



OFFICIAL REPORT
AITHISG OIFIGEIL

DRAFT

Economy and Fair Work Committee

Wednesday 4 December 2024

Session 6



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ECONOMY AND FAIR WORK COMMITTEE

32nd Meeting 2024, Session 6

CONVENER

*Colin Smyth (South Scotland) (Lab)

DEPUTY CONVENER

*Michelle Thomson (Falkirk East) (SNP)

COMMITTEE MEMBERS

- *Willie Coffey (Kilmarnock and Irvine Valley) (SNP)
- *Murdo Fraser (Mid Scotland and Fife) (Con)
- *Jamie Halcro Johnston (Highlands and Islands) (Con)
- *Daniel Johnson (Edinburgh Southern) (Lab)
- *Gordon MacDonald (Edinburgh Pentlands) (SNP)
- *Lorna Slater (Lothian) (Green)
- *Kevin Stewart (Aberdeen Central) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

- Councillor Susan Aitken (Glasgow City Region Deal)
- Matt Bailey (Inverness and Highland City Region Deal)
- Stuart Bews (Aberdeen City Region Deal)
- Paul Lawrence (Edinburgh and South East Scotland City Region Deal)
- Councillor Owen O'Donnell (Glasgow City Region Deal)
- Kevin Rush (Glasgow City Region Deal)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament
Economy and Fair Work
Committee

Wednesday 4 December 2024

[The Convener opened the meeting at 09:31]

Decision on Taking Business in
Private

The Convener (Colin Smyth): Good morning, everyone, and welcome to the 32nd meeting in 2024 of the Economy and Fair Work Committee. Our first agenda item is a decision on whether to consider in private the evidence that we will hear today. Do members agree to consider the evidence in private?

Members indicated agreement.

City Region and Regional
Growth Deals

09:31

The Convener: Our main item of business is the second evidence session in our inquiry into city region and regional growth deals. Following last week's general overview session, the focus this morning will be on the longer-established deals.

I am very happy to welcome our witnesses, who are Stuart Bews, programme manager of the Aberdeen city region deal; Paul Lawrence, chief executive of the Edinburgh and south-east Scotland city region deal; Councillor Susan Aitken, leader of Glasgow City Council and chair of the Glasgow city region cabinet; Councillor Owen O'Donnell, leader of East Renfrewshire Council and depute chair of the Glasgow city region deal; Kevin Rush, director of regional economic growth at the Glasgow city region deal; and Matt Bailey, programme manager of the Inverness and Highland city region deal, who joins us online.

We have quite a big panel of witnesses. I say this every week, and members probably do not listen anyway, but I will still say it again: I ask members to keep our questions as brief as possible, and I appeal to witnesses to keep their answers as concise as possible. We have a relatively reasonable amount of time to get through our questions, but I know that members have a lot to ask. I will kick off.

I was going to say that you are a mature witness panel, but I mean a mature growth deal witness panel, in the sense that your deals are pretty advanced compared with those in the rest of Scotland. Many of the projects that have been in your deals over time are now being delivered or have been delivered.

An issue that has been raised with the committee is the cluttered arrangement that often exists in city growth deals. I appreciate that different geographical areas are represented here today, but do you think that that is a fair criticism? Frankly, could the projects that you are delivering have been delivered using traditional funding mechanisms, such as funding from Government to local authorities? Could those projects have been delivered more quickly and, potentially, more cost effectively through traditional methods of funding instead of through the complexity of growth deals? That is a straightforward question to start off with.

Councillor Susan Aitken (Glasgow City Region Deal): Good morning. It is a pleasure to be here.

The short answer to your question is no. Glasgow has the most mature deal—we have just marked our 10th anniversary. The city deal itself is largely either delivered or is in the process of delivery. We now have a very mature governance set-up, with the eight democratically elected local authority leaders, the eight chief executives and other senior officers all working together very collaboratively. We are looking beyond our current city deal to the next stage. As for the governance process, our cabinet is expecting to see just one more business case. The projects are all approved and through, and things are well under way. You can literally cross the bridges that have been built as a direct consequence of the city deal.

I was not there at the time of the establishment of the Glasgow city region deal or the project selection. However, in the period since I have been there, it has been absolutely clear that projects such as the Govan to Partick bridge and the bridge that reconnects the north of the city—including the entirely new community of homes that have been built in Sighthill—to the city centre over the barrier of the motorway have been delivered much more quickly than we would otherwise have managed. That kind of enabling infrastructure, for not just driving economic growth but for providing better places and better quality of life for the people who live in those places, could have taken a lot longer.

The Convener: Why would it have taken longer?

Councillor Aitken: Although our individual capital budgets as local authorities total more than the quantum of the city deal, the pressure on those budgets and our borrowing capability is, for a lot of the time, from day-to-day issues. We have schools to refurbish, for example. There are all sorts of day-to-day pressures on capital budgets.

The kinds of projects that the city deal has addressed were, in many cases, from long-standing geographical deficits. They were hangovers from Glasgow city region's post-industrial past, and in many cases were issues that had needed to be addressed for 30 or 40 years. People knew that it would be a good thing if those projects were done, but they had never reached the top of the priority list for capital spend.

It is important to say that the Glasgow city region deal is largely, if not entirely, a capital infrastructure deal—later deals have looked a bit different. That injection of around £1 billion of capital investment for infrastructure enabled a focus on projects that would have continued to be “nice to have” ambitions rather than being delivered—they certainly would not have been delivered within the past 10 years.

The Convener: So, it is the availability of the funding that has made the projects happen, as opposed to the structures making them happen more quickly than traditional structures. If the Government had said, “Here is £1 billion for capital projects”, you could have delivered them through the councils, or perhaps the projects would not have been on the councils' lists of priority projects.

Councillor Aitken: No, that is not necessarily the case. I do not know what would have happened if each of the local authorities had got our own bit of that capital. I am saying this as someone who was not there in 2014. I was a councillor, but I was not in administration, and I was not part of the discussions around the development of the city deal or the project selection. However, from a bit of shared corporate memory, it is fair to say that the projects were long-standing ambitions.

The difference that the city deal and that particular injection of money gave us was the focus on how it would drive economic benefit and growth. The gross value added uplift was, at the time, the main criterion and measure that we were expected to focus on. That concentrated minds around project selection in a way that was not about the urgent things that were right in front of us that had to be done right then; rather, it was about projects that could drive transformation. That focus helped to make projects happen that might not necessarily have got to the top of priority lists without it.

Aside from the physical benefits that the deal has delivered, the creation of the city region cabinet, which is the democratic governance model that is in place in Glasgow now and is a very mature collaboration, has been an enormous benefit and a really important outcome. It has driven collaborative work on economic strategy for growth, community benefits and wellbeing across the Glasgow city region, which is a functioning metropolitan region in almost a classic sense, in a way that would not have happened if we were all still working separately as individual local authorities.

The city region cabinet has been enormously beneficial. We have brought in things such as the innovation accelerator, for example. Three years ago, the previous United Kingdom Government identified £100 million that it shared between three metropolitan regions in the UK—Glasgow city region, Greater Manchester and the West Midlands. Each received £33 million in innovation accelerator funding, which we have distributed to growth sectors in the city.

In Glasgow, we have exceeded the expectations and targets that were set for us by the UK Government. We had to match the £33 million funding in private inward investment, and we have

exceeded that by quite a bit: nearly £50 million has gone into the businesses that got that funding. If the Glasgow city region cabinet and its collaboration and governance model did not exist, that opportunity would never have come to our city region—it would have gone somewhere else or perhaps it would not have come about at all. However, there were three very clear leading metro regions in the UK that were ready to deliver on it, and we got that funding, which has been very beneficial. I do not think that we would have got the investment zone if we had not had that structure.

We have also had a regional approach to shared prosperity funding. All the individual local authorities get their own bit, but we have a regional approach and make collective decisions about the shared funding. That has created opportunities and momentum for the Glasgow city region that would not have happened or existed if we had not created that governance structure 10 years ago.

For us, the city deal itself has become just one deliverable of the city region. The city region is an entity in its own right, and we are looking to the future. We are now looking to a city deal 2, which, to go back to your earlier point about—

The Convener: One of my colleagues will come to the future structures very soon.

Councillor Aitken: Sure. In that case, I will leave it at that.

The Convener: The question of what comes next is an important point, and one of my colleagues will grill you on that soon. I will bring in Paul Lawrence, then Matt Bailey.

Paul Lawrence (Edinburgh and South East Scotland City Region Deal): I agree with much of what Councillor Aitken has said—certainly, in terms of the catalytic effect of partners working together more effectively at regional level, which has certainly been true in Edinburgh and south-east Scotland.

There is another point that I want to add to what Councillor Aitken said, which is that the deals have been an effective mechanism—as far as I am aware, the only mechanism—to tie together competencies, some of which are devolved and some of which are non-devolved.

Our deal was focused. The centrepiece of our deal is innovation based on data and our higher education capability, through creating data sets that are relevant to the economy now and in the future and making them inclusive in nature.

We have levered in substantial amounts of innovation funding, in the way that Susan Aitken has just described: that was the UK Government's priority. Aligning that with the needs of local

people and local communities through a skills programme is a Scottish Government capability. The deal allowed us to sculpt together UK Government and Scottish Government competencies and turn them into a single regional place-based programme. There might have been another way of doing that but, if so, I was not aware that it was on offer.

09:45

The ability to take different parts of the economic landscape—if I can call it that—and design them together to address innovation, inclusion, infrastructure and culture, with different competencies being held in different places, but being absolutely—I hope that we come back to this—allied together at city region level, is how you get economic growth. The city region deal enabled that co-design. There was no other game in town with which to do it.

The Convener: That is helpful. I put a similar question to Matt Bailey. Your position is that there is just one local authority, instead of several. Could the same outcomes have been delivered by working through Highland Council directly instead of by creating a new structure?

Matt Bailey (Inverness and Highland City Region Deal): I do not believe that they could have been, back in the day. The deal was signed off in 2016-17, and, as you said at the start, convener, these are mature deals.

What I have observed since being in post over the past 12 months is that the deal has compelled a collaborative approach across the various organisations. Without the deal, I do not believe that that would have happened. As we get towards the end of the Inverness and Highland city region deal, a positive thing that has come out of it—indeed, not just from this deal but from all the deals—is significant learning about the good things that you get from that level of collaboration. Do we need to compel that going forward, or are we now in a place in which we can come up with a better model?

On your question, I do not believe that the outcomes would have been achieved without the deal framework. We are in a different place now, and who knows what will happen next with future deals.

The Convener: Thank you for that. Stuart Bews, there are only two local authorities in the Aberdeen deal, so it must be quite a simple process for you to follow.

Stuart Bews (Aberdeen City Region Deal): You would think. I will just add that the Aberdeen city region deal includes capital only. We are looking at implementation of a regional economic

strategy and, considering how local government works—as you said, we have just the two local authorities—could we do that through a single council structure? It would be difficult.

Another thing that you will notice from the structure that we have through the deal is that it has allowed us to lever in private sector investment. In Aberdeen, we had around £250 million of public funds, but the value of the deal is more than £1 billion. That is probably what I would take from the structure that we have: it has really accelerated things and given us the confidence to be able to go and do that. We might have struggled to do that through the existing normal local government procedures. We need a partnership approach in order to implement the regional economic strategy: that is one of the things that the city deal allows us to develop.

