

## Written evidence submitted by David Waite, Graeme Roy and Stuart McInyre (CRG0012)

### Scottish Affairs Committee Inquiry on City Deals

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We offer some general reflections on City Region Deals and Regional Growth Deals, drawing on our own academic interests and research. We do not take a position on whether deals are the optimal tools for Scottish economic development policy, but rather offer views on how they have operated in Scotland over the last ten years.

- **What contribution have City Region Deals and Regional Growth Deals made to the development of Scottish Cities and regional economies?**

It can be argued that City Deals have supported a range of interventions that may not have otherwise been progressed at the pace that they have. In terms of economic growth outcomes, it is too early to tell of their impact, especially for infrastructure investments (where there are typically long lags between making an investment and economic change emerging).

The future release of rigorous ex-post analysis of City Deals in Scotland, that fully accounts for possibilities of deadweight or displacement, will be important. Most of the analysis to date has looked at the immediate impact – or likely impact – of the amount of government spending (and/or additional private sector or related investment). This does not of course answer the question of whether a greater/lesser impact could have been achieved had the money been spent upon other initiatives.

City Deals reflect, in totality (across Scotland), significant sums. An important question is to what extent are they coordinated with other initiatives, such as day-to-day spending upon economic development in Scotland and new UK initiatives such as investment zones, green freeports etc. There is a risk that urban and regional policy in Scotland becomes a complex patchwork of various funding pots and tools, that ultimately elides a strategic sense of what is needed and what will be most impactful.

There is also a risk that these initiatives focus upon a mantra of ‘build it and they will come’ with less joined-up policymaking across the range of social and economic capital investments needed to make an initiative a success. This could be particularly relevant in respect of the numerous initiatives to build the physical infrastructure to support innovation and entrepreneurship.

One positive development we believe has been, in some instances, an improvement in institutional capacity to support City Deals. That is, looking at how local policymakers are working differently as a result of the deal, rather than the contribution of the deal per se as a set of economic development interventions. We argue that the emergence of a Glasgow city-region intelligence hub, which develops granular insights on the local economy, is a

productive development (disclaimer – the authors support the intelligence hub as academic advisers).

- **What are the key opportunities and challenges for City Region Deals and Regional Growth Deals in the coming years?**

A complex delivery environment is faced by local authorities, for example in terms of inflation, lack of resource and delays, as cited by Audit Scotland. The outlook for the public finances, across the UK, looks particularly challenging and this may constrain resources for further investment in the years to come.

Furthermore, a challenge – as mentioned above – is that there are lots of initiatives, so it remains to be seen what the overall effect of the joined-up strategy for economic development in Scotland will be. It is important that Scotland avoids policy tools coming and going without a wider strategic view of what role they play. Indeed, what strategies will guide deals? There is perhaps a risk that a complex and fast moving landscape means deal-makers fall into strategic namechecking than embedding core principles in deal design (see Waite and Roy, 2022 – “The promises and pitfalls of operationalizing inclusive growth”).

In twenty-five years of devolution in Scotland, we have seen numerous strategies and action plans come and go, with various taglines from sustainable economic growth through to inclusive growth and, more recently, economic wellbeing. Of course, this is particularly relevant in the context of the devolved vs. reserved policy axis. There has often been the presumption, including in economic development policymaking, that there can be an easy split between devolved and reserved policy responsibilities. The reality is much more complex than that.

An important question is to what extent does Scottish Government ambitions – most recently set out in the National Strategy for Economic Transformation – sit alongside the UK Government Levelling Up agenda. It is striking to note for example, that the Scottish Government’s national innovation strategy (2023), only references Levelling Up twice (and in one case to reflect the innovation accelerator in Glasgow). Our work on changing economic development agendas in Scotland, finds indeed, that the tripartite arrangements for City Deals in Scotland means localities may be pointing in two directions.

- **How have City Region Deals and Regional Growth Deals progressed since the Committee last examined them in 2021?**

There are three elements that we would note.

First, there has been a wider roll out including a recent growth deal in Falkirk (heads of terms agreement). This roll out seems to be in keeping with the spirit of every part of Scotland receiving a deal in some form.

Second, we can also see City Deals being developed that reflect shifting national government guidance. The Scottish Government’s Skills and Enterprise review (2017) required, for example, inclusive growth to feature in future deal development. At the same time, the North Ayrshire Growth Deal points to both inclusive growth and community wealth building as frameworks for considering challenges and opportunities (and applied to each business case, according to the deal document). Now the focus is weighted more heavily toward fitting in with the government’s economic wellbeing agenda.

