

EAST RENFREWSHIRE COUNCILAUDIT AND SCRUTINY COMMITTEE12 March 2020Report by ClerkNATIONAL EXTERNAL AUDIT REPORT  
SCOTLAND'S CITY REGION AND GROWTH DEALS**PURPOSE OF REPORT**

1. To provide information on the Audit Scotland report *Scotland's City Region and Growth Deals*.

**RECOMMENDATION**

2. It is recommended that the Committee considers the report.

**BACKGROUND**

3. A copy of the Audit Scotland report [Scotland's City Region and Growth Deals](#), published in January 2020, has already been circulated to all Audit and Scrutiny Committee Members. Under the Committee's specialisation arrangements, the Members leading the review of this particular report are Councillor Miller and Councillor Grant. The Director of Environment has provided comments on that report and a copy of those comments is attached (see Appendix A).

**RECOMMENDATION**

4. It is recommended that the Committee considers the report.

Local Government Access to Information Act 1985

Report Author: Linda Hutchison, Clerk to the Committee (Tel.No.0141 577 8388)  
e-mail: [linda.hutchison@eastrenfrewshire.gov.uk](mailto:linda.hutchison@eastrenfrewshire.gov.uk)

Background Papers:-

1. Audit Scotland Report – Scotland's City Region and Growth Deals

BLANK PAGE

EAST RENFREWSHIRE COUNCIL  
AUDIT AND SCRUTINY COMMITTEE

12 March 2020

SCOTLAND'S CITY REGION AND GROWTH DEALS

**PURPOSE OF REPORT**

1. The purpose of this report is to provide the Audit and Scrutiny Committee with details of the Glasgow City Region – City Deal Cabinet response to the Audit Scotland report entitled Scotland's City Region and Growth Deals published in January 2020.

**BACKGROUND AND REPORT**

2. The Audit Scotland report entitled Scotland's City Region and Growth Deals was published in January 2020. The report, which seeks to provide an early assessment of city deals in Scotland, includes 15 recommendations:-

- 8 recommendations for Councils;
- 3 joint recommendations for the Scottish Government and Councils; and
- 4 recommendations for the Scottish Government.

3. As Members will be aware, the main governance arrangement around the Glasgow City Region deal is the Glasgow City Region – City Deal Cabinet upon which the Council is represented by the Leader of East Renfrewshire Council. In that respect, a comprehensive report was submitted to the Glasgow City Region – City Deal Cabinet in February 2020. The report provided the City Deal Cabinet with:-

- a summary of the key messages within the Audit Scotland report;
- an overview on the key recommendations covering Councils; and
- the current status of the Glasgow City Region City Deal arrangements in relation to those recommendations.

A copy of the City Deal Cabinet report is attached.

5. The report highlights key messages which were positive, but also highlights key messages around areas for improvement. In particular, the report provides an overview of the arrangements which are already in place or are being developed to ensure the recommendations from the Audit Scotland report relating to Councils are being addressed.

**RECOMMENDATION**

6. It is recommended that the Committee note the Glasgow City Region response.

Report Author: Andy Cahill, Director of Environment

BLANK PAGE



**Glasgow City Region - City Deal**

**Cabinet**

**Report by Director of Regional Economic Growth**

**Contact: Jane Thompson, 0141 287 5369**

## **Audit Scotland Report on Scottish City Deals**

### **Purpose of Report:**

This paper provides the Cabinet with:

- a summary of the key messages within the Audit Scotland report;
- an overview on the key recommendations covering Councils; and
- the current status of the Glasgow City Region (GCR) City Deal arrangements in relation to these recommendations.

### **Recommendations:**

The Cabinet is invited to note the content of the report.

BLANK PAGE

## 1. INTRODUCTION

- 1.1 On Thursday 16th January 2020, Audit Scotland published its 'Scotland's City Region and Growth Deals' Report. The report can be accessed at <https://www.audit-scotland.gov.uk/report/scotlands-city-region-and-growth-deals>

## 2. PURPOSE

- 2.1 This paper provides the Cabinet with:

- a summary of the key messages within the Audit Scotland report;
- an overview on the key recommendations covering Councils; and
- the current status of the Glasgow City Region (GCR) City Deal arrangements in relation to these recommendations.