The Convener: One of my colleagues might come back to the scale of the private funding that you have been able to bring in through the deal. Thank you all for your opening answers.

Murdo Fraser (Mid Scotland and Fife) (Con): Good morning. I want to follow on from the convener's line of questioning. I suspect, given what you have said in response to him, that I probably know the answer to this question already, but I will ask it anyway.

If we did not have the city deals, would the projects have proceeded at all? Last year, the committee went to visit the Aberdeen south harbour project, for example, and we saw the work that has been done there. There is also the Inverness castle development—I say to Matt Bailey that I am an Invernessian by birth, so it is great to see the castle being brought back into use as a tourist asset.

If we did not have the city deals, what would be the prospects for developments like those proceeding? Who wants to start?

I see that Stuart Bews wants to come in.

You should not bother touching the buttons, by the way—they will be controlled remotely.

Stuart Bews: There is no evidence to say that those things could not have happened. I look at it this way: why did they not happen before? What was missing?

As I said, we have a regional economic strategy, which gives us confidence in respect of the key sectors that we are trying to grow, and so on. The deal also provides certainty. With most of the funding programmes across the public sector in particular, there is a commitment of two or three years of funding. We then need to ask what comes next and how we will sustain the project. The deal is a 10-year programme, and there is confidence

that comes from that—it provides assurance for investment.

We can look at some things that we do not have within the deal that we would like to bring forward. Our deal, like all the deals that we are discussing today, is mature. Since the deals have been developed, new ideas have come forward.

The convener used the phrase “cluttered arrangements”, but I would say that there is actually more of a cluttered landscape outside the deal, in that a significant number of funds exist through the Scottish and UK Governments. In many cases, for projects of the size and scale that we see in the deal, we would be looking to match three or four of those funding sources together, and the time commitment to do that would be a challenge within the resources that we have.

Another point is the timing. No funder wants to commit their funds to a project if the other match funding is not in place. The deal has been a real accelerator in that regard. We have been able to say, “We have significant funding here”, which has allowed us to draw on other funds, be they public or private sector funds.

Paul Lawrence: I agree with that. The answer is that some of the projects clearly would have gone ahead.

I know that the committee recently visited the National Robotarium at Heriot-Watt University. Would that initiative have happened outside the city region deal? Probably, at some point, but it would have taken a lot longer, and stacking up the funding would have been much more complex.

I go back to the point about certainty over a prolonged period. I was there at the start of our deal, and also worked on a lot of long-term public sector regeneration programmes, under the single regeneration budget programme, back in the day. Anything that provides certainty over a prolonged period gives us a better chance of delivery. It is the same in the private sector—if you have a degree of certainty, you know what you are doing. Often, in the public sector, we are in the blind from one year to the next, so that certainty is helpful. Would the Robotarium project have happened? It probably would, but it would have taken longer.

I am conscious that members might have further questions on individual projects within the region; I will not solicit those now. Nevertheless, I am sure that members will be aware of the on-going debate around the Winchburgh development in West Lothian, which our colleagues there have taken forward on an incredibly innovative basis to forward fund the infrastructure. Would that project have happened in that way if it was not nestled within the city region deal? Probably—but, again, it would not have happened with the same certainty, or within that overall structure.

Some of the projects would have gone ahead, but I do not think that we would have had our integrated regional employability and skills programme: that would not have happened, full stop. In my view, that programme is the single most important part of our deal, given the centrality of employment and skills to regional economies. Some projects would not have happened at all, some would have gone ahead and some would have taken a lot longer. The certainty has been critical.

Councillor Owen O'Donnell (Glasgow City Region Deal): As leader of East Renfrewshire Council, which is a small council, I am pretty clear that the projects would not have happened without the city deal funding. There are a few reasons for that.

With the cuts to local government over the past 20-odd years or whatever, we have lost capacity and capability for economic development in East Renfrewshire. The deal has given us the framework, the negotiating power and the ability to think about economic development, which we would not otherwise have had. We would have been distracted by our normal day-to-day activities of building schools, homes and roads, and we would not have been able to raise our heads to look at what was happening in the broader economic environment in East Renfrewshire. That is where the structure of the city region deal really helps, and I am a huge advocate of what we are doing there.

We have an excellent programme management office, so although a lot of capabilities have been hollowed out of local government over the years, we have a centre of expertise that we can tap into. We rely on it for information about economic growth, not just in the region but in our local authority area. That gives us the confidence to deliver on projects and to start planning for new projects beyond that. It has given us detailed information on how the economy in East Renfrewshire works. That would not have been a priority without having a city deal to galvanise those efforts. Through the city deal, we have been able to deliver projects of which we are very proud, and which would not otherwise have been delivered, and we are ready for the next stage.

Matt Bailey: To pick up on Mr Fraser's point about the Inverness castle project, I am not convinced—to go back to what I said earlier—that that would have been delivered. It could have been delivered over time, as the other witnesses said about some of their projects. However, I single out the governance arrangements as an area where the deal has been massively effective and has provided a massive learning base. Yes, those arrangements can be cluttered at times, but in my experience, if they are used effectively and

properly, they bring a sharp focus on delivery. Rather than just saying, "Oh, we could do this or we could do that, or we could hypothesise about a strategy", we can have a real focus on, and scrutinise, delivery. That is a real positive from the deals.

Murdo Fraser: My second question is on a slightly different topic, which is the timescale for the deal. The Glasgow city deal has the longest timescale, at 20 years. For some, it is 15 years, although for most it is 10 years.

We are now 10 years into the Glasgow city deal. The world looked very different 10 years ago, and it will look even more different 10 years from now. Is the timescale realistic? What impact does it have on planning for projects? Are the projects that you have picked to be part of the deals timeless projects, in effect, that will have a benefit regardless of the changes over two decades?

Councillor Aitken: Some of the projects are timeless, and some of them have altered quite significantly during the past 10 years. At cabinet, we have quite regularly, through the change control process, seen significant changes to some of the projects. North Lanarkshire's major project, for example, looks very different from the one that was originally signed off in 2014. I think that North Lanarkshire has, over the past 10 years, responded very effectively to changing economic circumstances and other things that it has needed to be flexible on.

Just yesterday, both the Scottish and UK Governments had to sign off on the change control process that we have been through, and we had some very kind words from them about the quality of that. One of the projects was originally a regional project—a stand-alone link to Glasgow airport. It has now been replaced with the much broader connectivity ambitions for Clyde metro, which is a major priority in the second strategic transport projects review. We have been through a process whereby some of the funding has gone to support business case development for Clyde metro, and some has gone to the individual local authorities to deal with the considerable cost pressures around delivering capital projects. I am sure that I do not need to reiterate to the committee that the cost of construction and civil engineering has risen massively in recent years.

We have also collectively identified an additional new regional project, which is about acquiring and reactivating vacant commercial premises across the city region, and we have a number of proposals coming through on that. There are a number of examples of where we have been able to flex and respond.

Some of the projects are definitely timeless. I go back to some of the points that I made in my

previous answer. The Glasgow city region is one of the major post-industrial regions of Europe. For example, we have the legacy of deindustrialisation in terms of vacant and derelict land, and there are communities that have been disconnected not just through deindustrialisation, but as a result of some pretty dodgy post-war planning decisions, such as building huge motorways right through the heart of those communities.

Reconnecting Govan and Partick is a timeless project—it could have happened at any time in the past 50 years, and it would have delivered immediate benefit, as it has done. A number of other projects would not have happened in the same way because they are about enabling infrastructure.

In the Glasgow city region, a considerable amount of money has to be spent on remediating land before anything can be built on it, and that kind of investment usually has to come from the public sector before the private sector can come in. In some ways, a lot of what the Glasgow city deal has been able to do has been 50 or 60 years in the making.

Do we need another 10 years to focus on delivering the remainder of our current city deal? No, we do not. We are now focused on the fact that city deal 1 is more or less, if not entirely, complete. The pathways to completion are clear, and we can definitely see what is happening.

Our next focus is city deal 2, or a version thereof, as we look to the future at what happens next. It will be about how we, as a metropolitan region, continue to build on the momentum that the city deal has created and grasp the opportunities. It is as much about bringing in empowerment and levers at the regional level as it is about resource.

10:00

Having said that, part of enabling the empowerment and the levers is about getting resource in the right place. In our view, city regions are, increasingly, the right place in which to put resource to drive economic growth and inclusion across Scotland and the UK.

Paul Lawrence: In our case, although colleagues in Glasgow and elsewhere may have had a slightly different experience, we found that we were tied down too much to individual projects too early—that came from both Governments, I should say—because a degree of certainty was wanted. I would much prefer to have negotiated a deal based around programme priorities with outcomes attached to them, than to have been tied down too soon to individual projects.

Councillor Aitken talked about the change control process; we have had the same thing. I maintain that, as we move forward—we, too, are looking forward to the next phase of regional economic policy, whatever that looks like—we need to have something that is programme based. Again, I go back to the point about skills. The Withers review—as the committee will know—sets out very clearly a challenge around the devolution of skills at the city regional level. It would be better to set programme and outcome priorities and then give us the flexibility on individual projects.

As I said, our deal was founded effectively on inclusion on one side and innovation on the other. As the committee will know, Edinburgh and south-east Scotland is the most productive innovation economy outside the golden triangle; it is critical to UK plc's innovation capability. Would we have wanted more revenue in the deal? Yes, we would—it was very much capital led, in the way that Councillor Aitken talked about. More revenue would have given us more flexibility. Would we have held on to that innovation-inclusion dynamic? Yes, we would. Would we have wanted more flexibility? Yes, we would.

The Convener: I will bring in Willie Coffey, who joins us online.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Thanks very much convener. Good morning—[*Inaudible.*]*—*that discussion that we had with Murdo Fraser's questions.

I am interested in how the growth deals have kept pace with changing political objectives at Scottish or UK Government level. I am thinking about things such as the national strategy for economic transformation and national planning framework 4, which as you know has themes at the heart of it such as community and place, local living, 20-minute neighbourhoods, nature and biodiversity and so on. Can you give a flavour of how the growth deals have developed in more recent years to embrace and incorporate those wider changes in both Governments' policies?

The Convener: Who wants to grab that easy question?

Kevin Rush (Glasgow City Region Deal): I noticed that my two elected members pointed my way on that one.

The Convener: That is what council officials are for, Kevin.

Kevin Rush: Indeed. I will give it a go.

That has been a big part of some of our changes in recent years but, in Glasgow anyway, that is less about the growth deals and more about the other programmes that we deliver. As Councillor Aitken mentioned, the growth deal is now just one of six programmes that we run at

regional level. Alongside it, we have the innovation accelerator, the investment zone, the UK shared prosperity fund, the 5G programme and the Clyde mission, all of which are run through our city region structures.

As part of those, when we developed our regional economic strategy, we worked very closely with both Governments—it was co-produced with them—to take account of changing economic circumstances. We worked closely with Government colleagues on what was in NSET and how to reflect that in our strategy. Our regional economic strategy sets out three grand challenges, which are the climate emergency, inclusive growth and productivity, and it would be fair to say that there is not an awful lot of difference between what we are trying to achieve at regional level and the Government's strategy.

I mentioned the Clyde mission, which is set out as a national priority in NPF4. Again, an important part of that is thinking about how we use our regional structures to further those objectives. There has been a big shift. Compared to back in 2014, when we signed our deal, there is now much greater focus in national and local public policy on things such as net zero.

