

# Edinburgh and South East Scotland City Region Deal Joint Committee

**10 am, Friday 1 September 2023**

## **Audit Scotland Briefing: Scotland's City Region and Growth Deals - Progress of the 2020 audit report recommendations**

Item number 5.5

### **Executive Summary**

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In June 2023, Audit Scotland published their briefing: [Scotland's City Region and Growth Deals: Progress of the 2020 audit report recommendations](#)

The briefing looks at progress against 11 of the recommendations made about City Region and Growth Deals in their [2020 report](#), which was reported to this Committee in [March 2020](#). It also sets out some key developments in the regional economic landscape over the last three years.

This report summarises references to the Edinburgh and South East Scotland City Region Deal and the partners' position in relation to each statement.

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## Audit Scotland Briefing: Scotland's City Region and Growth Deals - Progress of the 2020 audit report recommendations

### 1. Recommendations

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- 1.1 To note the summary of the findings of the Audit Scotland briefing: [Scotland's City Region and Growth Deals: Progress of the 2020 audit report recommendations](#)
- 1.2 To note that City Region Deal Programme Management Office (PMO) has carefully noted the feedback and is continually working to improve management processes.

### 2. Background

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- 2.1 In 2018 and 2019, Audit Scotland undertook an audit on City Region and Growth Deals, which was [published in January 2020](#). The overall aim of the audit was to provide an early assessment of how prepared the Scottish Government and councils are for facilitating and delivering Deals. The audit sought to answer three main questions:
  - Is there clarity around City Region and Growth Deals, including their rationale, what partners are involved, level of investment and what they are expected to deliver?
  - Are appropriate governance and accountability arrangements in place to manage and monitor Deals and to evaluate their impact at a national, regional and local level?
  - What progress has been made in relation to City Region and Growth Deals to date and what are the risks to successful delivery?
- 2.2 The report provided an early assessment of City Region and Growth Deals in Scotland, rather than the performance of individual Deals. At the time of the audit, four Deals in Scotland had been signed (regions encompassing Glasgow, Aberdeen, Highland and Edinburgh), with eight further Deals under development.
- 2.3 Recommendations were given for all the City Region and Growth Deals. A report summarising the recommendations all Deals, including an action plan outlining how the Programme Management Office (PMO) would respond to each recommendation was taken to [Joint Committee in March 2020](#).

- 2.4 The [2023 follow-up briefing](#) looked at progress against 11 of the recommendations made about City Region and Growth Deals in their 2020 report, which was reported to this Committee in [March 2020](#) . It also sets out some key developments in the regional economic landscape over the last three years.

### 3. Main report

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- 3.1 The summary of progress across all deals in the briefing is copied below:
- 3.1.1 Overall, there has been good progress against key 2020 audit recommendations. Scotland's City Region and Growth Deals are bespoke packages of funding, which means the governance and partnership arrangements vary across the deals.
  - 3.1.2 Deals are at different stages of delivery, but governance, scrutiny, and risk management arrangements have been strengthened locally and nationally. The Scottish Government and deal partners are closely monitoring the risks to project delivery arising from increasing costs.
  - 3.1.3 Partners are working well together and there is progress with ensuring deals are aligned with wider opportunities to support economic growth for the region.
  - 3.1.4 Deals have made progress with plans to assess the longer-term impact of this investment on communities, but they are at different stages and recognise there is still more they can do in this area.
- 3.2 The briefing's references to the Edinburgh and South East Scotland City Region are summarised below:
- 3.2.1 **Governance and risk:** The briefing cites this City Region Deal's approach to risk where the overall programme risk register is reviewed and updated on a quarterly basis. It is discussed at the City Region Directors' Group every quarter and then taken to the Executive Board for consideration. The top three risks are included in the programme risk register and published every quarter as part of the Joint Committee papers.
  - 3.2.2 **Focus on Regional Economic Partnerships:** The briefing states that in its 2020 report, Audit Scotland recommended that deals should be aligned with a regional economic strategy. It notes that the landscape continues to evolve but currently that five regional economic strategies are in place, which recognise the importance of connecting deal programmes to wider regional goals and policy (one of which is the Edinburgh and South East Scotland Regional Prosperity Framework 2021–2041).
  - 3.2.3 **Building regional governance:** The briefing highlights this Deal's Elected Member Oversight Committee, established in 2021 to provide oversight of the Regional Prosperity Framework and Regional Spatial Strategy, which includes representation from the constituent councils, HE/FE sector, business sector and third sector – as an example of regional partners building on governance structures that were developed for deals.