## 3. AUDIT SCOPE

- 3.1 The Audit Scotland report seeks to provide 'an early assessment of deals in Scotland'. Its scope includes:

- a consideration of why the Scottish Government adopted the Deal approach to economic growth and how it fits with its wider economic policy;
- an examination of how Deals are made and an early assessment of the management, governance and accountability structures at national and local level; and
- a look at progress to date, risks and plans to measure the impact of Deals.

- 3.2 The Audit Report notes that, while the UK Government provides significant funding for Deals in Scotland, the scope of its audit, in terms of judgements and recommendations for improvement, excludes the work of the UK Government.

## 4. GLASGOW CITY REGION'S CITY DEAL GOVERNANCE REQUIREMENTS

- 4.1 When GCR's Deal was agreed in 2014, it was among the first in the UK and the first in Scotland. As a result, the governance arrangements for GCR, which were agreed by the GCR Cabinet, the UK and Scottish governments, were similar to those which had already been agreed for the English city regions which had Deals. So in addition to meeting the Scottish Government's grant conditions, governance and reporting requirements, in common with the English city regions, Glasgow City Region must also pass independent five-yearly Gateway Reviews before, in GCR's case, the UK and Scottish governments will commit to the next five-year block of funding.

- 4.2 The Gateway Reviews include scrutiny by an independent and objective National Evaluation Panel and a Challenge Session between senior officers from GCR and civil servants from both governments. GCR participated in its first Challenge Session on 16th January 2020. GCR expects to be notified of the outcome of the Gateway process before the end of March 2020.
- 4.3 Preparation for the Gateway Review required GCR to work alongside other UK Growth Deals to develop a National Evaluation Framework (NEF). Following the creation of the NEF, a GCR Local Evaluation Framework (LEF) and Local Evaluation Plan (LEP) was created with input from the Region's Independent Commission on Economic Growth, with the LEF and LEP subsequently agreed by Cabinet.

## 5. AUDIT REPORT KEY MESSAGES

- 5.1 The Audit Report has thirteen key messages regarding City Deals across Scotland:

### **Key Messages – Positive**

- a. Deals bring additional long-term funding;
- b. Deals deliver additionality, funding projects which would not otherwise go ahead;
- c. Deals are a catalyst for increased collaboration between Councils and partners; and
- d. All individual Deals include output measures, such as new jobs created; and
- e. Governance and scrutiny arrangements are in place at national and Deal level.

### **Key Messages – Areas for Improvement**

- f. The Scottish Government has not set out how it will measure the long-term success of Deals;
- g. The Scottish Government has not set out how it will know if Deals are value for money;
- h. The Scottish Government has not set out how Deals will contribute to the outcomes in the National Performance Framework;
- i. It is not clear why some projects are selected and approved for funding and others are not;
- j. Local communities have had very little involvement in the Deal process;
- k. There is limited transparency and ability to hold public bodies to account for their Deal spending;
- l. It remains untested how accountability will work in practice;
- m. There is a risk around the capacity of Councils and their partners to deliver deal projects against a challenging backdrop for the public sector.



## 6. AUDIT RECOMMENDATIONS

6.1 The Report includes 15 recommendations:

- eight recommendations for Councils;
- three joint recommendations for SG and Councils; and
- four recommendations for the Scottish Government.

6.2 The table below sets out each of the Report's recommendations and provides an overview of the arrangements which are already in place or are being developed to ensure the recommendations relating to Councils are being addressed.