For us, it is not necessarily about retrofitting—if you pardon the pun—the growth deal; it is about how we use some of the other programmes to drive that forward. For example, in the regional economic strategy, we have a home energy retrofit programme, which is a big part of what we are trying to do, and electric vehicle charging infrastructure is a big priority for us in the region.

We have tried to keep pace with those developments, and central to that is maintaining and growing the relationship that we have with both Governments. The principle behind devolution in Glasgow city region is that our cabinet has primacy and makes the investment decisions but, behind the scenes, we constantly speak to both Governments about how we can deliver on some of the priorities that are set out. It is about constantly changing and evolving to ensure that we are meeting the same priorities but, for us, that has been less about the growth deal and more about some of those other programmes.

Paul Lawrence: I will add to that and tie it back to your original question, convener. In exactly the way that Kevin Rush has set out, we have the original growth deal projects, but that catalysed a much deeper and stronger partnership. I think that members have in their packs information on the regional prosperity framework that we developed, which was a regional economic strategy by another name. That led to a series of workstreams, one of which was on embedding the 20-minute neighbourhood principle in strategic

housing sites across the region. Another was a regional climate risk assessment, which I think colleagues elsewhere in the country have also done.

Exactly as Kevin Rush set out, it is not just about the growth deal projects; it is about what they have catalysed and brought into a wider context. The regional prosperity framework, which, in the way that Kevin Rush described, we have put things such as UK shared prosperity funding behind, has enabled us to pick up on those new and emerging national priorities.

Kevin Rush: Could I just jump back in there, convener? Paul Lawrence came in when I was trying to take a breath.

Paul Lawrence: Oh, sorry.

Kevin Rush: That is okay.

On NPF4 and regional planning in particular, we have just established a new regional planning sub-committee of cabinet. The old Clydeplan team, which was the regional planning authority, is just about to be transferred into the regional programme management office, so we are developing our strategic planning capability at regional level and ensuring that we integrate it with those other developments.

Willie Coffey: Can I come back in, convener?

The Convener: I am going to bring in Stuart Bews.

Willie Coffey: Okay.

Stuart Bews: I wanted to add that, although the deals are a 10-year programme, that does not mean that we stick with the policies that were in place at the time when the deal was made. The policies will naturally develop, and so, too, have the programmes. Any proposals that come forward through the deal later—not in year 1—are all subject to the business case requirement and, as part of the business case review process, we look at alignment with local, regional, national and UK-level policies, so we are definitely taking those into account.

I will give an example of another thing that we do on things such as energy policy. In the grant offer letter that we received for the city deal in this financial year, there was an additional clause on the fair work first policy, which the Scottish Government put in place in June this year. We then went out to all our project partners and implemented the same clause in their grant agreements. There is flexibility, and we have means by which we can ensure that, if there are changes in a policy such as that, we can reflect those through grant agreements to ensure that the expectations of Governments are met through the deals and that they are not to the side of that. A

partner may have signed up to the grant agreement four years ago before the policy came in, but the Government wants that policy to be implemented now so we amend the grant agreement to that effect.

The Convener: Do you want to come back in, Willie, or will we let Matt Bailey in from Inverness? I do not know whether you want to hear from Matt.

Willie Coffey: If Matt could come in as well, that would be great.

The Convener: Can you hear us okay, Matt?

Matt Bailey: I was having a slight technical hitch at this end. I do beg your pardon.

I echo what Stuart Bews has just said. Paramount in a mature deal is the ability to act quickly through the change management and change control process. If there is a shift in policy or in emphasis for the region, particularly around some of the older projects, it is about recognising that and acting quickly, coming to quick decisions and saying, "Right, okay—we need to crack on with the process."

My experience to date is that those processes have not been particularly onerous. There are a number of layers of governance—of course there are and quite rightly, too—but if you get the information right in the first place and have a compelling justification as to why the change is required, there is no reason why that cannot move forward at pace. To echo what Stuart Bews said, we are not ignoring the fact that things have changed over the past eight or 10 years; we respond to that in a quick and correct manner.

Willie Coffey: My next question is about digital projects that you may have been delivering. Could you give us a wee flavour of some of the projects that you have been developing that go beyond establishing more connectivity and extending the reaching 100 per cent programme and so on? I am thinking of things such as community wi-fi zones in railway and bus stations and in places where people congregate, rather than in buildings. It could be town centres, the transport network and even our many stadiums across Scotland.

I am sure that, if you have been in any of those places where large numbers of people gather, you will know that the wi-fi is still pretty poor in those areas. Can you give us examples of what you have done in your areas to advance and develop the ability for the public to engage in the communications network when in spaces and places rather than in buildings?

The Convener: I will go to you again, Kevin.

Kevin Rush: Yes—there is a lot of looking left at this end of the table.

Again, this is not specific to the growth deal but, as I mentioned earlier, one of the things that we are now running through our regional structures is a 5G trial. We were one of 10 UK regions selected to be a 5G test bed. Exactly as Willie Coffey says, there are challenges around some of our larger stadiums at certain times, but we are also looking at the implications for things such as care homes that are near stadiums at times when there is additional demand.

We have four programmes just now, the outputs of which are four business cases that will look at how to use the 5G network to improve connectivity in places where there are large numbers of people, as Willie Coffey says. The intention is that, once those business cases are developed, they will be shared with the rest of Scotland to understand how to do things in areas such as health and social care. For example, we are looking at the Alexaification of social care—how to use Alexa in a different way to deliver social care to people—and part of that is about looking at connectivity.

The other work that we have been doing on wider connectivity is, in truth, completely outwith the regional structures. That has been engaging with providers such as CityFibre and BT Openreach on how to improve it.

The Convener: Who is doing that side of things?

Kevin Rush: That would be the individual local authorities.

The 5G trial will give some of the answers to the questions that Willie Coffey has asked. There are a lot of test beds in Scotland—in fact, there is one in Ayrshire, which is looking at how to use 5G for some of those initiatives. However, again, that is not through the growth deal specifically; it is through our regional structures.

Paul Lawrence: This is not really a very good answer, because it is about indoor areas, so apologies for this, but I want to give a bit of a plug for some brilliant work that Midlothian Council has done with the University of Edinburgh, which is not so much about wi-fi but more about the internet of things. They have done some advanced work that we would love to roll out to every secondary school in the region—actually, there is no reason why it should not be nationwide. It is effectively a digital literacy programme in high schools that is built around not just wi-fi but the latest sensor technology and so on. If the committee has not been to the Edinburgh futures institute, it is worth going, because a lot of the data is collected there and the programme is driven out of that central hub. We have done a lot with schools in the IOT space.

That does not address the outdoor issue. To be a bit like Kevin Rush and put on a slightly separate hat, anybody who has tried to get a 4G signal, never mind a 5G one, in Edinburgh during the festivals in August will know that it is an on-going nightmare. We are trying to deal with that separately through providers in the way that Kevin described, but we have done an enormous amount on the IOT piece and digital literacy.

The Convener: Are the local authorities leading on that rather than the city growth deal structure?

Paul Lawrence: Yes.

The Convener: I suppose that Willie Coffey was looking for examples of where the growth deal structures have led to work on digital. Do you have any examples of that?

10:15

Stuart Bews: Through the Aberdeen city region deal 5G programme, we have a project in Huntly that has been delivered by the Scottish Agricultural Organisation Society—thankfully, it is called SAOS for short. The Huntly area has struggled with 4G and certainly 5G, and with poor speed of wi-fi connections. One challenge up there was that things such as farmers markets were cash only, because of the lack of reliability of the wi-fi and the availability of 4G and 5G—it was just not there. We are therefore putting in a 5G network that is open to the public and bringing in additional wi-fi, which is also open to the public. Those markets are now starting to take payments by card, which is helpful for members of the public and for the businesses.

SAOS is also using the same infrastructure to do a piece of work with housing associations on some of the accommodation in the area. Part of that is about the monitoring of housing units. That is about early intervention where there may be a risk of things such as mould within premises due to condensation. That is about looking at how we can try to use some of that infrastructure.

In that case, we are looking at rural areas. To go back to R100, which Willie Coffey mentioned, although that is out for procurement at the moment, it will be some time before we get the infrastructure in such areas.

About four to six weeks ago, SAOS presented to our joint committee and gave an update on progress. The key things in that project are the outcomes and the structure that has been put in place through the work with, for example, the Huntly Development Trust. The key point for those involved is how to take that model and implement it in other areas, and particularly rural ones. We are trying to establish not just a technological

solution but something that can be replicated elsewhere.

The Convener: I will not bring in Matt Bailey at this point, because I am going to bring in Jamie Halcro Johnston. His questions will probably cover Matt's geographical area, anyway—so you will get a bash, Matt.

Jamie Halcro Johnston (Highlands and Islands) (Con): I will address my comments initially to Matt Bailey, as they are about the Inverness and Highland deal. Matt, you talked about the ability to act quickly, and one of the things that I have questioned in the past is the issue of flexibility. You will be aware that some of that flexibility has been used for work on the Corran Narrows crossing.

In November 2023, the UK Government signed off on £20 million-worth of the funding for the deal being used for infrastructure. Last month—27 November—the Scottish Government signed off on £28 million for a new electric ferry. A year is a long timeline between decisions on what is essentially the same project—a new ferry for the Corran Narrows crossing. On the logistics side, why was there such a difference between when those decisions were made?

Matt Bailey: On the timeline, as you rightly say, the land-side infrastructure for the Corran Narrows crossing was signed off. That relates to the previous line of questioning on the fact that digital infrastructure was taken out of the deal and £20 million was repurposed for the Corran ferry landside work. As you say, that was signed off by the UK Government and then formally signed off in February this year, and then Highland Council matched that with £10 million to cover the overall cost of £30 million.

In parallel with that, there was a change request to redirect to vessel replacement £28 million from the £109 million commitment from Transport Scotland that is within the deal. The change request process has taken some time. We have worked that through very closely with the Scottish and UK Governments in particular. All I can say is that the process took a wee bit longer than we would have ideally liked, but, equally, it has not necessarily compromised our ability to move forward on the first stage of that project in any way, shape or form. The first stage of the project is pretty critical, not just for a new ferry but to provide versatility to enable different replacement ferries to come in, rather than relying on a side-loading ferry.

I am sorry that there is no specific answer to your question, other than to say that the change request process took a wee bit longer than everyone ideally would have liked.

Jamie Halcro Johnston: I am using that as an example, because I appreciate that there is not necessarily one area responsible. Was that a delay within Highland Council or within the decision making of the Scottish Government, or was it to do with the two Governments having to sign off?

Matt Bailey: It is difficult to say. From a processing point of view, the timeline was that, in effect, we had the change request signed off by officials by the beginning of June this year. Clearly, for various reasons, it was then a matter for ministers to consider and it was outwith the control of officials from Highland Council and from the Scottish and UK Governments.

Jamie Halcro Johnston: Thanks very much.

For that flexibility to be allowed, did the project have to be totally different? Rather than just being a straight replacement of the existing ferry with maybe another diesel ferry, which some people in the local area would want, did it have to be something that could meet the obligations of the deal in terms of climate or the like?

Matt Bailey: I would not say so exclusively but, in effect, that was the case. It would have been out of kilter with the significant drive to net zero and so on if we were to have a diesel ferry. Irrespective of the deal, it would have looked odd for Highland Council to do that, given our own local targets. We were not bound by the deal to make the replacement an electric vessel, but that was just what we needed to do. There was no constraint as such, but it was useful to ensure that we were aligning with the deal in terms of supporting rural and fragile communities, in particular, as well as the net zero side of things.

