIS into the calculation categorising fuel poverty. This, the government states, should allow resources to be more effectively directed at those with the greatest need.² The definition currently set out in the Bill incorporates a UK-wide MIS which has been produced by the Centre for Research in Social Policy at Loughborough University, in conjunction with the Joseph Rowntree Foundation.
9. During the Committee's scrutiny of the Bill, it heard that the proportion of households in rural/island areas experiencing fuel poverty was higher than in most urban areas and above the national average. The Committee heard that one important reason for this was the higher general cost of living in these areas, particularly those areas in categories 4 and 6 of the Scottish Government Urban Rural Classification (islands, remote towns, and remote rural areas). Fuel poverty rates were especially high in areas not connected to the gas grid.
10. Whilst most evidence welcomed the incorporation of an MIS as providing a more accurate reflection of those facing actual fuel poverty, many argued that, for the purposes of the Bill, there should be an additional MIS for more remote communities. There were some concerns that without this revision, the proposed definition would not assist in targeting resources to those most in need in more remote areas³
11. Professor Donald Hirsch, Director of the Centre for Research in Social Policy at Loughborough University, which is responsible for the production of the UK MIS, confirmed that it would be possible to develop a separate MIS for island, remote towns and remote rural areas with "a modest amount of ongoing research to keep it up to date."⁴⁵

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[https://www.parliament.scot/S5_Bills/Fuel%20Poverty%20\(Target%20Definition%20and%20Strategy\)%20\(Scotland\)%20Bill/SPBill37PMS052018.pdf](https://www.parliament.scot/S5_Bills/Fuel%20Poverty%20(Target%20Definition%20and%20Strategy)%20(Scotland)%20Bill/SPBill37PMS052018.pdf)

³ https://www.parliament.scot/S5_Local_Gov/Inquiries/LGC_S5_18_FPB_23_TigheanInnseGall.pdf

⁴ https://www.parliament.scot/S5_Local_Gov/Inquiries/LGC_S5_18_FPB_03_DHirsch.pdf

⁵ <http://www.parliament.scot/parliamentarybusiness/report.aspx?r=11831&mode=pdf>

12. In its report, the Committee agreed with the balance of evidence on this issue and recommended that an additional MIS be introduced to calculate levels of fuel poverty in areas defined by categories 4 and 6 of the Urban Rural Classification.
13. The Scottish Government accepted the Committee's recommendation and the Minister for Local Government, Housing and Planning wrote to the Committee on 22 February 2019 (attached at Annexe A) setting out some options for the delivery of a Remote Rural, Remote Small Town and Island (RRRSTI) MIS. In his letter to the Committee he states that his preference is "option 3 as it is the most comprehensive option and is realistic and achievable". He also intimated that he would welcome the Committee's feedback on the options presented in advance of the tabling of amendments for Stage 2.

Next Steps

14. The Committee will take evidence from the Minister on options for a RRRSTI Minimum Income Standard at its meeting on 13 March 2019 and agree its next steps, if any. The Committee will consider amendments to the Bill, including any amendments on the MIS at a future meeting something in the Spring.

Written Submission from the Scottish Government of 22 February 2019

The Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill

In my response to the Committee's first stage report I said I accepted your recommendation that a Remote Rural, Remote Small Town and Island Minimum Income Standard be introduced. I also said I would examine the options and ask for your views.

I therefore enclose information on the 3 options I have examined for a Remote Rural, Remote Small Town and Island Minimum Income Standard. After having carefully considered these options, my preference is option 3 as it is the most comprehensive option and is realistic and achievable.

Before I take the final decision, I would be grateful for the views of the Committee on these options, or I can attend Committee to discuss if that is your preference. I would appreciate your feedback ahead of the time I will need to table amendments in Stage 2.

Kind regards

KEVIN STEWART

Annex**Remote Rural, Remote Small Town & Island (RRRSTI) Options
Minimum Income Standard (MIS)**

The Scottish Government has developed 3 options for the delivery of a Remote Rural, Remote Small Town and Island (RRRSTI) MIS. All of these options have been informed by information and advice provided by Professor Donald Hirsch, Director of the Centre for Research in Social Policy at Loughborough University, responsible for the production of the UK MIS.

