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**Report To: Environment & Regeneration Committee      Date: 30<sup>th</sup> April 2015**

**Report By: Corporate Director Environment, Regeneration & Resources      Report No: R014/15/AF/SJ**

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**Subject: City Deal Progress Report**

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## **1.0 PURPOSE**

- 1.1 The purpose of the report is to provide Committee with an update on the implementation of the City Deal Programmes.

## **2.0 SUMMARY**

- 2.1 Following approval by the Environment and Regeneration Committee in August 2014 to accept the offer of a City Deal, the Corporate Director Environment, Regeneration and Resource has been undertaking a number of activities including developing and implementing the Operating Plan for the first three years of the City Deal.
- 2.2 Members should be aware that internal governance arrangements have been established and approved by the Corporate Management Team. Furthermore, officers have been engaging with the City Deal Programme Monitoring Office to progress the final amendments of the City Deal Assurance Framework and preparation of the Strategic Business Cases for the 3 Inverclyde City Deal Infrastructure Fund Projects i.e. Inchgreen, Inverkip Power Station Development and Ocean Terminal.
- 2.3 Officers have also been actively involved in discussions with Peel and Scottish Power in relation to developing joint development agreements which are state aid compliant.
- 2.4 In addition to the Infrastructure Projects, officers have been progressing the development of the Employability/Labour Market Initiatives. Inverclyde will deliver a 3 year programme with total Project Costs of £459,000, of which the Council's contribution has been confirmed as £244,000. This funding to come from existing Employability budgets.
- 2.5 The initial phasings of the infrastructure projects have been submitted to the Programme Monitoring Office and the overall programme is being reviewed by officers prior to Cabinet consideration. The phasings are kept under regular review and any financial implications will be reported to Members at an appropriate time.

## **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that Committee:
- (a) Note the progress to date.
  - (b) Delegate authority to the Corporate Director Regeneration and Environment, to formally accept the City Deal award for employability when it is received.
  - (c) Delegate authority to the Head of Legal and Property Services to accept the most economically advantageous tender for the delivery of the employability activity.

## **4.0 BACKGROUND**

- 4.1 The Environment and Regeneration Committee in August 2014 agreed to accept the offer of a City Deal as detailed in the 'Glasgow and Clyde Valley City Deal' document and delegated authority to the Corporate Director Environment, Regeneration and Resource to undertake a number of activities including developing and implementing the Operating Plan for the first three years of the City Deal. In addition, the Full Council agreed at its meeting in December 2014 to remit it to the Corporate Director to establish suitable internal mechanisms for a Project Board to oversee local implementation and progress of City Deal projects and to engage relevant partners.
- 4.2 In the original proposals for City Deal three areas of work were considered, with support packages for clients receiving Employment Support Allowance, Youth Employment Measures and In work support. Whilst clients in Inverclyde will benefit from the City Deal Employment Support Allowance package, due to funding opportunities from European Structural Funds the Youth Employment Initiative will not receive any direct contribution from City Deal and is subject of a separate report on the agenda. The third strand of the original City Deal activity, In work support, is only being delivered in Glasgow.

## **5.0 PROGRESS**

- 5.1 Internal governance arrangements have been established and approved by the Corporate Management Team. In this regard an Inverclyde City Deal Programme Board has been established consisting of the Corporate Director – Environment, Regeneration and Resources (Chair); the Chief Financial Officer; the Head of Legal and Property Services; the Head of Regeneration and Planning; and the Physical Regeneration Service Manager for Riverside Inverclyde. As necessary appropriate Officers may be invited to attend the Programme Board on an ad hoc basis e.g. Scottish Enterprise, the State Aid Unit, Roads and / or Communications. The Board will meet regularly and ensure reports are presented to Committee to keep Members updated. A number of project sub-groups have also been established to oversee delivery and report back to the Board.
- 5.2 Furthermore, officers have been engaging with the City Deal Programme Monitoring Office to progress the final amendments of the City Deal Assurance Framework.
- 5.3 Consultants Ironside Farrar, previously commissioned by Riverside Inverclyde to undertake feasibility work on City Deal Projects, were appointed by the Council to prepare Strategic Business Cases (SBCs) for the 3 Inverclyde City Deal Infrastructure Fund Projects i.e. Inchgreen, Inverkip Power Station Development and Ocean Terminal. The SBCs were submitted by the closing date i.e. 31<sup>st</sup> March 2015 and provide project information in relation to:

### **1. Executive Summary**

- 1.1. Strategic need for the project
- 1.2. Options shortlisted
- 1.3. Proposed solution
- 1.4. Forecast cost
- 1.5. Proposed team and project management arrangements

### **2. Strategic Fit**

- 2.1. Strategic need for the project
- 2.2. Strategic and policy context for the project
- 2.3. Existing arrangements
- 2.4. Strategic Fit with City Deal Programme Objectives
- 2.5. Project scope and Investment Allocation
- 2.6. Dependencies and constraints
- 2.7. Project stakeholders
- 2.8. Benefits
- 2.9. Risks

### **3. Options Appraisal**

- 3.1. Option Review
- 3.2. Options Appraisal

### 3.3. Preferred Option

## **4. Economic, Financial & Commercial Aspects**

### 4.1. Economic Case

### 4.2. Commercial Aspects

### 4.3. Funding

## **5. Sustainability Case**

## **6. Project Governance and Management**

### 6.1. Project Roles

### 6.2. Project Governance Structure

### 6.3. Procurement and Community Benefits Strategy

### 6.4. Other Legal Matters for Consideration

5.4 Copies of the SBCs are available to Members by contacting the Head of Regeneration and Planning.

5.5 Members should be aware that officers have been engaging with partners to develop how projects are to be progressed through joint development/venture agreements. A particularly challenging area has been the development of state aid compliant principles of agreement. Dialogue has been ongoing with the Scottish Government's State Aid Unit to seek clarification and guidance on this matter. It is clear in some areas of activity that City Deal Grant Funding will only be permitted for public works or if a Block Exemption Scheme is in place to permit the provision of grant support. Otherwise public funding can only be permitted adopting the Market Economy Investor Principle i.e. in the form of shared risk, investment and return on a pari-passu or equal footing basis. The State Aid Unit advises that in order to ensure this is being achieved in relation to individual projects an Independent Assessment/Analysis will be required.

5.6 The Employability/ Labour Market Initiatives have been progressed with all eight participating Local Authorities agreed on allocations and outcome targets. Inverclyde Council have moved to advertise the service on Public Contract Scotland and obtain appropriate service delivery. The employability schemes are as follows:-

#### P1 – Clients receiving Employment Support Allowance

This programme will be delivered in Inverclyde with an annual value of £153,000, with an annual contribution from the Council of c£81,000. It is targeted at the people who have completed the national work programme, have not progressed and have either illness or disability issues which impact on their ability to work. Services will include counselling, condition management and employer engagement.

#### P2 – Youth Employment

One of the original strands of the City Deal activity now entirely funded by ESF with match from IC and is subject of a separate report on the agenda.

#### P3 – In Work Support

The third strand of the original city deal activity is only being delivered in Glasgow. Proposals have not been agreed as yet and will be employer led, targeted at people in work and to support career progression.

5.7 Glasgow City Council will be the lead organisation with Accountable Body status. All councils are in further negotiation to agree protocols and procedures with Jobcentre Plus.

## **6.0 CONCLUSIONS**

6.1 Overall projects are being developed to meet the requirements of the City Deal PMO and the outcome of the deliberations on the Strategic Business Cases for Inchgreen, Inverkip Power

Station Development and Ocean Terminal is awaited.