Jamie Halcro Johnston: I will use that again as an example. I am a great supporter of having a new ferry or a new crossing, and there are arguments as to what it should be, but I wonder about the principle of flexibility and taking money out of what I think would have been road projects—the A9/A96 link and the A9/A82 Longman junction—and using it in areas such as ferry replacement that are a standard part of Highland Council's budget. Is that a concern for the council, or was it something that was considered quite deeply? That is something that may be an issue for other councils as well.

Matt Bailey: We worked closely with the Scottish and UK Governments on how we could repurpose the £28 million to the Corran ferry vessel replacement. We worked very closely with the Governments on that. To be very clear, it is not about doing away with either of those junctions, the A9/A96 and the A9/A82. In fact, the A9/A96 stays within the deal and Transport Scotland is committing to continue with the A9/A82 scheme.

There was a pressing need for the Corran ferry vessel replacement in particular and, therefore, there was a move to say, "Well, this is the best opportunity to get a vessel for that crossing."

Jamie Halcro Johnston: Lastly, on that point, the budget for those pieces of transport infrastructure has not come close to being utilised yet, although that may well happen. Has there been an issue in terms of transport delivery? Have there been particular reasons why that budget has not yet been used as fully as the others have?

Matt Bailey: It is difficult for me to say. We are working closely with the Scottish Government, in particular Transport Scotland officials, to get a greater degree of certainty, particularly on when the A9/A96 junction will be delivered. I know that orders were made in June this year, but what we are looking to know is when that will translate into the scheme being delivered. Again, we are in the hands of Transport Scotland in particular on that. All I can say is that the minister wrote to the council and others in the past week or so giving an absolute commitment that that scheme would be delivered.

The Convener: I will bring in Kevin Stewart. For Stuart Bews's benefit, I am sure that he might have a question or two about Aberdeen.

Kevin Stewart (Aberdeen Central) (SNP): Possibly, convener.

Good morning, panel. Speaking about governance, one of the witnesses last week said that none of this is particularly democratic. For Joe and Josephine Public out there, a lot of them do not know how all this works. How do you think that the governance works? How do you relate to the public what you are doing? How are you scrutinised to the degree that you should be? Let us start off with Susan Aitken, please.

Councillor Aitken: I think that the Glasgow city region's governance is quite different from that of some of the others, in that I am not sure that the cabinet structure has been replicated in later deals, but the local democratic decision-making structures and the flows to and from the city region cabinet and the member authorities of the city region are very much protected in the governance structure in the Glasgow city region. The cabinet is made up of eight democratically elected local politicians, who are the leaders of their respective authorities and who report back to their respective authorities. Speaking from Glasgow's point of view, I regularly take papers to our decision-making committees relating to the elements of the overall programme that are being delivered for Glasgow.

We regularly take decisions. Just a few weeks ago, I took a paper to our committee around reprofiling some of the city deal spend, the

implications of which would have a direct impact on public realm transformation in Glasgow. That was all reported through our committee absolutely transparently to elected members; all of our committees in Glasgow are live streamed and are on the internet for anyone to watch at the time or afterwards. All of our agendas and papers are public. The city region deal itself has a website that is regularly updated and uses social media. We have quite clear pathways of democratic accountability and democratic links back to the member authorities and other elected members.

There is also the fact that I am sitting here with my vice-chair, who is from one of our smaller authorities. Although Glasgow is the lead authority and obviously the biggest by some distance within the city region, there is a genuine shared leadership. Although I chair the cabinet, there is shared collaborative leadership across the eight local authorities.

Kevin Stewart: I get all that—there are eight local authority leaders in a cabinet situation, reporting back to council, probably without much questioning. In my opinion, the general public are not riveted to live-stream broadcasts of council meetings or, for that matter, meetings of this committee, convener.

Councillor Aitken: Quite, yes.

Kevin Stewart: What I am trying to get to is this: are they the people's priorities that you have promoted or are they the priorities of politicians? Where is the democracy here?

Councillor Aitken: I would reiterate that none of the three of us witnesses was there when the projects were chosen, and the projects function as an overall programme. What I can say is that, where individual projects in the programme have an impact on communities, the level of engagement with the communities has been of an extremely high quality.

10:30

As it happens, a lot of our delivery in Glasgow has been literally at street level—where people live and where people congregate. Each of the individual avenue projects—and we are about to launch into another major round of building, civil engineering and infrastructure work in our city centre from early next year—has gone through not just traditional consultation processes but genuine engagement with public meetings and all sorts of different methods of engaging and involving the public.

I am thinking of the Sighthill housing development, which has been an absolute transformation of a part of the city that had been neglected and disconnected for a long time. There

were very deep levels of community engagement there with existing residents and those coming in. The Govan to Partick bridge, which is one of the most recent and most visible ones, is absolutely transformational. The partners have involved, for example, Govan Housing Association. Less than two years ago, the Water Row on the Govan side of the bridge was vacant and derelict land, and had been so for decades; now there is fantastic housing there. What was previously something that devalued the community is now an asset to the community.

I am confident that, certainly in Glasgow—I cannot speak for the other member local authorities in the Glasgow city region on this, but I remember those local authorities—when it comes to the implementation of the projects, the level of engagement and consultation has been of as high quality as you could find.

Would people have necessarily chosen those projects at the outset? Not necessarily, because—as I maybe said in my first answer—they were not necessarily the priorities that were right in front of your face. They were things that needed to be done—strategic, higher-level approaches responding to inclusive growth needs, particularly in the Glasgow city region, that maybe needed a bit more lateral thinking to get them to the point of delivery.

Stuart Bews: On whether deals are democratic, the point that I would go to first—and I think that Councillor Aitken mentioned this in her response—our meetings are held in public, we publish the papers and we publish annual reports, so there is information out there. I completely accept that it may not be everyone's first choice of reading, but we certainly meet those requirements. We do everything that we can to make sure that the information is out there.

If I have understood the point about the democratic piece, it is probably wider than just us meeting our obligations to publish papers and hold our meetings in public, which are things that we would do as good practice anyway. Over the past 18 months or so, we have been looking at where we are in the programme now and, as we work towards programme closure, we are thinking about some of the processes that we have. I do not anticipate that many new projects will come through, but what are we doing with those projects that are there to make sure that their progress is being properly scrutinised? There are significant amounts of public funding involved. We want that scrutiny taking place in public. The papers that go before our joint committee are in the public domain. The project management office puts together a dashboard, and any risk or issue that we flag with any project is put before that joint committee for a public discussion on what that risk

or issue may be and what mitigations are in place. Those are all things after the event, I would say.

What do we do beforehand on the choice of project? Obviously, that is now something that we are unlikely to have in the Aberdeen city region deal, because the majority of the funding has been utilised, but what we have done—

Kevin Stewart: Were the priorities the people's priorities?

Stuart Bews: I will answer that as part of what I am going to say. The most recent funding that we have allocated for 5G was about bringing in ideas from outwith the local authorities, if that makes sense. The Scottish Agricultural Organisation Society at Huntly and Port of Aberdeen brought forward proposals for things that they were looking to do that would have wider impacts and benefit for the community. Those were questions that we asked about the business case; we said that we understood that they wanted to demonstrate the technology, but we wanted to know what impact that would have on people.

Did we then consult prior to taking the decisions on those projects? No, we did not. That is perhaps what is being referred to as not being democratic. Would I favour that as an approach? Not for the deal. The rationale for that is that, within the deal, we are aligning projects to the regional economic strategy. The regional economic strategy has been developed in partnership with regional economic partners and co-designed with the Governments and then has gone through both councils as part of that wider public scrutiny piece.

My view would be that the deal is about the implementation of our regional economic strategy. However, other sources of funding are much more closely aligned to the community level in terms of who would be delivering them. To give one very brief example, as part of the just transition fund up in the north-east of Scotland, Aberdeen Council of Voluntary Organisations and Aberdeenshire Voluntary Action, which are the two third sector interfaces, are managing a pot of money through the Scottish Government using a participatory budgeting model. That seems to have worked well over the past year or two, but I think that it involves pots of funding of up to £50,000.

Kevin Stewart: We know all about that as a committee, because we have been to Aberdeen to hear about it. That is democratic participation.

I will bring in Paul Lawrence.

Paul Lawrence: My answer to your question is yes and no. The committee visited the National Robotarium at Heriot-Watt University. Do I think that the people in Wester Hailes were on the streets demanding a robotarium as part of the city region deal? No. Do I think that the data-driven

innovation programme was the right thing for us to pitch as a part of an innovation-led economy? Yes. In that context, our job is to make sure that those innovation hubs—of which we now have in place, I think, five of the six across the region—mean something. The Edinburgh BioQuarter in the south-east is a great example of that. It has the Usher institute at its heart. If you work there, what does that mean to the kids who go to school in Craigmillar or in Moredun? Does it mean anything beyond staring at a shiny set of buildings with clever people with PhDs doing clever things? It is that point that I was trying to make before about the relationship between innovation and inclusion, which we have tried to make the heart of the deal.

Do I think that the National Robotarium at Heriot-Watt was the people's priority? No, I do not. Do I think that our job is to make sure that the jobs of tomorrow are accessible to the most deprived in the city? Yes—100 per cent.

That aspect is important, but the other side, which both Councillor Aitken and Stuart Bews have talked about, is governance. I will not talk about it in too much detail. Ours is a multi-stakeholder partnership. We not only have all six council leaders on a regional joint committee; we have the higher education sector, the third sector and the private sector involved. Making sure that the governance is rooted in local democracy is very important, as is having stakeholders and partners alongside. However, the most important thing for me is the inclusion element.

Kevin Stewart: I wonder whether Matt Bailey can give us, when it comes to the flexibility that you have had of late in making changes, a feel for whether the Corran ferry is the people's priority in that area.

Matt Bailey: I would say that it is their priority. That is in response to a specific need in quite a fragile and rural community. It depends on the ferry; it is an absolute lifeline, for so many reasons. That is an example of how, in taking forward the deal, a community was listened to and their needs responded to.

In relation to the starting point of the deal and whether that was reflective of what folk across Highland needed, I suspect that it probably was not—I was not there at the time. However, as one of the witnesses mentioned, future deals will be much more outcome focused. That might not necessarily mean asking communities what specific projects are needed; it is more about tuning into what the challenges and the opportunities are, and therefore looking at what the outcomes are that the communities really need and would benefit from, and then for those folk to commission projects to deliver that.

Kevin Stewart: I will change tack and look at the flexibility aspect and at whether the deals have managed to move with the times. I recognise that many of the folk round the table were not involved at the beginning. In some cases, it was suggested that projects that had been sitting on the shelves gathering dust for years were plucked out and suddenly became part of a city region deal. What are your thoughts on having flexibility in order to change projects as and when required? The world, as one of my colleagues said, continues to turn and move on.

The other aspect—Susan Aitken mentioned this—is how much private resource you have managed to bring into play in your city region deals. I know that, for Aberdeen city and Aberdeenshire, that resource is pretty significant. We will start with you this time, Stuart Bews.

Stuart Bews: On flexibility, one thing that we touched on earlier was whether 10 years is an appropriate length of time for a deal. I would say yes, it is, for the reason that I gave before. However, if you are going to have a programme that lasts for 10 years, it must have flexibility built into it.

