
NORTH AYRSHIRE COUNCIL

17th November 2020

Audit & Scrutiny Committee

Title:	Implications of Audit Scotland Report: Scotland's City Region and Growth Deals
Purpose:	To update members on the findings of Audit Scotland's report on city and growth deals, and North Ayrshire Council's progress in responding to issues arising.
Recommendation:	<p>It is recommended that members note: -</p> <ul style="list-style-type: none">I. The findings of the Audit Scotland report on growth deals, including implications for local authoritiesII. Progress made to develop robust governance and resourcing arrangements

1. Executive Summary

- 1.1 In January 2020, Audit Scotland published a [report assessing city and regional deals across Scotland](#). The report provides context to the Scottish Government's strategy for agreeing and implementing deals across Scotland; how deals are made and give an early assessment of the management, governance and accountability structures at national and local level; and, progress to date, risks and plans to measure the impact of deals. The report sets out a series of recommendations to Scottish Government and councils, to ensure efficiency, effective delivery, accountability and robust risk management.
- 1.2 This report provides details on the findings of the Audit Scotland report – Scotland's City and Regional Deals, alongside information on how North Ayrshire Council's governance arrangements are being developed to meet the recommendations.

2. Background

- 2.1 Audit Scotland published its review of the city and region deals in Scotland in January 2020. The review considered the impact, success, and arrangements for managing and evaluating deals. In summary, the key messages from the report are: -
 - £5.2 billion has been committed so far to supporting economic development in all parts of Scotland through City Region and Growth Deals through UK and Scottish governments, councils and their partner organisations. Four deals have been signed to date and eight are in development.
 - Deals bring additional long-term funding for regional economic development and enable economic development projects that may otherwise not have gone ahead.

Deals have also been a catalyst for increased collaboration between councils and their partners.

- Deals have been developed against an evolving policy backdrop. All individual deals include output measures, such as new jobs created. However, there is no current national standard measure of the long-term success of deals, assessment of value for money, or how deals will contribute to the outcomes in the National Performance Framework. Although opportunities for existing deals to take account of the national outcomes may have already been missed, there is still scope to make sure existing and future deals (i.e. including Ayrshire Growth Deal) contribute to national outcomes.
- Each deal is made up of a number of projects, largely comprising infrastructure improvements. In some instances, Audit Scotland found it is not clear why some projects are selected and approved for funding and others are not; while local communities often have little involvement in the deal process. These factors limit transparency and the ability to hold public bodies to account for their deal spending.
- There is a risk around the capacity of councils and their partners to deliver deal projects against a challenging backdrop for the public sector.

2.2 A number of recommendations are included in the review. The recommendations broadly relate to the requirement to have in place robust governance mechanisms, responding to the following themes: -

- Governance, finance management, risk management (including funding risks), accountability, and review and monitoring arrangements, including partner relationships and securing wide stakeholder engagement in deal development and implementation
- Alignment with economic strategy
- Communication strategy, including with elected members, other stakeholders and communications plans.
- Measuring outcomes to ensure success
- Ensuring sufficient resources are dedicated to project delivery, which build capacity and expertise.

2.3 Of those recommendations, some are either for government, councils, or councils and government jointly to consider. The table in appendix 1 highlights those actions for consideration by North Ayrshire Council and a position statement on the Council's progress in developing and implementing the Ayrshire Growth Deal in relation to those recommended actions.

2.4 As highlighted in the Appendix 1, regional governance arrangements are agreed and operational. The Council's internal governance arrangements are undergoing strategic re-design to address the issues raised in the Audit Scotland report, following in-depth analysis of existing arrangements and stakeholder participation in development of robust governance mechanisms. North Ayrshire Council's governance arrangements are therefore being implemented to meet best practice standard, which should provide assurance that the impact of the Ayrshire Growth Deal investment is being maximised to achieve best value and that risks are being appropriately managed within this context. It is critical to note that the scale and nature of projects, which often have a range of interlinkages with other capital investment projects, particularly geographically, has required systemic change to the Council's strategic and operational arrangements for managing capital investment; and that, in line with recommended practice in the Audit Scotland report, governance arrangements are kept under review to ensure they continually remain fit for purpose. It is intended to report progress on implementation of

the Ayrshire Growth Deal to Audit and Scrutiny Committee annually, with an update to be given in March 2021, alongside a finalised Governance Framework.

