

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.
- 1.6 The Council committee of 28 November 2019 approved the delegation of the governance arrangements for the Rural Growth Deal delivery programme to the Policy and Resources Committee. The details of the proposed governance arrangements are included within this paper for approval.

2.0 RECOMMENDATIONS

It is recommended that the Committee:

- 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 the governance arrangements for the Rural Growth Deal set out in paragraph 3.7.

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.
- 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.

- 3.5 Following on from the Heads of Terms for the Rural Growth Deal the next milestone will be the signing of the Deal itself. Typically this milestone takes place 1-1.5 years after the signing of the Heads of Terms. At this stage both governments will expect to see Outline Business Cases for each of the projects, contained within the Heads of Terms, in line with the HM Treasury '5 Case Business model.
- 3.6 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, prior to signing, that governance arrangements are agreed.
- 3.7 On 28 November 2019 the Council agreed to delegate the governance arrangements for the Rural Growth Deal delivery programme to the Policy and Resources Committee. The proposed governance arrangements are as follows:-

Governance Arrangements for the Rural Growth Deal

Policy and Resources Committee

It is proposed that the Policy and Resources Committee will:-

- a) Be the Council's decision making body for any decision relating to the Rural Growth Deal;
- b) The Committee will consider any requirement to commit funding and resources required to deliver projects;
- c) The Committee will receive regular updates on the delivery of the programme from the Programme Board.

Programme Board

- A Programme Board will be established to manage the overall Rural Growth Deal programme. This Board will comprise the Leader and Depute Leader of the Council, Leader of Opposition, Chief Executive, Executive Director with responsibility for Development and Economic Growth, Head of Development and Economic Growth, Head of Financial Services and representatives from HIE, Scottish Enterprise, Scottish Futures Trust. Other partners with responsibility for delivery of projects may also be added to the membership of the board. Project Team Leads will attend and report to the Board as required.
- The Programme Board will ensure that the projects forming the basis of the Heads of Terms have the support of the relevant partners. The Board will oversee development of the optimal range of projects within the agreed funding that will form the basis of the Heads of Terms.

- The board will agree a detailed implementation plan and a financial plan that enables it to oversee delivery of the programme during the 10 year lifespan of the deal. Monitoring and evaluation frameworks and associated business cases for all projects will allow the board to hold accountable individual project teams against timetable, budget and agreed outcomes.
- The Programme Board will be responsible for ensuring that each project is able to demonstrate value for money and will approve all business cases before submission to governments. All commitments through the Rural Growth Deal will be subject to the HM Treasury 'Five Case Business Model' and will require the approval of final business cases from the relevant Government, or from both Governments in the case of jointly funded projects.
- There will also be a role for the Programme Board to liaise with partner organisations to ensure appropriate engagement in the programme, for example the Community Planning Partners and the Argyll Business Group which is in the process of being formed following a meeting held with invited Argyll and Bute business leaders on the 7th of November.

Project Teams

- Project Teams will be established for each project included in the final Rural Growth Deal document. Project Managers will be identified for each Project Team and they will be responsible for developing each project through to Full Business Case stage. Project Management will be based largely around PRINCE2 methodology.
- A project Initiation Document (PID) will be prepared by each Project Team to map out how they intend to develop the project in terms of activities and actions and identify the required and necessary resources, timescales, responsibilities and risks associated with these. The PIDs will be considered by the Programme Board and these will form the basis of monitoring the overall programme.
- Project Teams will be responsible for managing the delivery of individual projects included as part of the Rural Growth Deal Programme.

3.8 It should be noted that the Governance arrangements for the Argyll Rural Growth Deal will continue to evolve as proposals continue to develop and further reports will be prepared for Members to consider on this issue as required.

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 General Election being held on the 12th of December and the ongoing process of leaving the EU.

- 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
- 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 – Regard will be had to the emerging Islands Plan and forthcoming guidance on Island Community Impact Assessments.
- 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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