One thing that I want to flag up on flexibility is a positive, but I will turn it into a negative. All the changes that we have tried to bring forward have gone through the change control process and we have not had any timescale issues around that. The process has been relatively straightforward, and the changes have been approved. That is the good part.

However, I would flag up the extent to which the PMO, which is the accountable body—that is Aberdeenshire Council in our case—and the joint committee are accountable for the programme. I do not know whether this is a bad thing; it is something that has bugged me. My initial understanding coming into post was that the joint committee made a decision and that was it. However, when we go through the change control process, Government wants to sign-off that as well.

We have explained that the papers for the joint committee are in the public domain. The bit that I am slightly uneasy about is what happens should we bring forward papers and the joint committee supports them but then the Government says no to a proposal. Do we in the joint committee have the autonomy to take that decision?

I see that there is flexibility in practice, but there is a slight concern that, when we try to implement that flexibility, it is still in the hands of Government to say, “Yes, we endorse that. You can now proceed with it.”

The Convener: What process will you go through at that point? Will you consult with the

Government before you take the papers to the joint committee, or have there been examples where you have taken a paper to the joint committee, it has expressed its view and Government has said that it is not happy with that?

Stuart Bews: There has not been an instance in which that has happened. That is the good news. We consult Government officials in advance of taking forward those papers. Doing that de-risks it—that is for sure.

I will note one issue in which there has been a slight difference. We mentioned the 5G challenge fund that we have through the memorandum of understanding, which sits alongside the deal. It follows the same governance process. We were about to bring forward a business case that had gone through our digital working group and our programme board, and papers were a click of a button away from being published. However, due to the emergency spending controls, we were asked not to bring forward any proposals to utilise that money. That was a very last-minute thing. That showed us that, yes, there is a 10-year programme, with funding on the table, but that it is not necessarily in our gift to fully approve that through the governance processes that we have; Government still has a role in that. How do we balance that? I do not know.

Kevin Stewart: What about private money?

Stuart Bews: Sorry?

Kevin Stewart: Why has the north-east been so much more successful in bringing private investment into its deal?

Stuart Bews: That goes back quite some time. When our deal was set up through the heads of terms, that built on the work of the then Aberdeen city and shire economic future, or ACSEF, which has now merged into a regional economic partnership. Therefore, public and private bodies were engaging on what we wanted for the area and how we should grow the economy, not just in the city centre but regionally. When the opportunity of the deal came, we were perhaps a bit ahead of where other regions were in having in place that infrastructure.

10:45

As we had engaged with the private sector from the outset and knew where that investment might come in, we have been able to structure a regional economic strategy with priorities that the private sector is looking to invest in, to support delivery.

Kevin Stewart: ACSEF, prior to all that, was held on a pedestal. Was the learning from ACSEF brought into the discussions on the deal? Did that make life easier for you?

Stuart Bews: I am not sure whether that was necessarily brought in formally, if that makes sense, but I definitely think that it was a part of the build of the deal. If we did not have ACSEF, we would have struggled to have the deal that we have today.

On what we learned from ACSEF, as I mentioned, we have a regional economic partnership now. That looks slightly different from ACSEF, but the knowledge and experience of the public-private partnership approach was really useful when creating that. Locally, I certainly felt as though it put us on a pedestal. Whether that was the view beyond the region itself, I would not know.

The Convener: I will come back to the rest of the panel in a second. First, I will bring in the deputy convener for a supplementary on that point.

Michelle Thomson (Falkirk East) (SNP): I do not want to veer away from Aberdeen. Stuart Bews made an interesting observation relating to papers being ready to be published. To that extent, is it the case that the funding is not really ring fenced? Is that the inference that you drew from that situation? Is that the case for the other councils on the panel?

Stuart Bews: The intention is that the funding is ring fenced and, bar that one example, we have not had any issues throughout. The nature of that issue was unforeseen; it was due to decisions that had been taken in line with the emergency spending controls. We understood that; the reason for that was communicated to us. I do not think that there is any argument that that should not have happened; we understand that part.

However, the wider point is that, when we take through proposals, develop business cases and then take them to the joint committee, if the joint committee signs something off, that is the decision made, in my view. In reality, that is not quite the case, because it then needs to be signed off by ministers, as well. I get that. The question is this: to what extent should our joint committee be able to take that decision and for that to be the final decision? The question on the structure is whether, through the deals, we manage the funding through the accountable body, which, in our case, is Aberdeenshire Council, or whether there is someone else who is perhaps more accountable and carries out a further check.

Michelle Thomson: There is a book about that.

Stuart Bews: One thing that I have said already is that the deals are a great accelerator of the delivery of the projects. I feel as though we have good accountability and scrutiny built into our governance processes, but the way that these are

structured really gives confidence through that tenure of funding.

Michelle Thomson: I will just quickly ask about that, as I do not want to deviate from Kevin Stewart's questions. That final say is, in effect, about drawing down funds. Is it the other councils' understanding that, in the face of what we all understand are critical issues with public sector funding recently, even though a decision might have been made by all the various governance bodies that you have got, ultimately, Government can say, "Well, no, we are putting a pause on it"? I just want that to be made clear.

Kevin Rush: In relation to Glasgow, the infrastructure fund is devolved to cabinet, so it has the say. We go through a gateway review period every five years to satisfy both Governments that we are doing the right thing and that we are generating economic benefit.

However, there is no right of veto for the Governments. Once we pass the gateway review, that essentially unlocks the investment for the next five years.

Michelle Thomson: What, then, is different in governance terms? That suggests to me that, because a pause could put in place, a pause was put in place. In other words, the Government scanned the horizon and looked at where it could do that. What was different about the two deals?

Kevin Rush: We were first. To some extent, the Glasgow one was much more similar to the English city deals. It was a fund where investment decisions were then taken at the regional level. The subsequent deals have a slightly different relationship with the Governments, in which the Governments approved business cases and so on. That is not the case for us. Our cabinet approves all business cases, so there is a significant difference.

Kevin Stewart: I wonder whether Owen O'Donnell wants to respond to the original questions about flexibilities.

Councillor O'Donnell: I do. You asked about two points: flexibility and private finance. In relation to private finance, Kevin Rush could probably quantify the scale of that for the whole city region.

Councillor Aitken mentioned the news that we got yesterday about flexibilities and about how a very significant change request was handled and dealt with. That worked well for all councils, and it worked well for the cabinet, because it was a regional project that everyone could benefit from. That showed flexibility on the part of Government.

In considering why we were given flexibility, the key point is about trust in delivery. That comes back to the point about the relative maturity of the

project. Many of the city deal projects have been completed or are nearly completed. We hope to be done by March 2026, or maybe a little bit later than that. We are done, so we are looking forward to the next one.

We have a track record of delivery, and we have governance that is trusted. If Governments trust the governance of the organisation, they will provide a bit more flexibility. However, we are very clear about the outcomes on which we can spend the money. In our discussions with the Governments, we were very clear about why the change was necessary and what we planned to do as a result of it.

Kevin Stewart: Kevin, do you want to respond to the question about private finance?

Kevin Rush: Yes. The principle behind the Glasgow city region deal was about enabling infrastructure. Its purpose was to create the conditions for growth so that the private sector could come in on the back of that. Our follow-on investment from the deal currently sits at around £850 million. A significant element of that relates to the housing development in Sighthill.

Murdo Fraser asked about projects that had been, if not on the shelf, around for a long time. There are some projects that have been talked about for a long time that can generate private sector investment. To take the Sighthill example, the land remediation at Sighthill relates to the fact that there used to be a munitions factory there, which dated back to the French revolution. Some of the projects that we are talking about have been on the shelf before shelves existed. There had never been the money to invest in that, but significant private investment has been leveraged in relation to the housing development.

The other big one for us is the Barclays development on the south side of the River Clyde, which is Scotland's largest ever inward investment. That was catalysed by some of the public sector investment that we had in the Tradeston area.

We would expect to see that investment grow significantly as we start to get to the tail of our city deal programme, but the model was always, "Build it and they will come."

Kevin Stewart: I invite Paul Lawrence to respond.

Paul Lawrence: On the leverage side, we are in a similar position to the one that Kevin Rush described. As you know, the original input from the two Governments was £600 million. We think that our deal is now a deal of about £1.6 billion. The additional money that has been leveraged in consists of additional public money, such as UK Government innovation money, and private sector

investment. On the whole, we think that, in the way that colleagues have described, in going first, public sector investment has had a catalytic impact, which has been extremely successful in our case.

On flexibility, I think that City of Edinburgh Council was among the first councils in Scotland to declare a housing emergency. Many other councils have now done that, as well as the Government itself. In the light of that, would we have been satisfied with a £50 million revolving housing investment fund? That has proved to be a difficult mechanism for us. It is not devolved in the way that, as Kevin Rush described, Glasgow's is. Would we have wanted to renegotiate that? Yes, we would have done, in order to get some earlier, sharper wins that would have enabled us to focus on some issues that have emerged over the past two or three years, especially in relation to homelessness. Doing that would have required taking money for other projects. That is a clunky mechanism to use when we do not have the necessary level of devolution.

There is a difference here. It is a really interesting debate. In effect, we put forward a programme that was accepted by the two Governments. Funds are released, as Stuart Bews said, on a business-case basis. That is not really devolution. Glasgow has a greater degree of devolution. English city regions are now, in effect, going for single-pot approaches. That is the next phase, which members might want to ask about.

We have had some flexibility, but we have not had enough to respond to emerging issues.

Kevin Stewart: That relates back to the points that were made last week about the fact that a model that was designed for the English city regions was dropped in here. That has worked better for Glasgow with regard to its governance set-up, but maybe not so well for others.

What about you, Matt?

Matt Bailey: The position in relation to flexibility for the Inverness and Highland city region deal is very similar. The Governments have the ultimate say over proposals for change requests.

On your question about the amount of private investment in the deal, I will have to check what that number is and come back to the committee. However, the deal is currently worth in excess of £400 million, of which circa £350 million is a combination of UK and Scottish Government funding and Highland Council funding, and about £50 million comes from partners. In relation to that £50 million, I will find out the specific figure for the proportion of any private sector investment.

Kevin Stewart: Thank you. I will give Susan Aitken, as the only woman on the panel, the last

word. I was really interested in what you said about the fact that private money has come in not only as a result of aspects of the city deal, but on the back of some of the other joined-up working that you are now doing. Would you like to expand on that?

Councillor Aitken: Yes. The idea of “enabling infrastructure”, to use the phrase that Kevin Rush used, has been a key one for the Glasgow city region. It is important to remember that the city region deals are not necessarily directly comparable with one another for a number of reasons. They are designed to respond to the particular circumstances and needs of regions that are very different.

Glasgow is the major post-industrial region in Scotland; as I said previously, it is one of the major post-industrial regions in Europe. Our challenges and our needs are not immediately the same as those of Edinburgh and the Lothians, for example, so some of our returns in relation to private sector investment will be longer term. We will see them being made over the next 10 years. In some ways, the targets and expectations from 10 years ago have been exceeded by the returns that we have seen so far, or the matching of private sector investment. The pace and the scale of the response to the public sector going first, as Paul Lawrence described it, has gone even further than we thought it would.

However, we still have a lot of work to do. The Clyde corridor remains the biggest unrealised development opportunity in Europe. It is the last remaining equivalent in these islands of somewhere such as the London docklands area. We still have a lot of work to do, and the £1.2 billion in the city region city deal is not going to cover that.