	<b>COUNCIL RECOMMENDATIONS</b>	<b>GLASGOW CITY REGION ARRANGEMENTS</b>
<b>1.a</b>	Work with partners to agree clear and commonly understood lines of accountability	GCR's governance structures and accountability arrangements, in terms of the responsibility for costs in the event of project failure/overspend, are set out within the Assurance Framework (AF). The AF sets out key governance, assurance and programme management arrangements. It is approved by Cabinet and shared with the UK and Scottish Governments for comment.
<b>1.b</b>	Agree how information on the progress of Deals is reported to Elected Members and Council partners	The Programme Status Report, a formal report of ongoing progress, is approved by Cabinet every 8 weeks. A detailed Annual Performance Report is produced to summarise progress for each financial year. The City Deal Programme Management Office (PMO) produces regular Update Briefings on the progress of the Deal. These briefings are circulated to key stakeholders, including Regional Partnership agencies. All of the above documents are publically available through the City Deal website. An additional new arrangement will see an update on the City Deal provided to the Economic Delivery Group and the Regional Partnership from February 2020 onwards.
<b>2.a</b>	Ensure Deals are aligned with an agreed regional economic strategy, with input from a wide range of partners	The individual Business Cases produced for all City Deal projects and the Programme Business Case (PBC) set out their alignment to local, Scottish and UK strategic economic objectives. The GCR Regional Economic Strategy (RES) is currently being refreshed. Future versions of the PBC will be updated to show alignment and contribution to this refreshed RES.

<b>2.b</b>	Ensure Deals can demonstrate how they will help deliver national and local priorities for economic development	The PBC sets out how the City Deal's Programme Objectives align with the National Outcomes and Member Authority Local Outcome Improvement Plans. Future iterations of the PBC will include more detail showing this mapping at individual project level.
<b>3.a</b>	Regularly review their governance, monitoring and risk management arrangements to ensure they are clear and operating effectively	GCR has recently reviewed and refreshed its governance, monitoring and risk management arrangements. With the updated Assurance Framework 2019 approved by Cabinet in October 2019. In 2017/18 Glasgow City Council's Internal Audit Team undertook an audit of Compliance with Assurance Framework Project and Programme Management Arrangements on behalf of the Cabinet. Internal Audit's recent Follow-Up Audit (January 2020) has reported that all four recommendations within the audit have been completed.
<b>3.b</b>	Consider the ways that internal audit can provide assurance on governance, monitoring and risk management arrangements	The Programme is subject to a series of planned audits, externally by Audit Scotland and internally, by Glasgow City Council's Internal Audit, appointed by the Cabinet. An annual plan for audit activity for the year ahead is agreed by Cabinet, with findings, recommendations and progress on follow up actions reported to Cabinet throughout the year. A list of all Programme-level audits is included within the PBC.
<b>4.a</b>	Regularly monitor the risk of partner funding not materialising as agreed and be aware of their own financial implications if that risk is realised	A formal risk register is in place, for both the Programme and individual Projects. The risk of external funding not materialising is included within the Programme Risk Register. Risks are considered and reviewed four-weekly by the Chief Executives' Group and eight-weekly by Cabinet. The Risk Management Strategy is reviewed regularly and is currently being reviewed as part of the development a new Programme Management Toolkit to be launched in February 2020. An Audit of Risk Mitigation and Management was completed and reported in 2019. Internal Audit's recent Follow-Up Audit (January 2020) has reported that all four recommendations within the Risk Audit have been completed. A GCR Financial Strategy Group, consisting of the most senior Finance Officers from each Member Authority, is charged with monitoring the finances of the City Deal. The Group meets regularly to discuss and oversee the Programme budget and review Financial Risks.

<b>5.a</b>	Ensure a wide range of partners and stakeholders, including local businesses, voluntary organisations, communities and community planning partners, are involved in the Deal development and agreement process	The Glasgow City Region City Deal Programme Assembly exercise was completed in 2013/14. The process, which is set out within the PBC, saw the Region's Member Authorities work together to identify a short-list of 21 projects (from a long-list of 80+ projects) which were appraised as providing the best economic, and distributional, benefits for the Region. The long-list of projects was compiled from project proposals which were put forward by each of the Member Authorities. These locally-generated proposals were developed within Member Authority areas, coming from their Local Development Plans and/or area masterplans. In addition to the consultation with businesses and communities which will have been undertaken by Member Authorities in the development of these local plans, ongoing engagement and consultation is undertaken at a local level as the project progresses e.g. in order to gain planning consent.
<b>6.a</b>	Consider how they will measure the full long-term impact of the Deal and whether it has achieved value for money	Glasgow City Region City Deal has clear targets for jobs and GVA. In terms of Value for Money, the PBC includes the Benefit Cost Ratios for all projects with an Approved Outline Business Case and the running total for the Programme based on these Approved Business Cases.
<b>6.b</b>	Consider arrangements for collecting and analysing data on different groups in their communities to allow the impact of Deals on minority and disadvantaged groups to be evaluated	Glasgow City Region Cabinet has given a commitment to achieving inclusive growth outcomes through the delivery of the Deal. The Cabinet has also given a commitment to tackling poverty via Deal delivery. The PMO has agreed to work alongside the government's City Deals Policy Manager for Equality and Investment in the Scottish Government's Cities Team to develop monitoring and evaluation arrangements to ensure the impact on minority and disadvantaged groups can be evaluated.
<b>7.a</b>	Look at how Deals affect their longer-term financial plans, capital programmes and borrowing strategies	In GCR individual Member Authorities must receive local approval for their 14% funding contribution and their own Business Cases prior to submitting this to the GCR PMO for appraisal. As part of gaining this local approval, individual Member Authorities will be assessing the priority of their proposed City Deal projects alongside their own wider capital investment programmes for their local area. The PBC sets out how Prudential Borrowing requirements are met, namely that debt financing costs will be met from Member Authority resources and be in line with the Prudential Borrowing Code.