Third, we see little evidence of any change in governance as it relates to how such deals are managed across UK, Scottish and local government. We continue to see evidence of tensions in such relationships. A key question for the future is – setting aside politics – are we getting the right collaboration across all tiers of government. Bodies such the “Scottish City Region and Growth Deal Delivery Board” would appear to have a critical role to play.

- **What steps have different City Region Deals and Regional Growth Deals taken to implement the recommendations of the 2020 Audit Scotland report?**

We note here that Audit Scotland’s update in 2023 pointed to positive progress in a number of areas - [https://audit.scot/uploads/docs/report/2023/nr230622\\_city\\_deals.pdf](https://audit.scot/uploads/docs/report/2023/nr230622_city_deals.pdf)

- **How do the provision and effectiveness of City Region Deals and Regional Growth Deals compare with similar schemes in England and Wales (such as Investment Zones)?**

As one would expect given devolution, City Region Deals and Regional Growth Deals continue to evolve differently in Scotland vis-à-vis the rest of the UK.

It is perhaps notable that there is no overall framework for how deal-making will evolve in Scotland, compared to the recent developments and guidance emerging for England. Indeed, whilst trailblazer deals now exist in England, there appears to be no consideration of how and if they may emerge in Scotland (and on what terms). This arguably creates a gap in terms of what the future of urban and regional policy may look like.

As we have highlighted, a risk is that economic development in Scotland becomes an after-thought, or simply the product of ad hoc announcements falling out of broader, UK-wide policy steps (e.g. green freeports within Levelling Up).

- **How do City Region Deals and Regional Growth Deals align with other ‘Levelling-Up’ funding available to Scotland?**

The Levelling Up agenda is sufficiently wide to argue that Deals fit well. However, this broad coherence does not necessarily imply that City Deals reflect the context specificities of their local places effectively.

Alignment of funding in terms of objectives is one thing; alignment of process is another. An important question is how effectively local authorities, particularly those stretched for capacity, can manage the bidding, operationalisation and evaluation of somewhat disparate funding mechanisms (often at short notice).

As highlighted, thus far there has been considerable focus upon investment spend through ‘Levelling-Up’ and City Deal spending. This means that recurring expenditure – vital to maximising the impact of such spend – such as skills and innovation support for businesses does not appear perhaps as much as it should. This is leading to a significant increase in the supply of physical infrastructure for economic development. But there is a concern, for example, that investing in lots of innovation space is not always developed in tandem with the support needed for innovators themselves.

- **To what degree do City Region Deals and Regional Growth Deals address the right priorities for Scotland? Is there sufficient flexibility in the schemes to tailor the offer to regional needs?**

In principle there is flexibility with deals (design of the instrument) – indeed this was the core principle of the localism agenda that spawned deals - but achieving this, and tailoring this effectively to local needs, will hinge on local capacity. That is, is there the local capacity to clearly identify local needs and capacities so deals are effectively fashioned?

There has also been a critique of deals, particularly early wave deals, that national and central government present limits or boundaries on what is acceptable within a deal.

However, as pointed out above, a concern is not perhaps that there is insufficient flexibility in deals. But instead that the plethora of initiatives, funding pots and political masters leads to a smorgasbord of initiatives. In a constrained fiscal environment, it is vital that we ensure that the whole of all these investments is bigger than the sum of the parts.

- **What policies should the UK Government adopt to foster the success of City Region Deals and Regional Growth Deals in the coming years?**

Our interest is less on the specific policy initiatives per se, but the overall governance and effective policymaking of deals.

There is room to encourage the cross-fertilisation of ideas across deal making parties in Scotland. The nature of deals, in terms of developing quid pro quo type arrangements in the quest for funding, may perhaps militate against different city-regions in Scotland sharing information on what works and does not work. Again, the “Scottish City Region and Growth Deal Delivery Board” may have a key role here.

We would also urge that evaluation commitments be seen through, such as the gateway processes. In many areas, we are not overburdened with robust evidence on the effectiveness of economic development policies, so evidence on what the deals have and are achieving will have an important role in supporting future evidence-based policymaking.

Finally, it is incumbent on all governments involved in the City Deal landscape to work closely and effectively together. Greater focus upon mechanisms to deliver coordination, to share intelligence on investment plans and to agree priorities, would help ensure that the collective impact of such investments are maximised.

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