Partnerships are being put in place for the future and there has been a demonstration of collaborative working among the local authorities. There is also what the principal of the University of Strathclyde refers to as the triple helix of the democratically elected leadership, our academic institutions and business and industry. The partnership working and collaboration that is undertaken in that context has developed very strongly.

11:00

In the coming years, we expect to see acceleration of the leveraging in not only of more private sector investment, but of more enabling Government investment. Outwith the city deal, we have already mentioned the innovation accelerator funding from the UK Government, the investment zone, the Clyde mission funding from the Scottish Government and the 5G innovation zone funding.

That now adds up to about £500 million of additional public sector funding that we have leveraged in, which would not have been the case had we not had that collaborative regional structure in place in order to mobilise that.

To go back to your point about projects being taken off the shelf and dusted down, that is a criticism that I have used in the past, but—to turn it on its head—in the case of Glasgow, a lot of what has been done has been about enabling long-standing aspirations to be realised and, as a consequence, long-standing injustices and inequalities to be addressed. It has certainly enabled us to make a start in addressing them.

Not everything in the city deals has to be shiny and new; sometimes there are opportunities to get stuck in on things that we have needed to get stuck in on for a long time. In the Glasgow city region, the ability to start to address the post-industrial legacy has certainly been extremely valuable.

The Convener: I will bring in the deputy convener.

Michelle Thomson: I will pick up on a few entirely unrelated issues. Some of them have been mentioned this morning, but I also have some other thoughts.

Paul Lawrence, when we were describing the make-up of the programmes, you mentioned that governance has brought a sharpness of focus, which was a very interesting statement to make. Will you give us a little more information on why that is the case? Why did that not exist before? What is it about the wider perspective and the wider geographical pool that a lot of the programmes have brought in?

Paul Lawrence: That is a good question. As Councillor Aitken said, every region is different. In the case of our region, as I said, the deal catalysed a much deeper approach to partnership working.

Kevin Rush referred to regional planning. Previously, we had a regional transport partnership and a regional planning partnership that existed slightly in separate worlds and were slightly disconnected from the six councils—we should remember that we are working with a six-council geography. Councillor Aitken talked about Edinburgh and the Lothians, but, as you well know, our deal includes Fife Council and Scottish Borders Council. That was a very deliberate choice because, given that the market of people who travel to Edinburgh for work has grown over time, it was very important to think flexibly about geographic boundaries. It was extremely important to bring in colleagues from the Scottish Borders, particularly on the back of the Borders railway, and I know that we looked west as well as south and

that we brought in colleagues from Fife. You see the amount of traffic—all modes of transport—going across the Forth on a morning and an evening.

The deal brought a new geography together, rather than using historical geographies, which was extremely important and reflects the way in which the city region actually functions. That was a big thing for us. The deal brought those areas together on a much more—I do not like using this word much, but I will have to—holistic basis, as we looked at the economy as a whole, rather than looking at individual silos or segments. Instead of transport being over here and planning being over there, we looked at the whole piece. There was then the opportunity to come together to think about what we would do with funding. That is my point about focus.

I will back up a point that, I think, Stuart Bews made. Alongside that, we have a programme management office—which my colleague Andy Nichol, who is at the back of the room, manages—as will be the case for colleagues, to bring a relentless discipline to project delivery.

There is a different partnership relating to real-world geography; we look at the working of the whole economy, with a focus on innovation and inclusion; and there is a PMO to tie everything together. Those were big and important changes, which have made a big difference.

Michelle Thomson: Susan Aitken, given the dispersity of the geography of your area, do you agree with that statement that the deals have brought a sharpness of focus?

Councillor Aitken: Definitely. Similar to what Paul Lawrence said, regional structures were in place previously—those for transport and planning being the key ones—but did they have a real impact in addressing some of the grand challenges in the city region, before there was alignment through our regional economic strategy? No, they did not; the evidence was clear that those structures had not led to progress. There is now evidence of alignment, focus and agreement, with people saying, “This is what we need to tackle, these are our priorities, and these are the outcomes that we want to achieve for our economy and for communities and residents.” That is driving outcomes and results.

The establishment of the Glasgow city region intelligence hub has been one of the outcomes of the formalisation of the city region. It provides us with world-class data and evidence, and our policy and spending decisions are now extremely evidence driven.

We can compare our region with other UK core city regions—the 10 biggest ones outside of London. On a couple of economic statistics,

Glasgow had always been at the bottom of the pile, with the poorest performance. Although we are one of the most highly qualified city regions in the UK, we always had the biggest percentage of our population with no recognised skills or qualifications, but that is changing. It is a generational thing—we never thought that there would be a quick fix—but that percentage has got smaller over the past few years.

We are moving up the rankings of the core cities. There is not massive movement—we are still very much in the bottom half—but there has been improvement. Without that collective sharpening of focus across the eight local authorities, with all our officials in economic development and our chief executives aligning around shared objectives in tackling shared grand challenges, we would still be struggling to make progress in addressing generational inequalities.

Michelle Thomson: I am targeting these questions at you both because of the breadth of your regions. What effect—positive or otherwise—has that had on the relationships between the multitude of key stakeholders with whom you engage? Was it slightly awkward at the start before there was the usual forming stuff? Have you noticed differences in the relationships and the collaboration across all your stakeholders?

Councillor Aitken: Yes, I think so. Kevin Rush might be able to say more about that. The innovation accelerator and investment zone processes have been really good examples of genuine collaborative work with stakeholders. In fact, the innovation accelerator process is very much led by industry and private sector partners in Glasgow.

The regional transport partnership is now a much more closely aligned partner than it ever was previously. Glasgow City Council and Strathclyde Partnership for Transport are working collectively to develop the business case for the Clyde metro, and we are making considerable progress on that. We will have stuff to report publicly in February, with Transport Scotland standing behind us in an assurance role. Previously, I am not sure that anyone could have quite imagined that partnership happening. That is just one example.

Michelle Thomson: That is useful.

As we have said, all your deals are mature ones, and you have said that some of the deals have altered quite significantly. I want to explore the extent to which the influence of Government—whether it is the Scottish Government or the UK Government—has led to changes. What percentage of your overall programme costs were, in effect, sunk costs?

I appreciate that there is a flipside. There are necessary change control processes, but one can argue that a change of priorities—you mentioned that there were quite a lot of changes—can sometimes result in sunk costs. We do not know what we do not know. I am just trying to get a sense of the efficiency compared with the effectiveness of the outcomes of the programmes. That question might be one for Kevin Rush.

Kevin Rush: It probably is. We have had very few sunk costs, because none of our projects have been completely shelved and replaced with something brand new. There have been very significant changes to some programmes, but we have tried to use the work that has already been done to support them.

As you know, a lot of the early costs relate to business case development and consultancy work. For example, about £2.5 million was spent on looking at route options as part of the Glasgow airport access project. We got agreement from the Government that those were sunk costs and that, if we wanted to make a significant change, we were entitled to do so. However, we tried to ensure that the work that had been done influenced the metro project, which replaced the airport access project. As long as we are mature about things, we can use quite a lot of the work that has been done to support other activity.

That said, both Governments were clear with us that we should not just plough ahead with something because we had spent a bit of money on it, because that would not be the best use of public money. There needs to be flexibility, with people able to try something before deciding that it is not the right thing to do.

However, in relation to the major changes that Susan Aitken talked about, very little of our expenditure did not lead to the creation of an asset.

Michelle Thomson: Paul Lawrence, do you have any thoughts on that issue?

Paul Lawrence: For us, the picture is very similar to the one that Kevin Rush described. We have a relatively lean programme management office—that is the nicest thing that I have ever said about Andy. We have not had significant variance, and virtually none of our external spend has proved to be fruitless. As I said in answer to Mr Stewart's question, we might have wanted to redesign aspects of the deal at a slightly more macro level, but we have not had wasted spend of any significance at all.

Michelle Thomson: My final question picks up on points that my colleague Kevin Stewart was making earlier, but I want to focus a bit more on communities. Stuart Bews highlighted that, as is the case everywhere, a lot of this is done in public,

but that does not necessarily excite communities. How have you endeavoured to make sure that you are delivering through people and not to people in the work that you are doing? The question is for all the witnesses.

Stuart Bews: I will give some examples. Although at a programme level we perhaps do not have that engagement, we certainly do at a project level. For example, the BioHub, which is the new life sciences hub, has huge engagement with the universities, which are the primary target audience in terms of spinouts from the universities coming in to the hub. It is about who the audience is, if that makes sense. Would I anticipate individual people wanting to go into life sciences? I struggle to understand what some of that is about—and I listen to what they say! There is an element of who the target audience is.

Another example is the Aberdeen south harbour link road, which has been subject to public consultation. They have gone out and taken feedback. That project will be funded through the deal and, although on the programme side of it we have not consulted, the project delivery team has. That is where we try to build in consultation. Where we are looking at infrastructure for the public, there absolutely is process built in for that. Where we have been looking at innovation and so on, that is probably more geared towards a business community and engagement needs to take place with it.

Michelle Thomson: Paul, I can see that you want to come in.

Paul Lawrence: Not particularly. The only thing that I would say would be to repeat what I said before. We have a video, if the committee is interested, of the work on sensors and the internet of things that was done in schools in Midlothian, and I think West Lothian as well, from memory. I think that I said before that we worked in high schools; it was mostly in primary schools. The excitement on the kids' faces and the feedback from teaching staff on the way in which the technology had been deployed and the opportunities that that created for the curriculum and then wider thinking about careers was quite inspirational.

To address Mr Stewart's question, if you had asked those kids, "What do you want to spend this public money on?" would they have said, "Internet of things"? Probably not, but when they were engaged with it and doing it, it was inspirational. I am very happy to make that video available to the committee.

Michelle Thomson: Thank you. Matt Bailey, I can see that you want to come in.

11:15

Matt Bailey: Yes, thank you. With regard to the Inverness and Highland city region deal, public consultation events on the transport infrastructure projects have been taking place through Transport Scotland, and I dare say will do, through their due processes.

I would also single out affordable housing as one of the important projects that we are delivering across the region. We are very much involved in working with communities to look at bespoke solutions; it is not a one-size-fits-all approach. It is about understanding what the specific need is locally and delivering bespoke solutions. That is very much a community-led and community engagement piece that we are involved in.

Councillor O'Donnell: From our perspective in East Renfrewshire, most of the projects have been on the Levern valley side of things. Have we hit the people's priorities? Absolutely. Those priorities are more jobs and more council housing in the local area; private house builders being enabled to come into the market; and better transport options from the east to the west side of the authority, which do not exist currently. Yes, absolutely, the work fits in with the people's priorities. I will not go through the consultation, because I think that you have a good flavour of what happens in councils for any capital project and I hope that you can accept that that is a given.

The Convener: I will bring in Gordon MacDonald. This point is not specifically for Gordon, but I am very conscious that this has been quite a long session and that we have not got on to the question of what comes next, which I am sure is a subject that members will want to ask about. I am a bit late in asking you to speed things up, but I am sure that we will do our best.

Gordon MacDonald (Edinburgh Pentlands) (SNP): Thank you very much, convener, and good morning.

We have already touched on part of what I want to ask about, which is cost pressures. Obviously, when the deals were proposed, as far back as 2014, nobody envisaged the level of both wage and material inflation that there has been—we heard about that last week. The buying power of the Glasgow deal, for instance, is probably down about a third from what was envisaged back in 2014.

