

UPDATE ON RURAL GROWTH DEAL

1.0 INTRODUCTION

- 1.1 City and Regional Growth Deals are being taken forward, or agreed, between Scottish Local Authorities and the Scottish and UK Governments. Informed by extensive research and public consultation Argyll and Bute Council, working in partnership, with a number of key stakeholders has developed a Rural Growth Deal (RGD) for the region in dialogue with UK and Scottish Government representatives and the Scottish Futures Trust. This RGD is considered essential by the Council, to build on a series of public and private sector investments that have either taken place in recent years or are under way in Argyll and Bute, to help keep our region competitive through the acceleration of economic growth in our key business sectors and by addressing the barriers that are believed to hold back our growth potential.
- 1.2 On the 2nd October the UK and Scottish Governments announced investment of £25 million each in Argyll and Bute Council's Rural Growth Deal.
- 1.3 The funding of the Rural Growth Deal is primarily for capital projects intended to boost economic performance and outcomes and will not address the council's revenue challenges.
- 1.4 The length of the RGD is over a 10 year period of implementation and can be used to match or attract additional funding including from the private sector to boost outcomes. There is also a need to take forward projects that can attract funding from both Governments to enable them both to reach their £25m contribution. The UK Government will only fund matters reserved to them or they have identified in the UK Industrial Strategy i.e. Business innovation and industries with growth and export potential. The Scottish Government can fund a wider scope of projects and are interested in adding to funding streams that are already in place such as the roll out of digital connectivity.

- 1.5 All investments will be subject to detailed business cases being prepared and approved by each Government.

2.0 RECOMMENDATIONS

It is recommended that Members:

- 2.1 Note the confirmation announcement made by UK and Scottish Governments to support Argyll and Bute Council's RGD by investing £25million each.
- 2.2 Approve a delegation to the Chief Executive, to continue negotiations with UK and Scottish Government officials
- 2.3 Delegate to the Chief Executive, in consultation with the Leader, Deputy Leader and Leader of the Opposition, agreement of the Heads of Terms.
- 2.4 Note that the the final Heads of Terms Agreement will be signed by the Leader, as a commitment by the Council to achieve full implementation of the Argyll Rural Growth Deal.
- 2.5 Delegate decision making in relation to the Rural Growth Deal, including agreement of governance arrangements, to the Policy and Resources Committee.

3.0 DETAIL

- 3.1 Argyll and Bute Council has been advocating support for a Rural Growth Deal with the UK and Scottish Governments, based on a number of projects developed with public and private sector partners.
- 3.2 Along with its partners, the Council has designed proposals to deliver success across Argyll and Bute, based on three key drivers:
 - Attracting: additional skills, training and learning opportunities: new residents, visitors and businesses
 - Growing: doing more of what works; making more of our natural and built resources
 - Connecting: our high value business sectors with national and international business markets; our local economic successes with national strategic priorities
- 3.3 Discussions to date with UK and Scottish Government officials have been positive, particularly around the amount of work and consultation undertaken and dialogue continues with officials, as we move to the Heads of Terms for the Rural Growth Deal. However, it should be noted that both Governments have stressed that the timescale, from the announcement made on the 2nd of October and to finalising the Heads of Terms for the Rural Growth Deal, will be affected and delayed due to the forthcoming General Election. It should also be noted that other local authorities are also still negotiating deals at this current time and all

are at different stages of development. In line with other Growth Deals, the final Heads of Terms Agreement will be signed by the Leader, as a commitment by the Council to achieve full implementation of the Argyll Rural Growth Deal. The Heads of Terms document defines the broad activities that the governments hope to support, subject to business cases that confirm these activities are viable, value for money, sustainable and State Aid compliant to the satisfaction of both governments. It does not form a legally binding contract.

- 3.4 Discussions with officials from both governments and other partners will continue during the election period. Despite the delay outlined above it is clear from experience to date and that of other councils that agreement on the Heads of Terms may be reached at relatively short notice. For this reason this report also seeks a delegation for officers to continue negotiations and to agree, in consultation with the Leader, Deputy Leader and Leader of the Opposition, the final Heads of Terms.
- 3.5 Ensuring strong effective governance arrangements for the Argyll Rural Growth Deal provides assurance to both governments that there is transparency in decision making and project delivery. It will be a requirement of the Rural Growth Deal that governance arrangements are agreed, and that all commitments contained within the Heads of Terms document are subject to approval of final business cases, from the relevant Government, or from both Governments in the case of jointly funded projects. Governance arrangements for the delivery phase are currently being developed and this report proposes that agreement of those arrangements is delegated to the Policy and Resources Committee to allow them to be in place before finalisation of the Heads of Terms.
- 3.6 Governance arrangements will reflect Prince 2 principles and will involve any partners directly associated with delivery of the projects. Arrangements will need to be agile to allow for timely delivery of projects and to mesh with the accountability that will be required by both governments. To facilitate this a further delegation of all decisions relating to the Rural Growth Deal is included within this report.

4.0 CONCLUSION

- 4.1 The UK and Scottish Governments have announced investment of £25 million each in Argyll and Bute Council's Rural Growth Deal.
- 4.2 Both Governments have stressed that the timescale, from the announcement made on the 2nd of October and to finalising the Heads of Terms for the Rural Growth Deal, will be affected and delayed due to the forthcoming General Election and Brexit.
- 4.3 Strong effective governance arrangements, for the Argyll Rural Growth Deal, will be required to provide assurance to both governments and all commitments contained within the Heads of Terms document will be subject to approval of

final business cases, from the relevant Government, or from both Governments in the case of jointly funded projects.

5.0 IMPLICATIONS

- 5.1 Policy - The Rural Growth Deal supports the council's overarching aim to deliver economic growth in Argyll and Bute through a rising population, as set out in the ABOIP and aims to support the key aims of the UK and Scottish Government Economic policy in relation to inclusive economic growth, innovation and internationalisation.
- 5.2 Financial - The Rural Growth Deal will require match funding from the Council. At the May 2018 P&R it was agreed to use the Inward Investment Fund as match funding.
- 5.3 Legal - There are likely to be legal implications associated with the Rural Growth Deal following final agreement of Heads of Terms and subsequent approvals of Business cases.
- 5.4 HR - None directly from this report
- 5.5 Fairer Scotland Duty:
 - 5.5.1 Equalities - protected characteristics - The Rural Growth Deal will be subject to the Fairer Scotland Duty.
 - 5.5.2 Socio-economic Duty - Inclusive growth is integral to the Rural Growth Deal.
 - 5.5.3 Islands – Extensive public consultation has been undertaken on the RGD.
- 5.6 Risk - Full business cases will be developed for Rural Growth Deal projects following submission of the final Heads of Terms.
- 5.7 Customer Service – None.

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