There are some key underlying themes across the 3 options, reflecting the expert advice from Professor Hirsch:

- a) That the extensive research that goes into the production of the UK MIS can be utilised, as there are many common goods and services that will be required across various different household types across the whole UK.
- b) That the focus of additional work in Scotland for developing an RRRSTI MIS should be on identifying any differences in required goods and services and ensuring the pricing reflects additional costs faced by households living in these areas.
- c) That extensive primary research need only to be carried out periodically, with Professor Hirsch suggesting that every 8 years would be sufficient. A suggested starting date for this research would be 2020.
- d) That desk based analysis could be undertaken in intervening years to update the prices for basket of goods and services to take account of inflation.
- e) That collection of local price data every 2 years could be undertaken along with an analysis of impact of any changes to the UK MIS on RRRSTI areas.
- f) That the scheduling of primary research and analysis for the RRRSTI MIS could be aligned with scheduled updates to the UK MIS, which are staggered across years by main household types.
- g) There is much greater variation in MIS by main household types, which ought to be reflected in separate uplifts by household type.
- h) There is less variation in MIS by geographic area within RRRSTI, whereby an average compiled by sampling various locations within these areas would suffice for fuel poverty purposes.

The 3 options that have been developed take differing account of these key themes, which is also reflected in the indicative costs. These are presented in the table below.

It should also be noted that RRRSTI areas are defined by categories 4 & 6 of the Scottish Government Urban Rural Classification.

	Option 1	Option 2	Option 3
Using UK MIS as starting point then identifying price differences in remote rural, remote small town and island areas	✓	✓	✓
Using UK MIS as starting point then identifying specific basket of goods and services required in remote rural, remote small town and island	✓		✓
Exclusion of housing costs, domestic fuel bills & childcare costs - accounted for separately in Fuel Poverty definition	✓	✓	✓
Geographic coverage of remote rural, remote small town and island areas	✓	✓	✓
Single uplift - suggested at 110% of UK MIS (to be updated in 2020)	✓		
Separate Household Type uplift by 3 main groups: working age, pensioner, families (to be calculated based on previous research and re-based following extensive research in 2020 for Option 3)		✓	✓
Annual updating of prices for inflation	✓	✓	✓
Biannual updating and collection of prices from local stores in RRRSTI areas and analysis of impact of any changes to UK MIS		✓	✓
Extensive primary research every 8 years	✓		✓
Suggested date of extensive primary research	2020		2020
Total indicative cost for an 8 year cycle	£100k - £120k	£100k - £120k	£200k - £240k

Option 1 – is based on generating a single 110% uplift to a RRRSTI MIS, based on the evidence of previous work on the ‘Minimum Income Standard for Remote Rural Scotland’, funded by the Highlands and Islands Enterprise. This percentage will be applied until it is re-based following extensive primary research suggested in 2020. This option was suggested by Argyll & Bute Council and this simplified and cheaper option is based on periodically reviewing this percentage every 8 years. As this uplift will be applied to the UK MIS in intervening years, it will also encompass price inflation and other changes made to the UK MIS.

Option 2 – focuses on applying RRRSTI prices to all the goods and services contained in the UK MIS. It includes annual inflationary updates as well as biannual collection of price data from RRRSTI areas. It also has the benefit of producing separate MIS uplifts for the 3 main household types. This option does not however consider the need for specific goods and services in RRRSTI areas and does not therefore include any extensive primary research into these issues.

Option 3 – is the most comprehensive approach. It includes a full assessment of prices in RRRSTI areas and combines this with extensive primary research to identify differences in the basket of goods and services required by households in RRRSTI areas. It will also produce separate MIS uplifts for the 3 main household types. It is envisaged that RRRSTI MIS percentage uplifts will be calculated using the previous research from Highland and Islands, similar to Option 1, but broken down by household type and then re-based following extensive research suggested for 2020. This option is therefore the most expensive.