How are you squaring that circle? You have talked about flexibility, but what does that mean in reality? Does it mean de-scoping projects? Does it mean projects not being in a position to provide the benefits that were originally envisaged? How do we square the circle of rampant inflation and pressure on the public purse?

Councillor Aitken: Each of the individual local authorities has been through an exercise reprofiling their projects within the overall programme. I can speak most about the Glasgow projects. We focused on our avenues programme, which is city centre transformation, such as reprofiling streetscapes and creating active travel modes. We have deferred some individual sub-projects within the overall project. They are not cancelled and we will seek other funding routes for them, maybe through Sustrans, for example. We have deferred some projects and reprofiled the avenues programme so that it is not as extensive as it would have been. There are a couple of other sub-projects that have been deferred and will not be delivered in the timescales that we originally anticipated. Particularly with a very capital infrastructure focused programme, that has absolutely been necessary.

Some of the other local authorities have taken a slightly different route. They have extended the timescale for delivery on some of their projects rather than reduce the scope. We have taken a number of different approaches. We are confident and, as we said earlier, both Governments have said that they are pretty impressed with the way that we have approached this. We have retained the vast majority of what we wanted to deliver and the outcomes will not be substantially reduced or damaged by the reprofiling that we have had to do, but undoubtedly it has created significant challenges that we have had to respond to, there is no question about that.

Gordon MacDonald: Paul, I notice that a number of the projects that were under the Edinburgh city deal have had a 100 per cent drawdown of the public funds. Given the inflation situation, have you been able to attract funds from the private sector, universities and so on to make up that shortfall?

Paul Lawrence: Up to a point. Certainly, in the case of the major innovation hubs, the public sector funding is absolutely capped, so the higher education institutions have had to make some pretty tough decisions on completing projects. I have mentioned one or two today. I am sure that if you asked directors of finance in universities whether they have had to make some tough calls, the answer to that would be yes.

Similarly to what Councillor Aitken said, we have not had to cancel anything or make substantial changes, but we have had to value engineer, no doubt about that. We have had to look at alternative procurement mechanisms. I know that my colleagues in East Lothian Council took that on in the Queen Margaret University innovation hub.

The business case for the west of Edinburgh transport programme set out a longish list of outputs in order to try to achieve modal shift there.

The simple fact is that we will be able to get only so far down the list, as opposed to further down it. We will therefore need to look at developer contributions. Funnily enough, the council is talking about a major planning application as we sit here, and about the relationship between what we can get through section 75 and what we can get through the city region deal.

For us, it is not really about your inflation point per se, but the funding mechanism. What West Lothian Council achieved at Winchburgh and the mechanism that they used to forward fund developer contributions over a period of time was truly innovative. My view is that that can be scaled and replicated elsewhere because it is a way of forward funding infrastructure and getting it earlier and therefore dealing with the cost pressures.

Yes, it has been difficult, as Councillor Aitken said, but we have tried to find mechanisms wherever we can. We have two or three projects yet to come that are genuinely still struggling with that issue, no doubt.

Gordon MacDonald: As you mentioned it, I will ask about the Winchburgh development. There is obviously a problem with funding the railway station. Is that on the part of the list that has disappeared as we move down it, or is it still on the horizon?

Paul Lawrence: No, sorry; the long list that is turning into a shorter list is about West Edinburgh—in effect, between the airport and the Gogar roundabout—rather than Winchburgh.

Everyone in the partnership is aware of the issues around Winchburgh railway station. Everybody thinks that ensuring that a major housing development is connected to the conurbation core by sustainable means is an absolute priority. A number of people, including representatives, looked at the housing investment fund as a way of funding a railway station. It probably goes back to some of the questions that we had about flexibility. Building a railway station with a housing investment fund does not really fit. We are trying to explore that at the moment, as well as more conventional routes, such as Transport Scotland, the rail industry and so on. Everybody in the partnership understands how important that is.

Stuart Bews: There is a slight difference with us. Most of our projects were quite early to be up and running, so they have almost escaped inflationary pressures to some extent. The one project that I can think of off the top of my head that did not manage to escape was able to secure additional private sector investment, which allowed it to then continue, albeit with a slight delay.

I will add one further point, which is that the project that brought in private sector funding was

helped by having the security of the deal funding. If it had not had that, it would have been back to square 1. The risk is that, without the deal, where you have three or four sources of funding on the table, and then you have the issue with inflation, suddenly all those three or four pieces of funding are at risk and you have a real job on your hands to bring another one on to the table. That has definitely been a strength of the deal, albeit that the inflationary pressures are very real.

Gordon MacDonald: Matt Bailey, do you want to add anything?

Matt Bailey: Yes. The Inverness and Highland city deal is looking at time extension requests for a couple of the projects, because we recognise that they will not deliver by the end of March 2027, when the deal closes. We are not seeing that projects cannot deliver what they are intending, it is more a time issue, and we are talking with the Scottish and UK Governments about that just now.

Gordon MacDonald: Matt, we heard last week that the deals are only part of a long pipeline of construction worth about £14 billion to the Scottish economy. How difficult has it been for the Inverness and Highland deal to attract the skills and labour that you need in order to fulfil those projects?

Matt Bailey: There have been challenges and we are still seeing them in two ways. Skills and capacity, if you like, here in the Highlands are obviously a challenge for us, but I will also touch on the housing situation, which I know that other regions also face. The problem is getting people to locate up here because of the housing constraints. While I cannot answer your question specifically, we are acutely aware of the pressures that that brings, which are perhaps, in a positive way, brought into sharp relief with the freeport and everything that that brings. I am very aware of that as a challenge, but I do not have a specific example for you, Mr MacDonald.

Gordon MacDonald: Thank you. The city deals are local growth deals. Is one of the things that you measure the circulation of that funding within the local economy? For example, are you using local, UK or international businesses? Susan Aitken, from what I could find, your report was the only one that had an indicator of how much local spending was. I think that it was about 34 per cent. Correct me if I am wrong.

Kevin Rush: It was 32 per cent of tier 1 contracts, but 55 per cent of the actual contracts have gone to Glasgow-based companies. That is, to some extent, about the nature of the activity and where the companies are based.

Gordon MacDonald: What about the other deals? What proportion of local businesses have been able to bid successfully for contracts?

Paul Lawrence: I am just checking my notes, Mr MacDonald. We are saying that over 75 per cent of labour and 90 per cent of spend has been retained within the region. We have, I think alongside other deals, a benefits realisation function within the deal PMO. Those statistics are captured and I am happy to send the detail around the committee if you have not had them already.

Gordon MacDonald: That would be helpful.

Stuart Bews: I do not have the figure in my head at this moment, but again, along with our annual report, we published our benefits realisation and the figure will be captured therein.

Gordon MacDonald: Thank you. Matt Bailey, do you have your numbers for Inverness?

Matt Bailey: I do not, but again, they are very solid. We can make them available to the committee. *[Interruption.]*

Gordon MacDonald: Given the time constraints, I will pass back to the convener.

The Convener: That was your warning bell, Gordon. *[Laughter.]*

Gordon MacDonald: I came in on time.

The Convener: Thank you. Lorna Slater is next, followed by Daniel Johnson.

Lorna Slater (Lothian) (Green): I have only two questions—I have taken out the third so, hopefully, that will speed us up.

I have a detailed question about how deals can adapt to Government policy. I am concerned that the city region deals have been a mechanism for road expansion without accountability in relation to how that expansion affects climate emissions and traffic targets. Scotland has a goal to reduce traffic kilometres by 20 per cent, and Edinburgh and Glasgow have targets for 30 per cent. How have road building projects been assessed with respect to those targets? Is there a process for that? I ask because it appears that the city region deals have avoided democratic accountability on those specific points.

Councillor Aitken: There are some road-building projects in the overall city deal. I will pass over to Kevin Rush for the detail of the changes, but they have altered significantly in response to the developments that we have put in place as a city-region cabinet that is democratically elected and—as is the case with you—in a representative democracy, we make those decisions on behalf of the citizens whom we represent.

11:30

We have made it very clear in our regional economic strategy, which came after the selection of the projects, that the climate emergency is one

of the grand challenges in that regard. We have done quite a lot on a regional basis around climate. For example, we have a regional adaptation strategy, called climate ready Clyde, which has definitely informed changes to some of the projects that had road elements within them. The major one is in South Lanarkshire. We are about to receive what we think will be the final business case for that, which cabinet needs to approve, and there has been a quite significant shift of spend within the overall project away from roads and towards town centre regeneration. So, the issue has definitely been taken into account.

As Kevin Rush said, we have not seen the cancelling of projects. Rather, there has tended to be a shifting of priorities and a reprofiling to look at how the work that has already been done can be built on to respond to changing situations. The issue is definitely in people's minds. It is fair to say that—this is coming back to the question of the future again—in the next phase, climate emergency investment projects will be much more front and centre with regard to planning how investment of any resource would be made.

At the time of the 2014 development of the deal in Glasgow, the city did not have specific climate investment projects. We now have our greenprint, which is a portfolio of climate investment projects that we know are a route map to net zero, so we are in a very different place from where we were in 2014.

The targets that you mention have definitely informed the work and have been taken into account in the way that projects have been reshaped and have developed as time has gone on.

Kevin Rush: I reiterate what Councillor Aitken said. Stewartfield Way is probably a good example of that. The original proposal for that was for dualling of the road through East Kilbride, and included a flyover that would take you over a golf course and so on. That has been substantially reprofiled now into small transport improvements and, as Councillor Aitken said, much more investment in housing and other areas in the town centre. Similarly, East Dunbartonshire Council was recently proposing some improvements to the A803, and that is one of the projects that have been removed from the programme.

Now, as people go through the change control process, they are much more aware of the issue that you raise. One effect of that is that, for example, the Stewartfield Way project will have far more active travel elements than it had originally. The honest truth is that those measures are not as substantial as they would be if you were starting the project from scratch now, but, as we go through the change process, those issues have

been taken into account far more than was the case in the past.

Paul Lawrence: We have two projects in the deal portfolio that are effectively spending on transport infrastructure. One concerns the west Edinburgh development. That is all focused on modal shift to sustainable modes—it features, for example, dedicated bus lanes on the A8 and active travel and so on being integrated into the development. As I said to Mr MacDonald, we had a big shopping list with regard to that project, and we have had to manage that to fit within an envelope. All of that is focused on ensuring that people come from that part of the city by public transport and do not have to depend on use of the private car.

The second project is the Sheriffhall grade-separated junction project, which I thought that you might possibly have in mind. That was originally included as part of a previous generation of a regional transport strategy, which was defined by regional authorities. On the basis of that, it was included by the Government—by Transport Scotland—within the deal. That effectively meant that the £300 million from each Government became balanced. It is fair to say—you might be aware of this—that it has been the subject of significant scrutiny, particularly by one or two councils, to ensure that it is future proofed for a north-south tram to link Edinburgh with Midlothian, to ensure that it can improve journey reliability and times for public transport, not just the private car, and for active travel. There has, obviously, been a massive campaign by active travel groups to ensure that that is the case, and we await the outcome of the public local inquiry.

Mr MacDonald asked about schemes that might suffer from inflation, and I suspect that that is one of them. I said there are some issues still outstanding. We need to see what happens with the public local inquiry and then see what happens after that, but there has been significant pressure from elected members to ensure that the transport hierarchy is reflected in the design of that project. Of course, it is a Transport Scotland project.