## 7.0 IMPLICATIONS

### 7.1 Financial: One-off costs

Cost Centre	Budget Heading	Budget Year	Proposed Spend this Report	Virement From	Other Comments
Economic Regeneration	City Deal	2014/17	£90		To fund PMO and initial project costs
	Employability	2015/18	£244		Contribution to Employability Project. Contained within existing resources

### 7.2 Financial: Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (if applicable)	Other Comments
Economic Regeneration	City Deal	2017/18	£400		Approved annual sum to fund City Deal financing & PMO costs from 2017/18

### 7.3 Legal:

### 7.4 Human Resources:

## 8.0 CONSULTATION

8.1 Legal Services have been consulted on this report.

8.2 Finance Services have been consulted on this report.

## 9.0 EQUALITIES

### 9.1 Has an Equality Impact Assessment been carried out?

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YES (see attached appendix)

NO - This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

## **10.0 REPOPULATION**

- 10.1 The City Deal Programme of activities/projects will contribute to the regeneration of Inverclyde and making Inverclyde a more attractive place to live and work in.

APPENDIX

**COST ALLOCATION – ESA CITY DEAL PILOT**

The ESA City Deal programme is based on a budget of £9million over a 3 year period - this is being funded on the basis of 50% DWP and 50% Local Authority Funding.

Percentage allocations to Local Authorities have been based on two elements:- number of IB/ESA clients in individual local authorities and feedback on anticipated Work Programme leaver flows from DWP. This methodology has been used from initial workings on the proposal and has been shared with Local Authorities.

The table below shows this percentage split and what this means in relation to clients supported and job outcomes.

	EAST DUNBARTONSHIRE	EAST RENFREWSHIRE	GLASGOW	INVERCLYDE	NORTH LANARKSHIRE	RENFREWSHIRE	SOUTH LANARKSHIRE	WEST DUNBARTONSHIRE	total
Percentage of Pilot by LA	2.54%	1.91%	48.17%	5.42%	11.56%	11.27%	13.15%	5.98%	100%
Clients supported	102	76	1927	217	462	451	526	239	4,000
Job Outcomes	15	11	290	32	69	68	79	36	600

There are a number of areas that need to be funded at a Clyde Valley level - performance management and evaluation. Agreement has been reached that one local authority will take the lead in managing the Performance Management activity - ensuring consistency across all eight local authorities and providing a programme monitoring function at LA level and performance management reports to the Clyde Valley PMO. The split in relation to these costs will follow the same percentage split shown above.

	Per Annum	Total Costs
Evaluation Costs		50,000
Programme Management Support Costs	130,137	390411
Client Management Information Costs	29,450	88350
<b>TOTAL SUPPORT COSTS OVER THREE YEARS</b>		<b>528,761</b>

APPENDIX

Total Match Funding	4,500,000	
Programme Costs	528,761	
Allocation available to local authorities	<b>£3,971,239</b>	

The table below, based on the percentage allocation, illustrates DWP funding available, required match by Local Authorities and total value by LA over the three year programme.

	EAST DUNBARTONSHIRE	EAST RENFREWSHIRE	GLASGOW	INVERCLYDE	NORTH LANARKSHIRE	RENFREWSHIRE	SOUTH LANARKSHIRE	WEST DUNBARTONSHIRE	total
Percentage of Pilot by LA	2.54%	1.91%	48.17%	5.42%	11.56%	11.27%	13.15%	5.98%	100.00%
3 year funding available	£100,869	£75,851	£1,912,946	£215,241	£459,075	£447,559	£522,218	£237,480	£3,971,239
Match Funding (£4,500,000)	£114,300	£85,950	£2,167,650	£243,900	£520,200	£507,150	£591,750	£269,100	£4,500,000
<b>Total Funding by Local Authority</b>	<b>£215,169</b>	<b>£161,801</b>	<b>£4,080,596</b>	<b>£459,141</b>	<b>£979,275</b>	<b>£954,709</b>	<b>£1,113,968</b>	<b>£506,580</b>	<b>£8,471,239</b>