- 2.5 It should be noted that Appendix 1 responds to the issues raised from a Council perspective. Some of the recommendations will fall either partly or jointly to the regional Project Management Office (PMO) for Ayrshire Growth Deal to respond to, recognising its role in representing the Ayrshire councils. The PMO is also expected to consider and act on the recommendations in the Audit Scotland report.
- 2.6 The Audit Scotland report identifies that partnership engagement varies across Scottish deals. With reference to engagement with communities, it is anticipated that there will be an extensive programme of community engagement throughout the implementation of the Ayrshire Growth Deal projects – particularly given that they typically form part of a wider programme of capital projects that have significant implications for placemaking aspirations. Community engagement programmes are, and will be, implemented to best practice standard, seeking to maximise opportunities to co-develop and influence the output from initial investment; and this is reflected in governance arrangements, which will roll out engagement programmes in a way that reflects wider programme activity to maximise the effectiveness of engagement process, and reduce duplication and consultation fatigue.

3. Proposals

- 3.1 It is recommended that members note: -
- I. The findings of the Audit Scotland report on growth deals, including implications for local authorities
 - II. Progress made to develop robust governance and resourcing arrangements

4. Implications/Socio-economic Duty

Financial

- 4.1 No direct implications.

Human Resources

- 4.2 No direct implication. Staffing resources related to the required to develop projects have been considered within development of governance arrangements.

Legal

- 4.3 No direct legal implications, however, the proposed governance arrangements, including risk and financial controls, will protect the Council.

Equality/Socio-economic

- 4.4 No issues arising.

Environmental and Sustainability

- 4.5 As part of the proposals to develop projects to full business case, all consenting requirements will be met, including those related environmental assessment requirements.

Key Priorities

4.6 The proposals meet a number of the Council Plan priority outcomes, including:

- North Ayrshire has an inclusive, growing and enterprising economy
- North Ayrshire has active and strong communities
- North Ayrshire is well-connected with effective infrastructure
- North Ayrshire is a sustainable environment
- North Ayrshire is a vibrant, welcoming and attractive environment

Community Wealth Building

4.7 In June 2020, the Ayrshire Regional Economy Partnership agreed that the Ayrshire Growth Deal will be delivered through a community wealth building lens. In fulfilment of this expectations, governance arrangements have been developed to embed considered of community wealth building and to drive out opportunities to deliver against the 5 pillars of community wealth building. Community wealth building and regional skills programmes within the Growth Deal are also being advanced, which will assist the implementation, and impact of projects to be targeted to maximise opportunities to create local community wealth and inclusive growth.

5. Consultation

5.1 No consultation has been undertaken in preparing this report.

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For further information please contact **Neale McIlvanney, Programme Manager**, on **01294 324686**.

Appendix 1 - Audit Scotland: Scotland's City and Region Deals Report Recommendations (*Council and Council/Scottish Government Actions Only*) and Current Status of North Ayrshire Council Governance Arrangements

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	Recommended Action	North Ayrshire Council Progress
1	"work with partners to agree clear and commonly understood lines of accountability, and how information on the progress of deals is reported to elected members and council partners"	<ul style="list-style-type: none"> Regional governance and programme management arrangements in place. (see additional information below) Organisational structure designed to provide dedicated resource and governance. All internal governance structures are active, and under iterative review to ensure that during go live phase, they undergo fine tuning, as required, to ensure they operate optimally. The governance design is intended to give sufficient chief officer oversight of key programme information and involvement in project development phases; to provide consistency in reporting on project overview, risks, finance management and milestones. Internal governance framework at draft stage, having been shaped by ELT and Senior Manage for Risk and Internal Audit. The document is being kept at draft stage, although in operation, to reflect the iterative review of initial governance arrangements. Once governance arrangements are set, governance will be finalised. The document gives oversight of key responsibilities, resources, and all governance arrangements, having been produced in conjunction with relevant services. Additional Information: <ul style="list-style-type: none"> https://www.east-ayrshire.gov.uk/MVC/Committees/Services/Index/411/8 https://www.east-ayrshire.gov.uk/MVC/Committees/Services/Index/412/8
2	"ensure deals are aligned with an agreed regional economic strategy, with input from a wide range of partners, and can demonstrate how they will help deliver national and local priorities for economic development"	<ul style="list-style-type: none"> Regional programme governance and partnership arrangement in place, with key work strand of development of a regional economic strategy for Ayrshire region. The Regional Economic Strategy has been recognised by regional economic partnership as a basis for recovery workstreams. Those themes were also agreed and provide a strategic context to the Ayrshire Growth Deal Programme.
3	"regularly review their governance, monitoring and risk management arrangements to ensure they are clear and operating effectively, and consider the ways that internal audit can provide assurance on this"	<ul style="list-style-type: none"> As above – see 1 – local governance arrangements in process of being established. To be kept under review in perpetuity. Internal audit of final governance arrangements has been undertaken to identify risks and opportunities for enhancement of governance. An annual report to the Audit and Scrutiny Panel will provide updates on substantive project development and governance arrangements.
4	"regularly monitor the risk of partner funding not materialising as agreed and be aware of their own financial implications if that risk is realised"	<ul style="list-style-type: none"> As above – see 1 – local governance arrangements in process of being established. To be kept under review in perpetuity. Roll-out of standard finance and risk management approach, to provide comprehensive approach to management of risk and finance matters.