Stuart Bews: Aberdeen has one transport infrastructure project. I want to make it clear that there is a distinction, in that our joint committee can allocate funding from the deal, but in terms of the scrutiny of the actual design and so on of the road, that still has to go through all the normal processes and procedures, and the local authority would need to treat that as a planning application. Alongside that, we have the requirements in the “Design Manual for Roads and Bridges” and the transport planning objectives in consultation with Transport Scotland. All of those things are taken into account.

In addition to that, we have had a public consultation on the proposed piece of road that we are looking to construct. Part of the feedback from the local community around that called for the inclusion of active travel, and that has been built back into the design.

The other positive, in terms of why we are building this particular road, is that it will link the new Aberdeen south harbour to our energy transition zone and to the western peripheral route, which will give access to the northern parts of Aberdeenshire, Fraserburgh and Peterhead, and there are significant plans—partly through our investment zone proposals—for green energy around those areas as well.

Your question is specifically around emissions and so on, and that issue has been taken into account in the project, but one of the drivers for the road was linked to Government policy around what we can do to increase the production of green energy in the area.

Lorna Slater: Matt Bailey, do you want to come in? I saw that you put your camera on.

Matt Bailey: Yes, I beg your pardon; I was having a problem with the mic as well.

To answer your question from the perspective of our deal, Transport Scotland is leading on both of our transport infrastructure projects, aside from the Corran ferry route, which, as I said before, is looking at using electric ferries, so it is taking into account net zero ambitions and obligations.

We fully expect and anticipate that the Transport Scotland projects will be done in accordance with policy, and that policy will not be circumvented.

Lorna Slater: Thank you very much. It sounds like the answer to this next question might be Transport Scotland, but I am going to ask it anyway.

The question will largely be directed to Paul Lawrence, because it is about flexibility and the role of the Scottish Government in projects, and specifically about the Sheriffhall roundabout. The estimated cost of that project has gone from £120 million to £300 million. Local residents have expressed concerns about trees being cut down and increased noise and pollution, and they wonder why that money is not being spent on public transport or active travel infrastructure—we all know that Winchburgh needs a train station, for example.

During the public inquiry, one of my constituents went to a meeting and he got an admission that the modelling did not show that the development was in line with traffic reduction targets, and in January last year the then transport and environment convener of the City of Edinburgh Council, Scott Arthur, said:

"I have been clear for some time that the £125 million Sheriffhall roundabout upgrade has no place in the Edinburgh City Region Deal—Edinburgh asked for housing."

So, if local residents do not want it, the council does not want it, and it is not compatible with national or local traffic targets, who is deciding that this should go ahead and how can we stop it? What would the process for stopping it look like?

Paul Lawrence: Thank you for the question. The answer on the process is that a public local inquiry has taken place, as you say. It is fair to say that political leader in the region has demanded—that is the right word—an update on progress and where we are in the system, and we are consistently told, "There is no decision yet. We will let you know when there is one".

There is a statutory process for these things. We are waiting for the outcome of the inquiry. We are waiting, therefore, for the decision of Scottish ministers. Once the Scottish ministerial decision is made, Transport Scotland will presumably try to address the affordability question. I do not recognise the £300 million number. I would be astonished if the project could be done for the £120 million originally allocated in the deal, but I do not recognise that £300 million number.

There is a very clear and established process to go through. The public have had their say through the public local inquiry. It is a decision of Scottish ministers and then it is a decision for the Government as to whether it can proceed, depending on the outcome of the public local inquiry.

I am not sure that I can add much to what I said previously. Sheriffhall is a major problem for the city region. It was identified as such in an earlier generation of the regional transport strategy. As a result of that, Transport Scotland—that is, the Scottish Government—effectively inserted the project into the city region deal structure, and we have consistently tried to ensure that it is more about active travel and future proofing for public transport improvements, so that if you do live in the growing areas of East Lothian and Midlothian actually the development makes it more straightforward to get into town by bus than by car.

I have been present when council leaders—both past and present—have put Transport Scotland officials and their modelling consultants under intense pressure in relation to the efficacy of that approach—I would like to emphasise that the city region has not sat by and gone, "Great project. Off you go. Let us see what happens". It has been the subject of intense scrutiny and debate by the democratically elected council leaders across the region.

It is fair to say that there are different views. You quoted the views of a former transport convener in Edinburgh—now a member of Parliament—on the project. The current council leader in Edinburgh has expressed strong views. The previous council leader did, but council leaders across the region have different views. As Councillor Aitken said, they are democratically elected. They have the perfect mandate to do so, but in terms of the process, the process is what it is, and the public have had their say. The matter is now with Scottish ministers, and we are eagerly awaiting the outcome—to be candid, we think that we have been waiting too long for the outcome, as have the public. We need to know what the answer to the public inquiry question is and what the ministerial decision is, and then the region and the Government can have a debate about what happens.

Lorna Slater: Thank you. I really appreciate that answer.

The Convener: Daniel Johnson will ask the next question.

Daniel Johnson (Edinburgh Southern) (Lab): I am interested in how city region deals sit within a broader policy framework. I will probably keep this to two questions, but I will put a slightly different spin on them for different respondents.

In a previous answer, Paul Lawrence alluded to the fact that city region deals were in some ways designed for combined authorities south of the border, and it has been suggested that some of the issues that have been encountered may be due to that. Will you elaborate a little on that? What issues have been encountered? Are there things that could be altered to make the deals more compatible with Scotland, or is it actually the other way round? Should we recognise that combined authorities afford possibilities that we cannot access because we do not have that structure?

Paul Lawrence: I suspect Councillor Aitken will have a view on that.

Daniel Johnson: I am going to put a different spin on it for our colleagues from Glasgow.

Paul Lawrence: Okay. The point that I was trying to make is that the way that the city region deals and regional policy have been enacted in Scotland to date—it might be slightly different for our Glasgow city region colleagues—has primarily been about assembling money to deliver defined projects. Some of the money comes from the UK Government, some from the Scottish Government, some from the private sector and some from higher education, but it is basically about saying, "Here is a defined set of projects. We will get the funding pots together and we will then hold you to account for delivering the projects". As I said, in

our case, they are often innovation led. The project could be a road or an innovation centre but, in general, projects lead to funding being allocated, and then people are held into account for them.

11:45

In the English context—it is now nine years since I worked there but, as I think you know, I have worked in both the north-east of England and Greater Manchester—the debate is about the devolution of powers and single pots of funding. An example is what we see happening with buses in Greater Manchester and the West Midlands. That is not primarily a financial question; it is about powers. If we consider what is happening with the devolution of skills budgets in England, that is again about powers, and it is then about aggregating the moneys so that an elected mayor, a city region cabinet or a combined authority—that is not a matter for me—can look at the regional priorities and then allocate the moneys accordingly, so there is much more flexibility at the city region level.

That approach to policy programmes with a single pot is not really where we are at in Scotland. My personal view is that we would get much better sustainable development if we moved to that model, but that is primarily a political question rather than one for me. However, the point that I was trying to make was about the difference between project funding and the devolution of policy powers with flexible programme delivery.

Daniel Johnson: That is a really useful elaboration of the difference.

I will put the question to colleagues from Glasgow in a slightly different way. In many ways, Glasgow is much further forward on the journey to having a coherent approach to regional governance, with the Glasgow city region. Do you consider lessons that have been learned from the city region? Is exploring that critical to delivering on the opportunities? I direct those questions primarily to Owen O'Donnell, because I think that some of the fears, as it were, about such an approach come from smaller authorities, so I am particularly interested in hearing his views.

Councillor O'Donnell: I am not a fearful leader, I am glad to say.

First, I want to comment on what Paul Lawrence said. His description of where we are and where we could go was very well made. From our perspective, it is about the devolution of powers. The set-up of the city region—we are now 10 years in—was very much about delivery of a programme of work as the first stage. I think that we have proved our ability to do that, to govern

and to work collaboratively across authorities with, we believe, democratic control throughout, because there is full visibility at each individual council level.

On the point about possible fears of a smaller authority being taken over by a bigger one, or the smaller authority being controlled and everything being diverted into the bigger one, that is always going to be a fear for any small authority. However, if the governance works, people can get on with the work. From our perspective, we see a lot of advantages. I mentioned earlier the hollowing out of capacity and capability in local government. The deal gives us an opportunity to leverage across the region skills that we would not be able to afford or justify being held in the local authority. For example, the information hub and the programme management office are for all the authorities. They have made that clear, and it is clear in the operation of the cabinet, so we do not have any concerns about that.

The evolution of the governance over the past 10 years has put us in a position where we want further devolution. We are ready for those challenges and we are ready for a single pot. We have the governance structures and we know how to talk to both Governments and how to make sure that we are aligned on what we are going to deliver. There is so much more that we could do, rather than just building things. We want to impact on people's lives. We want social inclusion. That is increasing on the agendas. We talk about health inequalities and educational outcomes. We are trying to join up the dots and not just think about individual capital projects.

It is about skills and upskilling. It is about identifying some of the things that Councillor Aitken talked about, such as the underskilled workforce and how we can increase skills over time to allow economic opportunity for all. It is also about transport. Currently, transport does not work in the city region. We do not have enough control over the fares or where the services are operated, and that brings in the social inclusion issue. That is part of joining up the offer and making sure that councils are coherent and city cabinets have a coherent offering.

We get complaints about buses left, right and centre. People say that they do not turn up or they are not available. Public transport is critical if we are to have economic and social inclusion and reach our net zero targets, but we have limited control over it. A city region approach to transport would be welcome as part of the discussions about devolution and where Scottish Enterprise sits and how it works. It is all about joining the dots and bringing public transport together so that it makes more sense and has better outcomes.

Ultimately, everything should be measured on outcomes. I am confident that the outcomes are working well for us, but there is a lot more that can be done.

Daniel Johnson: Thank you. Convener, I think that we are running out of time, so I will leave it there.

The Convener: Thank you. We are running out of time, but I will ask a brief final question, and perhaps we can have one-word answers from each authority. It is pretty clear that you believe that the structures that have been established as a direct result of city growth deals should be and are here to stay, and that there is a debate to be had as to what happens next. Are you actively in discussions with both Governments, not just about those structures—we see regional economic partnerships being developed across Scotland anyway and we accept that the structures are here to stay—but about growth deal 2? Are the Governments giving you hints that they are open to that or are they just open to the continuation of regional structures?

I ask you to keep your answers to one or two words at the most, because I am conscious of the time.

Councillor Aitken: My brief answer is yes. We are having those conversations with both Governments. We have clear asks of each of them, which Owen O'Donnell summed up well. Our asks of the Scottish Government are to do with powers and levers, skills, enterprise, inward investment, land, development and transport. Our asks of the UK Government are to do with parity with our peer metro regions, which are primarily Greater Manchester and the West Midlands, and a single pot deal. That is what we are asking for and that is what we are talking about with them.

Paul Lawrence: I would say "ditto", convener.

The Convener: Are you having the same discussions, Matt?

Matt Bailey: Yes.

The Convener: You are in agreement, which is a good way to end what has been a long session but a very productive one. It may well be that the Sheriffhall roundabout public inquiry has reported in the time that we have held you here today. *[Laughter.]* I note for the *Official Report* that that was a joke and not something to set hares running.

Thank you very much for your evidence today and for taking part in our inquiry. We will now move into private session.

11:53

Meeting continued in private until 12:08.

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