8.a	Ensure that enough staff, money, expertise and skills are available to develop and deliver Deals including sufficient project management capacity and expertise	The Management Case within the PBC sets out the role profiles of the staff within the City Deal PMO and the training which has been provided to ensure staff have the skills required for these roles. Each year the PMO agrees a forward plan of its activities, known as the Annual Implementation Plan. At a Member Authority level, projects are required to set out their arrangements, including local skills and capacity, within their Management Case of their business cases. Additional training in Business Case development has been provided for Member Authority and PMO staff.
	<b>SCOTTISH GOVERNMENT AND COUNCIL RECOMMENDATIONS</b>	<b>GLASGOW CITY REGION ARRANGEMENTS</b>
9.a	Consider how best to make more information publicly available as to the reasons behind key decisions on funding and project selection for signed deals and those still in development, to promote understanding and support effective scrutiny	An overview of the GCR Programme Assembly exercise is included within the Programme Business Case. It includes the: options framework and the Critical Success Factors.
10.a	Improve arrangements for sharing knowledge and learning across deals in the interest of improving the Deal process	The GCR PMO engages in regular informal knowledge exchange meetings with staff in the other Scottish Deal PMOs. GCR PMO also engages with other UK cities with Growth Deals through the National Evaluation Panel Steering Group.
11.a	Regularly review the governance and accountability arrangements for Deals to ensure they are clear and operate effectively	For GCR, the accountability arrangements, in terms of the responsibility for costs in the event of project failure/overspend, are set out within the Assurance Framework.
	<b>SCOTTISH GOVERNMENT RECOMMENDATIONS (for information)</b>	
12.a	Set clear aims and objectives for the overall deals programme, including how it will help to deliver inclusive growth	

<b>13.a</b>	Explain in medium- and long-term financial plans how it will fund deals from its budget and how this relates to ongoing financial support for local government No response required from GCR.
<b>14.a</b>	Develop arrangements for measuring the impact of the overall deals programme, in particular how it has taken account of outcomes set out in the National Performance Framework and whether it has achieved value for money.
<b>15.a</b>	Clarify for partners how they should plan for and then measure and report on the impact of individual deals, including their delivery of inclusive growth. This is especially urgent for shorter-term deals that are already in the delivery stage.

## **7. CONCLUSIONS**

- 7.1 The Glasgow City Region Programme Management Office welcomes the analysis undertaken by Audit Scotland of Deals in Scotland. As a result of being the first City Deal in Scotland, and through the work which has been undertaken recently to prepare for the first Gateway Review, GCR has already addressed, or is making good progress with addressing, the recommendations for Councils outlined in the Audit Scotland report.
- 7.2 Indeed, at the 20<sup>th</sup> January 2020 Glasgow City Region's Commission on Economic Growth meeting, the Commission noted that, while the report findings related to Scotland's City Deals in general, the report was, overall, complimentary regarding Glasgow City Region's arrangements.

## **8. RECOMMENDATIONS**

- 8.1 The Cabinet is invited to note the contents of this report.

BLANK PAGE