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18 July 2018

Dear Pete,

SCOTTISH AFFAIRS COMMITTEE – CITY REGION DEAL INQUIRY

Thank you for the opportunity to give evidence to the Scottish Affairs Committee on 10 July. I am writing to follow up some points made during the session. I also include my response to Ross Thomson's query about the rail line at Montrose, hence have copied him directly.

Tay Cities Region Deal - Timeline and scale

The committee took an interest in progress with the Tay Cities Region Deal. At the committee, I confirmed that the Scottish Government remains absolutely committed to achieving a Heads of Terms Agreement for the Tay Cities Region Deal as early as possible.

In his subsequent evidence session, I noted that the Secretary of State for Scotland hoped that Heads of Terms would be agreed "over the course of the summer". He further stated that he was waiting to discuss matters with Mr Matheson.

For the avoidance of any doubt, Keith Brown MSP, the former Cabinet Secretary for the Economy, Jobs and Fair Work, wrote to the Secretary of State for Scotland on 12 June, asking for Heads of Terms to be agreed by the end of June 2018. The Scottish Government is in a position to move to Heads of Terms as soon as UK Government is ready.

£8 million Clackmannanshire Fund

The recently-agreed Heads of Terms for the Stirling and Clackmannanshire City Region Deal includes an £8 million Clackmannanshire Fund, something which was added into the deal by the UK Government at the last moment. While investment in Clackmannanshire is welcome, the fund is conditional on HM Treasury approving business cases by May 2019, an unprecedented approach that puts particular time pressures on one of Scotland's smallest councils.

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Had we had more notice of the proposed approach from UK Government, my officials could perhaps have worked with their UK Government counterparts to develop an approach that offered more certainty to the Council, however, the fund approach was first mooted only a few days before the Heads of Terms was signed, with the additional HM Treasury constraints only becoming apparent in the last 24 hours.

Not only is this unprecedented, I heard at Committee that the Leader of Clackmannanshire Council has written to the Secretary of State about the £8 million fund and in particular to raise her concerns that a Conservative MP, Luke Graham, has launched a forum, outside the formal governance of the deal, which risks cutting across the Council's own stakeholder engagement. Indeed, the following extract from his web-site would appear to substantiate her concerns:

"Fresh from the signing of the £90m Stirling & Clackmannanshire City Deal, I am delighted to launch the Clackmannanshire Investment Forum – a group designed to help identify opportunities for the £8m Westminster funding assigned to Clackmannanshire as a result of the City Deal. The £8m fund, which is still to be allocated, has a 12 month timeline to identify projects and business cases to fund.

I have invited representatives from Clackmannanshire Council, including office holders and party group leaders, as well as local civic groups, businesses and will be attended by UK government civil servants from the Scotland Office to be part of a group who will be involved in the investment allocation throughout the County."

While I welcome the commitment to support Clackmannanshire I share the concerns expressed at the committee about this approach.

Accountability

The Committee was keen to understand where accountability rests in relation to city region deals, given that they are tripartite agreements between Scottish Government, UK Government and Local Authorities and their regional partners and I have set out the position below.

As I said in evidence, we have established the Scottish City Region Deals Delivery Board as a joint Scottish Government and UK Government Board with responsibility for providing assurance and advice to Ministers from both Governments regarding the current Scottish City Regions Deals programme. Its full terms of reference can be found at:

<https://beta.gov.scot/publications/scottish-city-region-deal-delivery-board-terms-of-reference/>

Given the collaborative nature of city region deals, the funding contribution from UK Government has been allocated into the block grant for the Scottish Government to administer. This is to allow funding from both Governments to be released through a single process to go to the relevant accountable entity for the deal (currently all deals have a local authority as accountable entity, but other options may emerge over time). This approach reflects the focus of the deals, in which both Governments aim to collaborate to coordinate investment in a specific area.

In line with the principles set out in the Statement of Funding Policy, as the UK Parliament has voted for this funding to be devolved to the control of the Scottish Parliament, formal accountability for the use of this funding sits with the Scottish Government, and it is accountable for its use to the Scottish Parliament.

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The Permanent Secretary of the Scottish Government is the Principal Accountable Officer for the Scottish Administration in accordance with section 14 of the Public Finance and Accountability (Scotland) Act 2000. The overarching responsibility for all City Region Deals' public finance therefore rests with the Permanent Secretary.

The Scottish City Region Deal Delivery Board has asked for a formal Memorandum of Understanding to be prepared which sets out formal responsibilities and accountabilities, as well as the more detailed monitoring conditions that are set out in the formal grant offer letters, and I will be happy to share that with the Committee once it has been agreed.

Of course, none of this detracts from the responsibility of the regional partners to deliver the package of investments contained in their deals and to secure the positive economic outcomes that all partners are seeking.

£200 million investment in rail improvements between Aberdeen and the Central Belt

Ross Thomson asked for the current timelines for the investment, when works were expected to start and whether dualling of the track at Montrose is still one of the options under consideration.

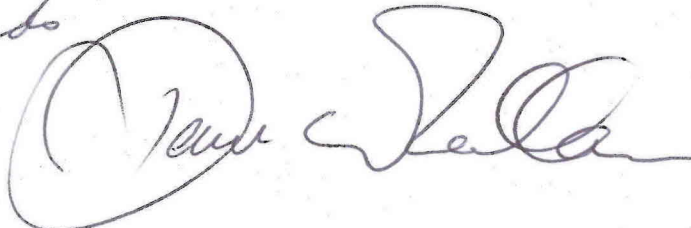
I can confirm that we are progressing the development of potential options to improve capacity and journey times between Aberdeen and the Central Belt and that this work includes a consideration of double-tracking between Usan and Montrose. The work is being progressed in consultation with the Aberdeen to Central Belt Reference Group, members include: Network Rail, ScotRail, North East Regional Transport Partnership (Nestrans), Tayside and Central Scotland Regional Transport Partnership (Tactran), Freight and passenger rail service operators.

Arup, have been appointed to undertake a comprehensive assessment that is expected to identify the optimum package of investment that will secure the best possible return for the £200 million investment.

We believe that good progress is being made. Arup have recently completed the data-gathering phase of their work and are now focusing on producing a report for Transport Scotland detailing the options to improve connectivity and journey times along the entire length of the route. This report is expected in late September and its findings will be considered by the reference group and presented to Ministers before a decision is made on which options to progress towards delivery within the 10 year period of the City Region Deal.

Conclusion

I trust that you will find this further information helpful.

Kindest regards


Paul Wheelhouse

Cc Ross Thomson MP

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