- 3.2.4 **Benefits Realisation:** The briefing highlights that the Edinburgh and South East Scotland City Region Deal's pilot in 2020 helped the Scottish Government issue guidance to deals on developing and implementing a benefits realisation plan.

## Next Steps

- 3.3 The PMO has carefully noted the feedback and is continually working to improve management processes. There are regular meetings scheduled with both Governments and officers where this issue is considered.

- 3.4 Some examples of existing good practice are:

- 3.4.1 **Benefits Realisation** updates are provided to the Joint Committee on a bi-annual basis (including this Committee meeting). John Scott, who sits on the Directors' Group, has been appointed as Senior Responsible Officer for Benefits Realisation, and Daniel Stevens has been appointed as dedicated Benefits Realisation Officer (BRO). The BRO works closely with Mark Graham, Economist for the Data-Driven Innovation Programme who is a national authority on Benefits Realisation. The BRO is an integral member and active contributor to the PMO Network's Benefits Realisation sub-group. An audit of our Benefits Realisation and reviewing of the tracking of outputs, measures, and change: in line with CRD benefits realisation plan features on the City Region Deal's [forward internal audit programme](#), approved by Joint Committee at the last meeting in June 2023.
- 3.4.2 The top 3 programme **Risks** are reported to each Joint Committee meeting within the Progress Report. A detailed risk register is discussed every quarter at the Directors', Executive Board and Chief Financial Officers' meetings. An internal audit of the Deal's Funding Processes has previously been conducted. This concluded that the control environment and governance and risk management frameworks have been adequately designed and are operating effectively, providing assurance that risks are being effectively managed.
- 3.4.3 The **Annual Report** is a public document and updates the Joint Committee on progress towards key targets. This also forms a separate report to this Committee meeting.
- 3.4.4 **Governance** is regularly reviewed. The last review of Joint Committee standing orders took place in March 2023.
- 3.4.5 **Financial Management.** The PMO's Accountant is establishing a sub-group of the national PMO Network as a forum to look specifically at relevant financial issues (including cost inflation) and share best practice.
- 3.4.6 **Internal Audit:** The PMO undertakes internal audits at least once every two years. An audit of the Integrated Employer Engagement workstream took place earlier this year, which concluded with an overall outcome of "Substantial Assurance". This was [reported to Joint Committee](#) in June 2023. Joint Committee also agreed the Deal's [Internal Audit Work](#)

[Programme](#) in June 2023 which was informed by a review of the City Region Deal's Risk Register.

#### 4. Financial impact

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- 4.1 There are no direct financial impacts to the City Region Deal partners as a result of this report. The Programme Management Office (PMO) will take cognisance of the feedback and will ensure that the necessary changes are made, and adequately resourced.

#### 5. Alignment with Sustainable, Inclusive Growth Ambitions

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- 5.1 Inclusion and sustainability are key drivers for the City Region Deal. Business cases for projects included demonstrate how they will reduce inequalities and tackle the inclusion challenges specific to the city region.
- 5.2 The [City Region Deal Benefits Realisation Plan](#) (BRP) was approved on 4 September 2020. This incorporates indicators that align with the Scottish Government's Inclusive Growth Framework. The impact on equalities, human rights and sustainability will also be measured. A benefits realisation measurement framework was approved by Joint Committee in [March 2023](#), and six-monthly updates on benefits realisation are scheduled. Annual updates are programmed for each of the five themes which will demonstrate the progress of projects in terms of sustainability and inclusion.
- 5.3 Scottish and UK Government have provided joint guidance for project owners on managing potential carbon emissions associated with Scottish City Region and Regional Growth Deal projects. It accords with HM Treasury Green Book requirements and supports the quantification and minimisation of whole life carbon and the identification of potential barriers to achieving net zero. This will form an important part of regular reporting through the Benefits Realisation Plan.

#### 6. Background reading/external references

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- 6.1 [Scotland's City Region and Growth Deals: Progress of the 2020 audit report recommendations \(June 2023\)](#)
- 6.2 [Scotland's City Region and Growth Deals \(January 2020\)](#)
- 6.3 [Audit Scotland Report on City Region and Growth Deals – Report to ESES CRD Joint Committee \(March 2020\)](#)
- 6.4 [City Region Deal: Internal Audit Forward Plan – Report to ESES CRD Joint Committee \(June 2023\)](#)

#### 7. Appendices

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None.