		<ul style="list-style-type: none"> • Risk and Finance Steering Group meeting established involving projects leads and chief officers to identify and treat risk and explore opportunities to maximise funding sources.
5	“ensure a wide range of partners and stakeholders, including local businesses, voluntary organisations, communities and community planning partners, are involved in the deal development and agreement process and as the deal progresses”	<ul style="list-style-type: none"> • The Council has worked to a methodical approach to engagement with partners, as follows:- <ul style="list-style-type: none"> • Strategic case for project (SBC) is borne out of analysis of policy drivers, strategies and physical assets. Typically, priorities are identified through engagement in the development of underpinning documents • Working towards outline business case stage, close engagement and co-production of detailed proposals with partners (including delivery partners, Project Management Office, finance and legal, Executive Leadership Team, and govt policy leads). • At point of agreement, members, will approve extensive consultation arrangements, and subsequent detailed development of proposals.
6	“consider how they will measure the full long-term impact of the deal and whether it has achieved value for money. This should include consideration of arrangements for collecting and analysing data on different groups in their communities to allow the impact of deals on minority and disadvantaged groups to be evaluated”	<ul style="list-style-type: none"> • The Council is working under the guidance of the Ayrshire Growth Deal Project Management Office to provide consistent economic analysis of projects including detailed project benefit mapping for each of the projects in development. • The Council has worked with the Office of the Chief Economic Advisor to the Scottish Government to ensure economic analysis for all projects is appropriate.
7	“look at how deals affect their longer-term financial plans, capital programmes and borrowing strategies”	<ul style="list-style-type: none"> • The Council has a dedicated finance officer in post to support the Ayrshire Growth Deal Programme, and who sits on all governance boards, and informs business case development. Finance profiles have been informed by this process and factored into the Council’s capital programme refresh (as will occur annually). • Finance leads meet regularly at programme level to understand and respond to profiles issues. • Risk and Finance Steering Group meeting established involving projects leads and chief officers to identify and treat risk and explore opportunities to maximise funding sources
8	“ensure that enough staff, money, expertise and skills are available to develop and deliver deals including sufficient project management capacity and expertise.”	<ul style="list-style-type: none"> • As above – see 1 – local governance arrangements in process of being established. To be kept under review in perpetuity. • An extensive process of understanding staff and support requirements has been undertaken to inform the proposed Governance Framework.
9	“consider how best to make more information publicly available as to the reasons behind key decisions on funding and project selection for signed	<ul style="list-style-type: none"> • All regional governance arrangements are on the host partner’s website and linked via the Council website. Governance documents within North Ayrshire reflect regional arrangements. Following conclusion of deal documents to commit funding, the Project Management Office will review communication strategy, including online presence.

	deals and those still in development, to promote understanding and support effective scrutiny”	<ul style="list-style-type: none"> The Council has run editorial pieces on key development issues that are of public interest and promoted on social media. This will continue, as information hosting and communications plans mature.
10	“improve arrangements for sharing knowledge and learning across deals in the interest of improving the deal process”	<ul style="list-style-type: none"> The Ayrshire Growth Deal Project Management Office has a dedicated web portal to disseminate information to project and policy leads.
11	“regularly review the governance and accountability arrangements for deals to ensure they are clear and operate effectively.”	<ul style="list-style-type: none"> As above – see 1 – local governance arrangements in process of being established. To be kept under review in perpetuity. An annual report to the Audit and Scrutiny Panel will provide updates on substantive project development and governance arrangements.